From:	[redacted]
To:	Manston Airport
Subject:	2nd submission re-determination
Date:	28 October 2021 20:56:46
Attachments:	Re-determination 2nd response.pdf I Steer Assessment-of-the-value-of-air-freight-services-to-the-UK-economy-Final-Report-v22-Oct-2018-b-STEER.pdf II Table_15_Freight_by_Aircraft_Configuration 2017.pdf III Table_15_Freight_by_Aircraft_Configuration 2020.pdf IV Interim-Strategic-Plan KCC.pdf IX 2B-Post-Brexit.pdf VI 1A - Policies.pdf VII 1B - Benefits.pdf VIII 2A-Effect-of-Covid.pdf X 3-Sixth-Carbon-Budget.pdf

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I have attached the appendixes as pdf's however RSP's submission included a piece about "The London Plan" which I have mentioned. This plan is 54meg which is too big to upload so I have included the link for the download. If you want to download it for attachment go ahead.
Please confirm receipt
Barry James

[redacted]

CONSULTATION ON THE INDEPENDENT AVIATION ASSESSOR'S DRAFT REPORT AND THE REPRESENTATIONS RECEIVED ON THE STATEMENT OF MATTERS

The Secretary of State invites representations from the Applicant and any Interested Party on the independent aviation assessor's draft report. (Part 1)

The Secretary of State now invites submissions from the Applicant and any Interested Party on the representations received in response to his First Round of Consultation. (Part 2)

Part 1

A Brief history

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

Following this decision the SoS decided to ask the Applicant and Interested Parties to submit information to help formulate a report to be brought forward by Independent assessors Ove Arup & Partners Ltd.

This report has now been published in a draft format and can be found here:

Ove Arup report

This report has been accepted by those opposed to the cargo hub however Riveroak Strategic Partners, the applicant, has decided that it is unacceptable. This isn't surprising as the report's conclusions do not benefit their alleged case for a cargo hub and completely agrees with the original examination report. In fact they have released a press announcement that shows just how unfit for business they actually are.

Press release RSP 22/10/2021

Having read the Assessor's report – which didn't take long – it is clear that it is an amateur and poorly constructed report. Setting aside the numerous grammatical errors and typos – not to mention the reference at para 1.3 to a section on the sixth Carbon Budget that the author has then

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apparently forgotten to even write – the content of this report does not address the broader strategic need case set out in the Secretary of State's original decision letter and is little more than a by-the-numbers review of the Examining Authority's previous report, and series of opaque assertions using pre-2019 data, with little or no detailed analysis or reasoning behind any of the conclusions drawn.

To be honest, we have come to the conclusion that someone has accidentally sent an unfinished draft to the Department of Transport.

For a report designed to inform the Government's decision making on the nation's long term global airfreight capacity needs, the thinking behind it appears firmly stuck in a pre-COVID past. It takes no account of the need for greater resilience in our logistics infrastructure the pandemic has highlighted, the permanent disruption to the traditional 'just-in-time' business model that has occurred – and the requirement for enhanced cross border trading infrastructure required to address this – nor even the constraints at existing airports pre-COVID that will re-appear as the industry recovers and will only get worse in the medium to longer term. The report therefore neither defines or deals with the need for Manston and pays absolutely no attention to the big picture strategic requirements of the UK in a post-pandemic, post-Brexit global market.

As aviation propositions go, Manston is unique – because it will be built to be Carbon Net Zero from scratch, providing a model for future airport planning. It represents a perfect opportunity for the UK Government to demonstrate how it can deliver on its commitment to grow the aviation sector, whilst still meeting its decarbonisation targets, a model approach which UK expertise can then export around the world. It also provides the prospect of becoming a flagship levelling-up project, by providing much needed economic and employment stimulus to one of the UK's most deprived areas – yet none of these considerations even feature in the report. Lower GDP will lower air freight demand? How about trying to increase GDP by increasing trading opportunities?

Effectively, this report concludes that the Secretary of State should look in the rear view mirror to try and plan the future. How embarrassing. We need to be looking forward to a new, decarbonised aviation industry, serving the UK's global trading and levelling up ambitions. We will be responding in depth, in due course.

[redacted]

My thoughts

Firstly RSP's response is calculated to anger the authors of the Ove report forgetting that is only a draft report and also forgetting that they were acting under the direction of the Department of Transport and have looked at the specific areas that the SoS asked them to examine, namely:

1. *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;*
2. *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);*

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3. *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 my opinion the Ove report adequately covers these areas however in fairness they paint RSP's DCO application in a very poor light which isn't surprising seeing as their only Aviation report, written by Dr. Sally Dixon (Azimuth) cannot even confirm their whole business plan was viable. As an aside Manston had its commercial enclave in 1959 and has never had a commercial viable business operating from it. From 1959 to 1998 it was massively subsidised by the RAF and thereafter its sale Wiggins/Planestation went into receivership in 2005, then Infratil (who bought it from the receiver for £17M, failed to make a profit and tried to sell the site for 22 months with no takers until Ann Gloag bought it in 2013 and closed it the following year because she was losing £10000 a day.)

Ove's conclusions cover all the above areas.

6 Conclusions on the Need Case for Development

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.

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These conclusions closely align with the other 10 reports, which form part of my 1st submission to the re-determination assessment, and the further submissions from York Aviation (as appendix I) and Alan Stratford associates (as part of Ramsgate Town Council submission) which all say the same Manston is geographically challenged, has little infrastructure and is poorly served by road links. It has no rail head for freight and isn't on the fuel pipeline. These last two also call a lie to RSP's assertion that *"As aviation propositions go, Manston is unique – because it will be built to be Carbon Net Zero from scratch, providing a model for future airport planning*" simply because any HGV's moving freight to and fro from the airport would have to travel extra miles to get to the Midlands (or Heathrow) where most transhipment centres exist within the "Golden Triangle" along with the extra fuel bowsers needed to service the airport as the current aviation pipeline terminates on the Isle of Grain some 60 miles away with the nearest refinery at Canvey. Then there is the small matter of discounting any aircraft using the airport to achieve "Carbon Neutrality".

RSP's response, I suspect, was aimed, not at the SoS re-determination, but at their blinkered supporters and at their potential money men who, it seems, are backing the wrong horse. This last is confirmed in their re-determination submission "*Securing planning permission now would bring benefits associated with providing airline operators, as well as to other prospective investors, with significantly greater certainty regarding their ability to grow [at Stansted], secure long-term growth deals and expand route networks, potentially including long haul routes*" (page 8 para 3)

In a Post Covid world it is hard to see any changes in behaviour that would alter the basic facts that transporting goods across the world would remain the same due to costs. The majority of goods enter the UK via container ships through ports such as Felixstowe, Southampton, London Gateway and Immingham. Then we have HGV containers via Ro-Ro such as Dover and TransManche at Folkestone, and as OVE Arup state since 2009 Airfreight comes in last at just 1.5% with little change in that % for at least 10 years and even in 2020 when passenger bellyhold collapsed and more freight went on dedicated freighters (Cargo Air Transport movements CATM) the total of airfreight actually **dropped** by 21%. Even in 2020, during all the lockdowns, when E-Commerce sky rocketed airfreight dropped by one fifth. This makes their assertion "*It takes no account of the need for greater resilience in our logistics infrastructure the pandemic has highlighted, the permanent disruption to the traditional 'just-in-time' business model that has occurred – and the requirement for enhanced cross border trading infrastructure required to address this*" look rather foolish in the extreme.

It will also pay RSP to remember changes to people's buying habits do not change the quantity of goods purchased nor indeed will it change the way business operate as Covid is a "bump in the road" compared to Post Brexit life in the UK

Brexit

The ramifications of post Brexit trade are still being worked through however businesses are pragmatic and their view of airfreight will not change until it becomes cheaper to fly the goods in rather that use container vessels. (This is unlikely in the extreme) So long term there will be no change as airfreight will still be a niche market amply served by current airports such as Stanstead (still 1/3 underutilised for airfreight) and East Midlands currently with capacity sufficient to cover the level of need and as passenger routes reopen Heathrow will grow the bellyhold offering. Any slack will be taken up as other airports realise they can utilise spare load space in passenger holds as Southend, Luton and Manchester are trialling currently.

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Airfreight is still the fastest way to fly high priced low volume goods to the UK such as electronics along with vegetables, fruit and flowers from Africa (they have issues with trucking freight to ports for transhipment) that will not change. As an example of how much cheaper road transport is rather than airfreight post Brexit produce from Ireland to the EU now travels on ferries to France and Holland whereas before they would have used the UK as a land bridge crossing from Dublin to Dover then onto Calais in HGVs. The crossing may be longer but it is still cheaper than airfreighting it to Schiphol or Liege.

Currently in a post Brexit, post Covid world businesses are still reviewing their manufacturing base and have to decide whether to employ more staff and hope consumers will increase their purchasing however there are demographic issues here in the UK with an aging population and increased inflation, higher wages will be needed to employ the fewer working age population. We, in the UK, are seeing shortages in doctors, nurses, HGV drivers, fruit pickers, farm and abattoir workers, along with tradespeople this will push up wages at the cost of inflation which, hopefully only in the short time, will lead to higher costs and less goods needed as buying decisions will be postponed. The Bank of England has already indicated base rates will rise again leading to higher costs for business and consumers.

Riveroak make much in their submission that they don't need to "prove" need however without need who will use the airport and other than the construction phrase who will work at the site?

Need & Forecasts

e. There is no requirement flowing from national aviation policy for individual planning applications for development at MBU airports to demonstrate need for their proposed development or for associated additional flights and passenger movements (paragraph 17).

f. Whilst footnote 6 to the decision states that this conclusion is reached notwithstanding conclusions in relation to Manston Airport which the Inspectors stated was not comparable to the Stansted proposal (being a DCO scheme, involving an unused airfield for cargo-led proposals rather than for passengers), it is worth noting that MBU policy is not specific in stating that making better use of existing runway capacity should be solely for the purpose of increasing passenger capacity in the system, nor is it specific in naming at which airports this policy applies..

Need and viability seem on the face of it to be Riveroak's Achilles heel which is just why they want to ignore it. There are a number of relatively new build airports around the world where someone thought it a great idea but which today are mothballed. Google "white elephant airports"

There must be a "need" for reinstating Manston and the business plan has to be profitable in the long term. RSP needs to understand that both Covid and Brexit are bumps in the road, Covid short and Brexit undoubtedly longer but Manston certainly isn't a long term solution for airfreight. In fact Riveroak in 4 years hasn't even found a solution to appease the Ministry of Defence over the HRDF.

Airfreight

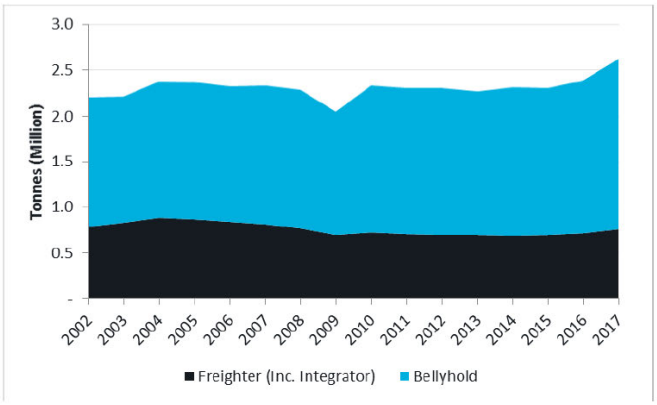
I make no apologies for reviewing all the facts around airfreight in the UK again. There is no doubt that the value to the economy via imports and exports is huge however the volume of goods carried has hardly changed for 15 years (remember Riveroak is only interested in the smaller niche market of air freighters and has expressly stated it does not wish to deal in bellyhold freight which it leaves

to Heathrow, where much of the bellyhold airfreight is carried). This graph from the Steer report 2018 explains visually the growth in belly hold and equally shows the stagnant growth in pure cargo freighters.

Volume growth

3.6 Figure 3.2 shows the development of total UK freight volumes in the last 15 years. Aside from the decline in 2009 due to the fallout from the financial crisis, total volumes have remained relatively flat, growing with a compound average growth rate (CAGR) of +1.2% over the 15-year period with volumes only surpassing the pre-crisis peak in 2016.

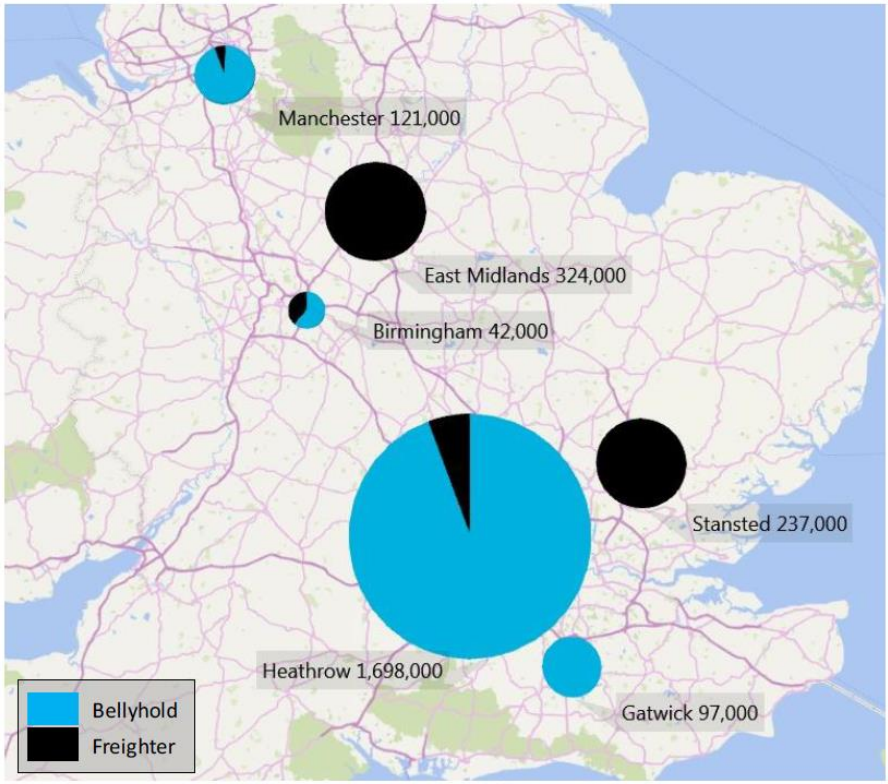
Figure 3.2: UK freight volumes, Million Tonnes (2002-2017)



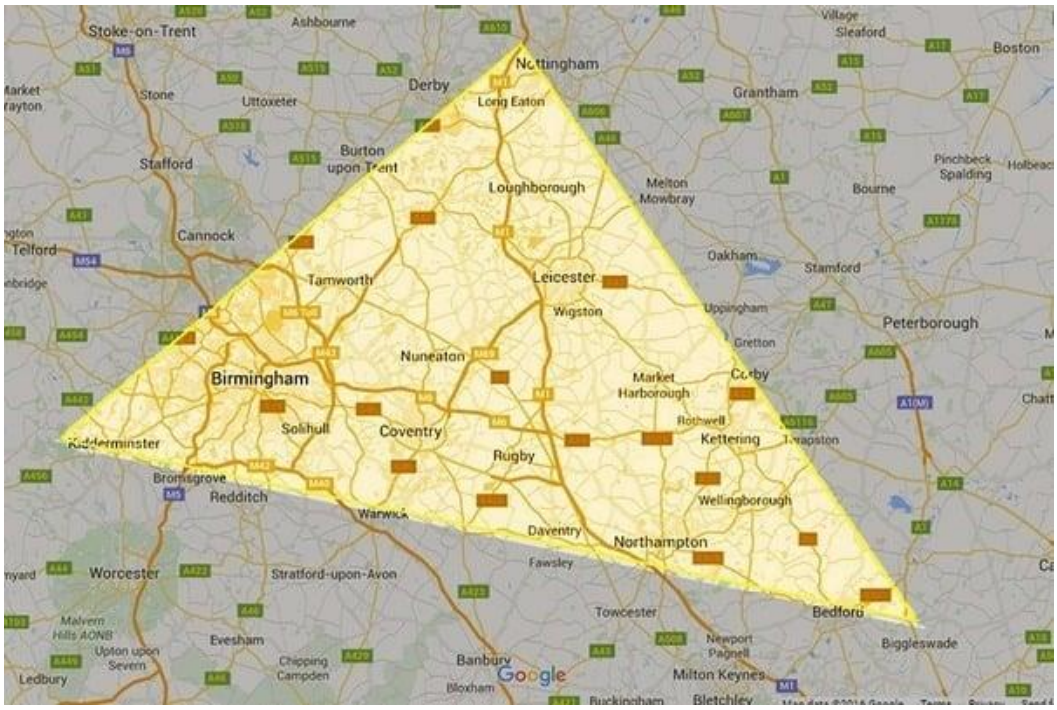
Source: CAA

This second graph from the same report shows which UK airports handle both volume and type

Figure 3.1: Freight volumes at six largest UK airports, tonnes (2017)



They also show the distribution of said airports and where the centre of the UK distribution hubs are situated in a triangle between Heathrow, East Midlands and Stanstead. There is a very good reason why the warehousing and distribution hubs lie in the centre of the country and not in Cornwall or East Kent.



And that is because you need space, motorway networks, and a workforce all of which is available in the Midlands and not in areas like Cornwall and East Kent.

I'd like to quote from the esteemed Ramsgate Society which is made up of people that only wish the best for Ramsgate and the wider East Kent area. They said:

"There is a world of difference between "want" and "need". Want is about desire and aspiration, Need is something required, where a deficiency causes a clear adverse outcome. There are those in Thanet and beyond, including politicians, whether consciously or otherwise, are content to conflate the two. A "wish" is based on feeling and emotion, "need" is tangible, measureable and evidence based.

The key factor in this (debate) is "need"

If the DCO is approved and the development goes ahead it will inevitably be a business failure because fundamentally there is no market need, however much sections of the population may wish for airport jobs and cheap convenient continental air travel that will not trump stark commercial realities. The project is being touted on a false prospectus.

Not wishful thinking, not agreeing the DCO in the mistaken belief that "If we build it business will come". They have tried this in the EU, Africa and China and those airports are sitting built but unloved gathering dust.

<u>Competition</u>

Should the decision to grant the DCO be given then it will be at least 2-3 years before a single air freighter lands. Time enough for Covid to be gone, time enough for Brexit bumps to be ironed out

and time for the UK GDP to make a recovery (forecast for GDP to drop by 4% next year) however what will not change is the way both Stanstead and the East Midlands will grow their business share. As I have pointed out both of them are better placed than Manston but what they aren't doing is standing still. One of the gripes from those who use airfreight is the outdated infrastructure at airports mentioned in the Steer report), both are intent on building more modern facilities.

East Midlands

East Midlands Airport

4.52 East Midlands Airport, the UK's principal airport for pure freighter activity, has seen further development of its facilities and the immediate surrounding area, which will ultimately affirm its leading position in the UK air freight market.

4.53 In February 2021, UPS opened an expanded facility over 100,000m^2 in size that replaced its smaller facility at the Airport. Adjacent to the airport site, a new logistics park has been developed that will offer a total of over 500,000m^2 of accommodation for logistics firms when its final development phase is complete. The development, named East Midlands Gateway, features direct access to north-south and east-west motorways and trunk roads, in addition to a purpose-built rail freight facility. Current tenants of East Midlands Gateway include Amazon, DHL, XPO Logistics and Kuehne+Nagel. The proximity of the Airport to the East Midlands Gateway will further cement its position as the UK's pre-eminent air freight distribution hub outside of Heathrow. The Airport's Sustainable Development Plan 2015, which remains current, projects cargo growth from 422,000 tonnes to 1.2 million tonnes with facilities planned to accommodate that growth[42].

4.54 The unparalleled location of East Midlands Airport is a key factor for logistics firms establishing operations in the area, but the attractiveness of the location has been further enhanced by the area's designation as a Freeport based around the Airport. On 3rd March 2021, the Government officially announced that East Midlands Airport and designated sites within the immediate surrounding area would benefit from Freeport status that would allow the import and export of goods without paying tariffs, in addition to a range of other benefits including forms of tax relief. The Airport has indicated that the granting of Freeport Status would be likely to bring forward its cargo expansion plans.

4.55 This confirms our view that Manston, located where it is, would be highly unlikely to offer any competition to East Midlands in terms of attracting express and integrator operations on any scale and upon which the freighter aircraft movement forecasts presented by RSP relied for 48% of the aircraft movements[43].

Stanstead

Stansted is the second largest airport for dedicated air freight in the UK, amounting to a substantial 28% share of that market in 2019 (see Table 1). In normal times it is a very significant player in the low cost passenger flight market. In that particular sector bellyhold cargo makes a minimal contribution. Its current market share is achieved through dedicated air freight.

Further growth in cargo capacity is expected through the development of more long haul services offering bellyhold capacity, building on the success of the Emirates operation. The latest cargo forecasts for Stansted indicate that it expects to handle up to approximately 375,000 freight tonnes per annum. This is slightly lower than our previous estimate of 400,000 tonnes taken from the Airport's Sustainable Development Plan.

Stansted is currently served by 5 cargo airlines as well as 14 scheduled and charter passenger airlines. (York Aviation)

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On 26th May 2021, Stansted won its planning appeal to increase passenger capacity. The decision grants planning permission for two new taxiway links to the existing runway, six additional remote aircraft stands and three additional aircraft stands. Prior to the pandemic Stansted had just short of 10,000 cargo ATMs (Air Traffic Movements) to spare they were unable to fill due to lack of demand. These were traded internally to allow 4,000 additional passenger ATMs. This is clear evidence that the unsubstantiated claim by RSP that there is a critical shortage in UK airport cargo capacity is a fallacy.

In 2019 Stansted held a licence for 274,000 ATMs of which 16,000 were cargo ATMs. In that year the traffic actually comprised 172,939 passenger ATMs and 10,208 cargo ATMs.

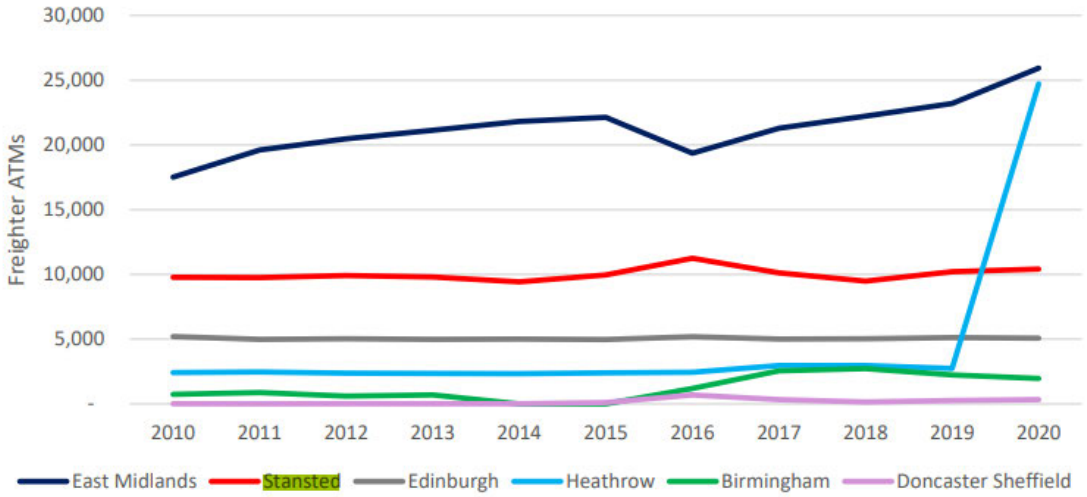
In 2020 the latter remained stable at 10,406 cargo ATMs. During each of those two years there were over 5,000 cargo ATM slots that went unused. The evidence is quite clear and unambiguous - there is no shortage of capacity in the sector as RSP assert.

Resilience

It becomes apparent that despite air cargo volume decreasing by 21% due to less demand the airports which lost passengers didn't lose out as they used their slots for pure freighters and as passengers return in 2021 this has already reversed the growth of pure freighters.

4.19 **Figure 4.4** below presents freighter aircraft movements at the principal UK airports that handle air cargo over the last decade.

Figure 4.4: Freighter Aircraft Movements at Key UK Airports Between 2010-20



Source: CAA Statistics

E-commerce and Amazon

As indicated in the PINS report, the express freight integrators and e-commerce suppliers prefer to be based at a centrally-located cargo hub such as East Midlands or Stansted. Amazon Air has an established base at East Midlands Airport but has, since 9 July 2019, introduced night flights via Southend Airport. We see no possible future opportunities for Amazon Air or any other e-commerce or express freight operators to be based at Manston, particularly in view of the Applicant's

commitment not to operate any night flights. RSP talk about a fulfilment centre in Dartford however they have other centres around but still land their aircraft at East Midlands for reasons discussed above.

Conclusion

It is frustrating going over the same ground time after time however it is now past time when this entire project is laid to rest.

RSP say they have £400M from unknown investors with which to build an airport. **Is this a reality?** Those in business are confused as to how these investors will ever get a return on their money especially as Anthony Freudmann has already indicated RSP will not run the airport.

RSP's beneficial owners are HLX Nominees based in either Panama or the British Virgin Islands (dependent on who you believe) both are tax havens with secretive ownership rules so who is behind this enterprise is unknown and unknowable.

Covid is a temporary problem much like the 2009 crash. Brexit may be a longer problem but this country is resilient and import/export issues will be resolved.

Shipping goods has a cost. The cheapest but slowest is shipping but still by volume over 90% is shipped in containers, HGV haulage is the next cheapest but mainly used for short haul (500 miles) then comes belly hold, followed lastly by pure freighters (incidentally the only market RSP are trying to win).

Can the Secretary of State for transport (or his deputy as he has recused himself) finally put this wounded animal out of its misery and let life sort itself out in Thanet for once and for all?

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Part 2

RSP's response to the re-determination. Report here Redetermination Report

Response to Annex 2

Annex 2: current planning policies affecting need including changes since 9 July 2020

4. Annex 2 covers the first matter on which the Secretary of State invites further submissions, i.e. the first bullet point in paragraph 3 of his letter of 11 June 2021. Its conclusions are as follows:

   a. national policy remains 'making best use' of existing runways, subject to environmental considerations, and Manston's is an 'existing runway';

   b. Kent County Council issued their Interim Strategic Plan in December 2020. Their priority actions to address economic challenge include bringing forward infrastructure projects to stimulate economic growth and empowering people with the right skills to compete and succeed;

   c. a revised London Plan was adopted in March 2021. Although Manston Airport is outside London, the plan gives policy support to the provision of dedicated freighter capacity and to using waterways such as the River Thames, which this development is uniquely able to do via Ramsgate; and

   d. the Thanet Local Plan was adopted on the same day as the decision on the Manston Airport DCO application was taken, 9 July 2020. It has an objective to create employment and training (Strategic Priority 1) and safeguards the airport site for aviation uses (policy SP07) which now carry more weight now the plan is adopted. Thanet District Council is now updating its plan, expected to conclude in 2023.

a. National policy stated that the runway is in use otherwise the ANPS would make little sense. RSP argued that as a dormant airport with no extant facilities the DCO target of 10,000 atms should be counted from zero so as to comply with a Nationally Significant Infrastructure Project. It seems a little rich to now say the runway is in use.
b. This is factually correct however Manston doesn't even get a mention and previous reports from Kent County Council have stated that plan B is now what is required for Manston. In fact as the screen grab states KCC only mention the Lower Thames Crossing, Ebbsfleet Garden City and the London Resort. (appendix IV)

Bring forward infrastructure projects to stimulate economic growth

- Progress the Infrastructure Proposition with Government to leverage national investment in the infrastructure, quality housing and economic development the county needs.
- Maximise the benefits of major capital investment projects into Kent, such as a Lower Thames crossing, Ebbsfleet Garden City and the London Resort development.
- Develop a pipeline of 'shovel-ready' infrastructure projects to act as a catalyst for the construction industry which also deliver a step-change in green infrastructure, helping Kent deliver its zero-carbon ambition.

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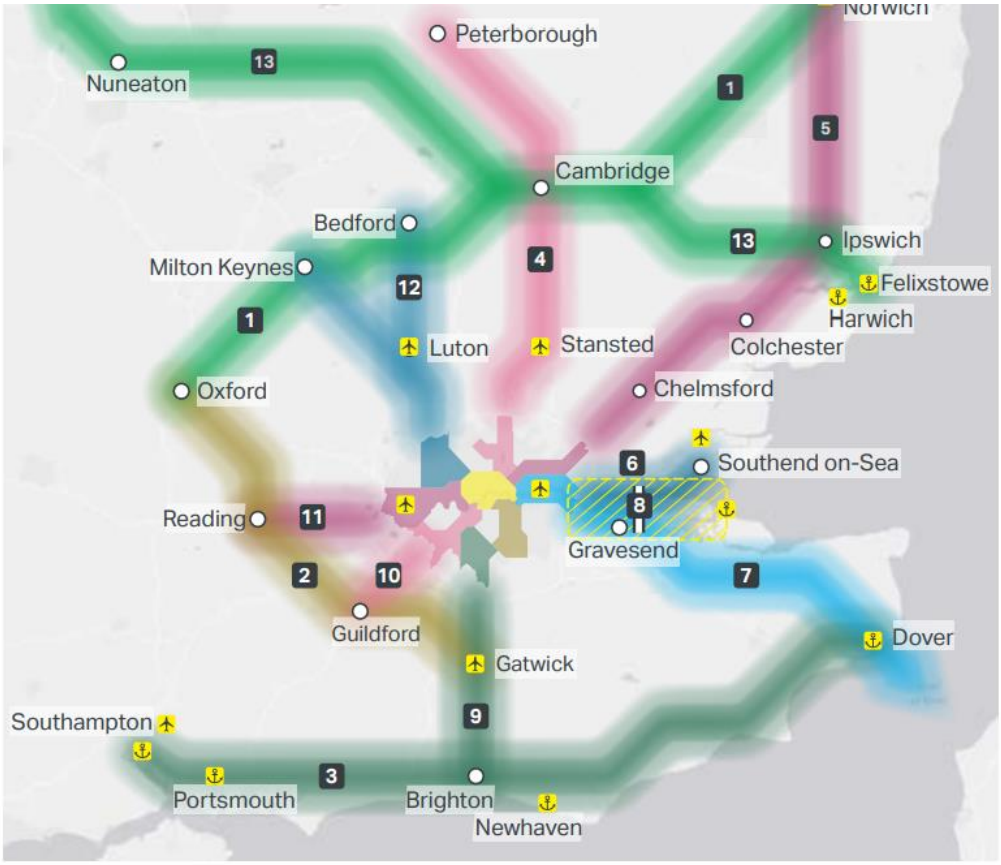
c. The London plan can be downloaded here [redacted]

Taken from this plan is a map showing areas in the South East which form part of the proposed infrastructure usage. You will note Manston and the wider East Kent area doesn't form part of the London Plan at all. (The Plan is appendix V.)



Strategic Infrastructure Priorities

- Airport
- Port
- Thames Estuary Ports
- London Growth Areas

Source: Wider South East Partnership

In fact buried within the plan is a series of bullet points which clearly shows that only existing airports form part of this plan.

CONSULTATION ON THE INDEPENDENT AVIATION ASSESSOR'S DRAFT REPORT AND THE REPRESENTATIONS RECEIVED ON THE STATEMENT OF MATTERS

10.8.1 **London's airports form part of a single wider aviation system** whose impacts are felt across local authority boundaries. This policy therefore establishes a strategic approach to aviation within London and provides guidance for decision takers outside of London. The primary focus of the policy is the planning system, but it also serves to inform other processes, such as the development of Airport Masterplans, as well as wider discussions with stakeholders.

10.8.2 London's major airports provide essential connectivity for passengers and freight, support vital trade, inward investment and tourism, generate prosperity, and provide and support significant numbers of jobs. The aviation industry must fully address its **environmental and health impacts**. Government and industry must also recognise local communities' concerns about aviation noise and pollution, consult fully with those affected, and use new technologies to deliver tangible reductions in noise exposure and pollution.

10.8.3 It is important, in the first instance, to **make best use of existing airport capacity**, which fast, frequent, sustainable surface access can support. Opportunity Areas with excellent airport rail connections can serve as airport gateways and be the focus for new development, in turn helping meet London's need for new homes and jobs. Any airport expansion proposals should not be at the expense of London's environment or the health of its residents. Heathrow airport's current operations are already a cause of concern for hundreds of thousands of Londoners, with its significant noise impacts and contribution to illegal levels of air pollution.

10.8.4 Any airport expansion proposals should only be taken forward on the basis that **noise impacts** are avoided, minimised and mitigated, and proposals should not seek to claim or utilise noise improvements resulting from technology improvements unrelated to expansion. Nor should expansion result in significant numbers of new people being exposed to new or additional noise harm.

10.8.5 Any airport expansion proposals should not worsen existing **air quality** or contribute to exceedance of air quality limits, nor should they seek to claim or utilise air quality improvements resulting from unrelated Mayoral, local or national policies and actions. Airport expansion should also incorporate air quality positive principles to minimise operational and construction impacts.

10.8.6 The Mayor will therefore strongly oppose any expansion of Heathrow Airport that would result in additional environmental harm or negative public health impacts. Air quality gains secured by the Mayor or noise reductions resulting from new technology must be used to improve public health, not to support expansion. The Mayor also believes that expansion at Gatwick could deliver significant benefits to London and the UK more quickly, at less cost, and with significantly fewer adverse environmental impacts. Stansted Airport will, in due course, be able to make better use of its single runway following the raising of its flight cap, alongside appropriate environmental mitigation. London City Airport is working to upgrade its passenger facilities and enhance operational efficiency in conjunction with the introduction of additional environmental mitigation measures and what amounts to a reduction of its maximum permitted number of movements. Luton and Southend airports are also undertaking substantial upgrades of their terminal facilities.

10.8.7 Any airport expansion proposals must show that **surface transport networks** would be able to accommodate the additional trips they would lead to. It will not be sufficient to rely on schemes designed to cater for background growth such as the Elizabeth line, Thameslink and Crossrail 2. If significant airport expansion is to be accommodated sustainably and not lead to additional road traffic movements, this will require major investment by the airport authority and central Government in new infrastructure, particularly rail, in order to deliver the necessary additional capacity and connectivity.

10.8.8 The **aviation impacts on climate change** must be fully recognised and emissions from aviation activities must be compatible with national and international obligations to tackle climate change. The implications for other sectors and other airports must also be fully understood when expansion proposals are brought forward, and aviation greenhouse gas emissions must be aligned with the Mayor's carbon reduction targets.

10.8.9 **Air freight** plays an important role in supporting industry in London and the UK, and the provision of both bellyhold and dedicated freighter capacity should be

an important consideration when plans for airport development in the south east of England are taken forward.

10.8.10 General and business aviation, typically utilising smaller airports, can complement and help sustain London's economy. However, the introduction of **scheduled flights** at such airports can significantly impact local communities, and scheduled flights should therefore normally operate from London's major airports which also tend to have much better surface and public transport networks in place.

10.8.11 The regime governing **helicopter flights** over London is outdated and requires urgent review by the CAA. The noise impacts from helicopters can be considerable and there are also concerns about the local air quality impacts around heliports. An updated regime should take full account of London's spatial growth and changes in technology to reduce noise and other environmental impacts, as well as safety risks. Steps should be taken to reduce helicopters overflying London.

d. Whilst it is correct to note that the Thanet Local plan has been adopted it is disingenuous to state that "***and safeguards the airport site for aviation use (policy SP07) which carries more weight now the plan has been adopted***".

Policy SP07's wording has become a mantra for those that support RSP however what many of them deliberately misunderstand is the paragraphs that immediately precede the policy wording. In full:

Manston Airport

1.38 The Council recognises that proposals are being put forward by River Oak Strategic Partners for an airport operation at the site, through a proposed development consent order (DCO), pursuant to the Planning Act 2008. The application is before the Secretary of State for consideration and the proposals are subject to thorough scrutiny as part of this process. A DCO, if granted, would give consent for the project in recognition of its national importance and may also include authorisation for the compulsory acquisition of land to assist in the achievement of its objectives.

1.39 If a DCO for Airport use is granted, the early review of the Plan will need to take this into account as well as its implications for other policies in the Plan and consequential land use considerations. In the event that the DCO is not granted or does not proceed, the Council will similarly need to consider the most appropriate use for the site as part of the early review.

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.

It is very clear from the wording the aviation protection is solely dependent on the final DCO decision and does not grant protection in perpetuity. In fact to do so would be illegal under planning Law, Clearly RSP are hoping that the SoS doesn't read the wording **"In the event that the DCO is not granted or does not proceed, the Council will similarly need to consider the most appropriate use for the site as part of the early review"**. In 2017 the UKIP administration were in a similar position without any aviation reports stating the site was viable for aviation and Riveroak themselves being unable to provide assurances they had the wherewithal to indemnify the Council when acting as CPO partner. They took the decision to nominate the land as "mixed use" in the draft local plan.

This decision led to 13 UKIP councillors defecting handing control of the council to the Tory Party. In my opinion planning issues should be based on facts not politics but sadly in Thanet that isn't always possible.

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Response to Annex 3: Need

Bearing in mind all statistics are obviously historic in nature simply because no entity is in a position to foretell the future it is down to an interpretation of these figures to give an insight into future trends.

It is also easy to get facts and figures and quote them totally out of context to prove whatever you want so let us start by accurately describing Riveroak's business plan such as it is.

Firstly in submissions to the Examination and Verbal statements Dr. Sally Dixon and Anthony Freudmann have confirmed they are asking a DCO to be granted based on a Nationally Significant Infrastructure Project that will provide an additional 10000 Cargo air traffic movements. Because without it being in addition to current provision elsewhere it would not be Nationally Significant.

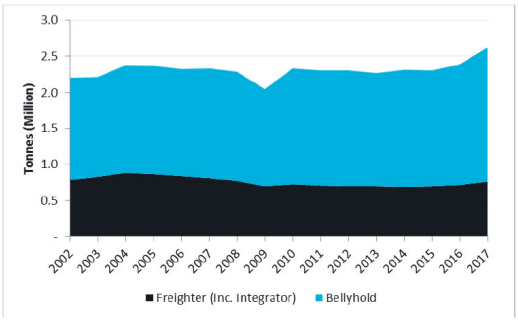
So what Riveroak are proposing is an additional 5000 flights of pure freighter aircargo over and above that which is already provided elsewhere and that there is a quantifiable, measureable need for these 5000 flights (for those unsure of the difference between 10000 Catm and 5000 flights they are exactly the same). What Riveroak has attempted to do in Annex 3 is to use statistics out of context to show there is a need for Manston however keeping to the facts that are relevant to the UK freighter market it is relatively easy to see that the facts that matter show that even despite Covid and Brexit the market they hope to gain market share in is comfortably met within the current operational airports who all have additional capacity to take pure aircargo freighters. The rest is pure verbiage to confuse the reader.

From the Steer report the level of pure freighters bringing aircargo hasn't changed in 15 years, this is simply a result of the cost of flying aircraft cargo and opposed to the offset cost of cargo in bellyhold of passenger planes. During Covid and the massive decrease in passenger numbers the number of pure cargo freighters has increased but aviation experts simply do not believe this will continue and the actual drop in aircargo volume by 21% in 2020 would endorse their expertise.

Volume growth

3.6 Figure 3.2 shows the development of total UK freight volumes in the last 15 years. Aside from the decline in 2009 due to the fallout from the financial crisis, total volumes have remained relatively flat, growing with a compound average growth rate (CAGR) of +1.2% over the 15-year period with volumes only surpassing the pre-crisis peak in 2016.

Figure 3.2: UK freight volumes, Million Tonnes (2002-2017)



Source: CAA

This graph clearly demonstrates the amount of tonnage carried by aircraft in the UK and the difference between pure freighters and Bellyhold in passenger aircraft with the last year shown as 2017. Now come forward to 2020 the last year where a full year of statistics are available and then

compare. Clearly because of the temporary nature of the massive drop in passengers should integrators need to move cargo they have little choice but to use pure freighters at an increased cost. In the chart below based on CAA figures there is a marked short term difference however what is clear is that Covid and possibly Brexit has led to a 21% decrease in tonnage carried in aircraft.

(Figures taken from appendixes II & III)

Volume of freight carried by aircraft comparison between 2017 and 2020

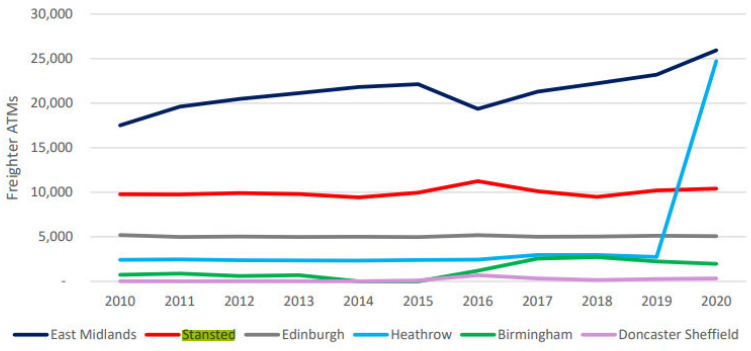
London airports and East Midlands	2017			2020		
	Bellyhold	**Freighters**	**Total**	**bellyhold**	**freighters**	**Total**
Heathrow	1603563	96898	1700461	679754	466556	1146310
Stanstead	0	236892	236892	3263	251310	254573
East Midlands	0	324216	324216	11	381942	381953
Totals	1603563	658006	2261569	683028	1099808	1782836
UK totals	**1861759**	**760737**	**2622495**	**766149**	**1236037**	**2002186**
%	86.13%	86.50%	86.24%	89.15%	88.98%	89.04%

In both comparisons Heathrow, Stanstead and East Midlands carry nearly 90% of all aircargo leaving little room for a newly created airport at Manston. Both East Midlands and Stanstead have capacity for more cargo atms, in fact Stanstead, with its reduced CATM of 16000 annually only uses 2/3rds of that lower Catm account currently.

Using the figures from 2017 and comparing them to the pandemic year of 2020 pure freighters grew their share from 25% to 55% and bellyhold decreased from 61% to 34% yet Stanstead only increased its market share from 9% to 13% and East Midlands from 12% to 19%. Heathrow which normally accounts for 65% of aircargo only dropped to 57% by changing their modus operandi to accommodate slots for pure freighter aircargo. Which proves that that in a time of crisis the air industry is far more resilient than RSP gives them credit for.

4.19 **Figure 4.4** below presents freighter aircraft movements at the principal UK airports that handle air cargo over the last decade.

Figure 4.4: Freighter Aircraft Movements at Key UK Airports Between 2010-20



Source: CAA Statistics

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Even today 26/10/2021 Heathrow has reported cargo figures have reached 90% of pre-pandemic levels for Q3.

Figures from the Ove Arup draft report show that the predominant mode of aircargo transport is bellyhold and this is a reflection of the cost differential between a pure freighter where all the cost of the movement is on the shoulders of the cargo and bellyhold which is substantially cheaper simply because the flight costs are shared between passengers and freight

Table 1: Total tonnes lifted by cargo aircraft and bellyhold[18]

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

	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%

As noted in Ove Arup's findings York Aviation's statement is borne out by these figures "***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***" (Page 22) and further

""***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 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…"*** (Page 22)

To state this another way even if the Manston DCO is agreed the build out time for the airport would mean no planes would fly before the end of 2025, and so would be brought into service just as normality resumes.

Riveroak contend that airfreight is increasing as a % of freight carried in the UK however this is simply not borne out by statistics. Freight carried in aircraft as a % of total freight has remained steady at 1.5% of volume for more than 15 years (Ove Arup report) and the market that Riveroak are aiming at is less than 50% of even that figure. That there have been changes in consumer habits with a switch from retail (bricks & mortar) shopping to on-line shopping that is true however it has not

led to an increase in volume carried by air, in fact volumes dropped by 21% in 2020. So there must be a different explanation. York Aviation said this about this recent trend.

> *"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 neglible net impact in the volumes of air freight carried to and from UK airports." (paragraph 4.36)*

Bonded freight

It is worth noting that in Riveroak's opinion there is a distinct lack of capacity at airports in the South East. Whilst noting that a certain amount of goods are shipped in and out of the UK in HGV's destined for alternate airports this isn't anything that favours Riveroak's business plan. Here is a short explanation from the Steer report:

Trucked freight

2.24 Alongside the business models described above, a significant amount of air freight is transported in customs-bonded trucks between the UK and continental Europe and is classified as air freight with an assigned flight number. Freight is often flown to continental Europe, particularly from Asia, as there is often more available air freight capacity than to UK airports, partly due to lack of available slots for freighter aircraft at Heathrow. The freight is trucked as bonded freight to avoid having to undergo local customs procedures so that importers only need to deal with the UK customs authorities rather than investing in systems to deal with multiple customs authorities. This represents an inefficiency from the perspective of the UK economy as whole. See also the Case Study on consumer electronics imports at the end of this chapter.

2.25 In contrast to goods from Asia, Heathrow stated that goods destined for North America are also often trucked to the UK, in particular Heathrow, from continental Europe in order to take advantage of cheaper rates from the UK on North American routes. As Heathrow is the primary European hub for North American passenger connections, there is a significant level of bellyhold capacity available, which means air freight rates are cheaper compared to other European airports.

The issue that Riveroak and Dr. Sally Dixon fail to mention when using this as a reason to re-open Manston is that this freight is intended mainly for bellyhold using passenger networks to distribute the goods, a market that Anthony Freudmann has already elected to decline in his business plan.

CONSULTATION ON THE INDEPENDENT AVIATION ASSESSOR'S DRAFT REPORT AND THE REPRESENTATIONS RECEIVED ON THE STATEMENT OF MATTERS

In conclusion I would just like to bring to Ove Arup and the Secretary of States attention is the use of crib sheets by the pro-airport supporters. Whilst it does seem somewhat disingenuous of them to claim that Riveroak have much in the way of local support upon examination of the last round of submissions it did seem suspicious that many of these submissions were very similar in nature almost as if they had been coached by someone. Then these crib sheets were discovered on the Facebook page of "Save Manston Airport Association (SMAa)". Whilst it wasn't possible to know who compiled them there are suspicions. (crib sheets appendixes VI through X)

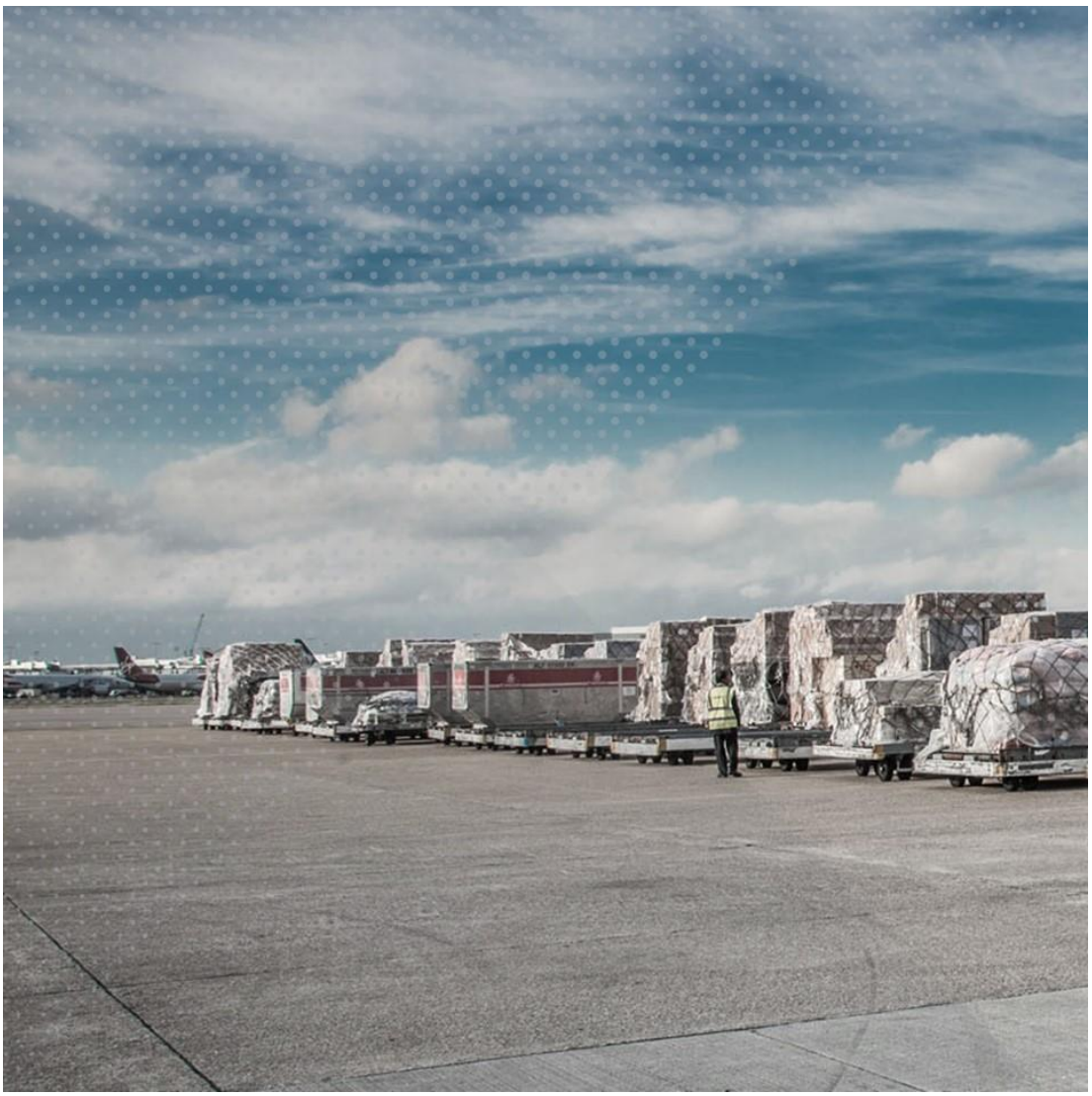
Appendixes

I. Steer Assessment-of-the-value-of-air-freight-services-to-the-UK-economy-Final-Report-v22-Oct-2018-b-STEER
II. Table_15_Freight_by_Aircraft_Configuration 2017
III. Table_15_Freight_by_Aircraft_Configuration 2020
IV. Interim-Strategic-Plan KCC
V. The London plan (too big to attach but available for download here}

VI. SMAa crib sheet 1A – Policies
VII. SMAa crib sheet 1B – Benefits
VIII. SMAa crib sheet 2A-Effect-of-Covid
IX. SMAa crib sheet 2B-Post-Brexit
X. SMAa crib sheet 3-Sixth-Carbon-Budget

Report
October 2018

Assessment of the value of air freight services to the UK economy



Airlines UK
Our ref: 23348601
Client ref:

Report
October 2018

Assessment of the value of air freight services to the UK economy

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Executive Summary

Background

This study has been produced by Steer for Airlines UK with support from Heathrow Airport Limited, Manchester Airports Group and the Freight Transport Association. It has been undertaken in the context of the UK Government developing its Aviation Strategy, due for publication in Summer 2019, with a Green Paper expected in December 2018. As part of this process, the Government is consulting stakeholders to identify barriers to growth and how to reduce them. While many high value-added industries make significant use of air freight, there remains limited understanding of the role of air freight within the UK economy. The purpose of this study is to assess and quantify the value of the air freight industry to the UK economy, and in particular, its importance to UK regions, international trade and industrial sectors.

Key figures

- Air freight services contribute £7.2 billion to the UK economy and support 151,000 jobs.
- Across all sectors of the economy, £87.3 billion of UK gross value added (GVA) is currently dependent on air freight exports, including a very significant proportion of the GVA of some key industries and their supply chains:
  - Pharmaceuticals - £13.9 billion
  - Computer, electronic & optical - £8.3 billion
  - Creative arts & entertainment - £5.3 billion.
- In 2017 air freight represented 49% of the UK's non-EU exports by value (£91.5 billion) and 35% of non-EU imports (£89.9 billion) - over 40% of total trade by value but under 1% by volume of goods shipped.
- Germany ships just 25% of its non-EU export value by air, and most other major EU economies ship between 20% and 40%. Only Ireland ships a greater share of its non-EU exports by air than the UK.
- 9% of GVA in the North West (worth 14.9bn) is currently dependent on air freight services, compared to less than 2% of London's output. Figures are 8.6% in Wales, 7.6% in the East Midlands and 6.8% in the South West.

Industry structure

The air freight industry is complex and highly fragmented. The four major sub-markets within air freight are General cargo, Express, Specialist and niche products and Mail. Although the industry is complex and business models overlap, two principal business models serve all four markets; the forwarder model and the integrator model.

These business models dominate the UK's major air freight airports: Heathrow, East Midlands, Stansted and Manchester. Heathrow is by far the largest general air freight market using the forwarder business model and the overwhelming majority of cargo is transported in the bellyhold of passenger aircraft, mostly on long-haul routes. East Midlands, by contrast, is dominated by express freight using the integrator business model, with freight carried in freighter aircraft, often overnight on routes to mainland Europe, but also on intercontinental routes. Stansted has a combination of integrators and other freighters, while Manchester is largely bellyhold, although on a much smaller scale than Heathrow.

One notable feature of the UK air freight market is the huge importance of Heathrow and its surrounding freight facilities, with most forwarders having major consolidation centres in the vicinity of the airport. Very significant volumes of air freight are trucked to such facilities near Heathrow, processed and then trucked to another airport, either in the UK or in continental Europe, without ever flying in or out of Heathrow itself.

Night operating restrictions, based on movement limit and noise quota systems, are currently in place at Heathrow, Gatwick and Stansted, while other airports have to produce noise action plans which may set out operating limits for the night period. There is also an additional noise quota limit incentivising the user of quieter aircraft.

The quality of the UK's air freight infrastructure is a major issue, with freight facilities at UK airports often being decades old and having suffered from continued under-investment. While other airports are not as slot congested as Heathrow, they now cater to significantly more widebody freight capacity than the facilities were originally designed for.

Although the terms of the UK's exit from the EU are still being negotiated, withdrawal from the EU has the potential to affect the UK freight industry through changes to customs arrangements and changes to air services agreements (ASAs).

This analysis of the structure of the air freight industry raises a number of issues relevant to the formulation of national aviation policy. These include:

- the positive and negative aspects of the concentration of the air freight industry at and around Heathrow;
- the quality of infrastructure supporting air freight services;
- the balance of the impacts of night and noise restrictions on local residents and air freight services;
- the potential for growth of air freight services at airports outside the South East of England; and
- the management of the potential impacts of Brexit.

Market Analysis

Bellyhold cargo at Heathrow accounted for over 60% of total UK air freight volume in 2017, with forwarders and shippers utilising its extensive intercontinental passenger network. Over 30% of total air freight was shipped on US routes and most of the remainder on Asian routes. Freighter and integrator cargo is concentrated at East Midlands and Stansted, which, in 2017, together accounted for over 20% of all UK freight and the majority of freighter (60%) and integrator (79%) activity. Integrators accounted for over 90% of freight at East Midlands. At Stansted, integrators FedEx and UPS were the largest cargo airlines, although intercontinental freighters such as Qatar Airways, Cargolux and China Southern also accounted for a large share of volume.

In the last 15 years, aside from the decline in 2009 due to the fallout from the financial crisis, total volumes have remained relatively flat, growing with a compound average growth rate (CAGR) of +1.2% over the 15-year period with volumes only surpassing the pre-crisis peak in 2016.

North America was the largest destination market (accounting for 32% of volume), followed by Europe (25%, 18% of which was to the EU) and, South and East Asia (19%). Heathrow, and to a lesser extent Gatwick, handled predominately North American and Asian freight, benefitting from extensive passenger networks. The large European share of volume at East Midlands

reflects the airport's role within its integrators' networks. Similarly, at Stansted, much of the freight volume is on European and North American routes.

A relatively large share of many regional airports' volume (including Manchester, Birmingham, Glasgow and Newcastle) is accounted for by Middle Eastern routes, reflecting the importance of the Gulf carriers' networks to these airports' freight operations. Airports in Scotland and Northern Ireland, such as Aberdeen, Belfast and Edinburgh, have a relatively large share of domestic volumes, which is likely to be because trucking to other parts of the UK from these locations is less time-effective.

Although Heathrow is one the largest airports in the EU in terms of freight volumes, due to its slot and operating constraints described above, it has a significantly lower amount of freighter activity compared to other major European hub airports.

As air freight has started to grow again after several years of stagnation, the increasing volumes and longhaul connections at major airports outside the South East of England as well as the prospect of the third runway bringing additional capacity at Heathrow, give rise to a number of policy issues for consideration, including:

- how to make best use of existing infrastructure and unlock more capacity through investment in air freight facilities at UK airports;
- how to manage the air freight implications of the third runway at Heathrow; and
- how to support the air freight sector to grow sustainably.

International Trade

In 2017, non-EU trade classified as being transported by air accounted for over 40% in terms of value but under 1% of total trade in volume terms (with sea accounting for over 98%). Air freight represented 49% by value of non-EU exports (£91.5 billion) and 35% by value of non-EU imports (£89.9 billion).

Many of the products with a high share of UK trade value transported by air, such as aircraft engine parts and power generating machinery, have a high share of both import and export value, likely reflecting the global nature of these industries' supply chains and manufacturing processes. One exception is pharmaceuticals, which account for a significant proportion of export (but not import) value.

It is also interesting to compare the UK's use of air freight for its exports and imports against other European countries. Although Germany is by far the largest EU exporter to non-EU countries, only 25% of its goods by value are transported by air, whereas the UK, which has the second largest total export market, ships a far higher proportion (49% by value) by air. Most of the other major EU economies ship between 20% and 40% of the value of their non-EU exports by air; only Ireland (64%) ships a greater share of its non-EU exports by air than the UK.

On the import side, the UK is the second largest market in the EU and has the highest share of imports transported by air, which makes its imports by air (£90 billion) the most valuable in the EU. Like the UK, most other major European economies ship lower proportion of their non-EU imports (compared to exports) by air, with most importing 10% to 30% by air in value terms.

The importance of air freight to UK international trade, and in particular the UK's higher dependence on air freight than most other countries raises issues for consideration in the

development of the UK Government's Aviation Strategy on the appropriate level of Government support for the air freight sector and how its importance should be reflected as part of the strategy for the aviation sector as a whole.

Economic analysis

We have used two different, complementary, approaches to assessing the economic value of air freight:

- the traditional measure of economic impacts on employment, income and GVA of the air freight industry and associated services, generally known as "direct", "indirect" and "induced" impacts (based on the activity in the sector itself and on upstream monetary flows between the air freight industry and other sectors in the economy); and
- the wider economic impacts of air freight, sometimes referred to as "catalytic impacts", which consider how air freight facilitates economic activity in other sectors (based, in this case, on estimating what proportion of GVA in those sectors is currently reliant on air freight services).

Using the traditional approach, we have estimated the "direct", "indirect" and "induced" impacts using a recognised methodology based on the use of Input-Output tables (I-O tables), produced by the Office for National Statistics (ONS). Direct impacts relate to the employment, income and GVA generated by the sector itself, indirect impacts take account of the knock-on effects in the sector's supply chain, while induced impacts also include the impacts of employees' spending in the economy. These can be calculated from the I-O table, by inspection for direct impacts and via standard techniques for the indirect and induced impacts.

Including all of these impacts, we estimate that air freight services support GVA of **£7.2 billion**, **151,000** jobs and associated income of **£4.1 billion** (2014 data and prices).

Note that this result only relates to activities and expenditure either within the air freight and supporting industries, its supply chain and spending by its workforce. It does not include "downstream" effects, i.e. the effect on the industries purchasing air freight services, or the wider, catalytic, impacts on the whole economy. To estimate these, we have used an approach based on the fact that supplying air freight services does not fully represent either the value of what is being flown, or the value of timely delivery. In terms of the value of what is flown, air freight imports and exports, between them, were worth £181 billion (2017 values and prices) , or close to 25 times more than the economic added value (GVA) calculated using the direct, indirect and induced methodology described above.

Each sector of the economy produces outputs for which customers are willing to pay, with primary and secondary sectors producing physical products such as food, machine parts, cars and so on. For these sectors of the economy, their outputs equate to particular commodities so that, for example, farms produce agricultural products while automotive plants produce cars and trucks. Hence, there is a correspondence between each industry and its outputs. By using this correspondence (together with information on exports by air from HMRC, and in comparison with output from ONS), we can establish, for each industry producing physical outputs, what proportion of those outputs is represented by exports transported using air freight services.

It is reasonable to make the assumption that all output contributes equally to the GVA generated by an industry. We have also made the assumption that the proportion of an industry's GVA supported by air freight services is equal to the proportion of its outputs which

are exported by air. The final step in this analysis is to recognise that, if a portion of an industry's GVA is dependent on air freight services, then the suppliers who provide inputs to that industry are also dependent on the air freight services.

Using this approach, we have estimated the level of GVA currently dependent on air freight across the economy. Across all sectors of the economy, **£87.3 billion of GVA is currently dependent on air freight exports**. This represents **5% of the total GVA measure of national output** (£1,747 billion in 2016).

While the level of GVA currently dependent on air freight might potentially be reduced through the use of alternative modes of transport, the fact that such alternatives are generally poor substitutes for air freight, which is both much faster and much more expensive than surface freight, indicates that the level of GVA dependent on air freight is likely to remain significant. This indicates that air freight is a very important service supporting a significant fraction of national economic activity.

The analysis of the level of industries' and their supply chains' added value (GVA) which is currently dependent on air freight, enables us to estimate the regional importance of air freight services, by considering the regional distribution of output for each industry.

This analysis demonstrates the importance of the air freight industry in the North West, where £14.9 billion of GVA is currently dependent on air freight, representing 9.0% of the whole economy of the region. Similarly, air freight supports very significant proportions of economic activity in many regions, including 8.6% in Wales, 7.6% in the East Midlands, 6.8% in the South West, 6.0% in the West Midlands and 5.9% in Northern Ireland. The contrast between the very important role of Heathrow in providing air freight services, compared with the high dependence of regions away from the South East economies on air freight, is stark.

Considering both the industry structure and this economic analysis raises particular issues relevant to the formulation of national aviation policy as the UK Government develops an aviation strategy towards 2050:

- how to protect and develop the significant share of the UK economy currently dependent on air freight services; and
- how to support UK regions and nations whose economies are heavily dependent on air freight services, particularly where local airports do not currently benefit from strong air freight services.

1 Introduction

Background

1.1 This study has been produced by Steer for Airlines UK with support from Heathrow Airport Limited, Manchester Airports Group and the Freight Transport Association. It has been undertaken in the context of the UK Government developing its Aviation Strategy, due for publication in Summer 2019, with a Green Paper expected in December 2018. As part of this process, the Government is consulting stakeholders to identify barriers to growth and how to reduce them. While many high value-added industries make significant use of air freight, there remains limited understanding of the role of air freight within the UK economy. The purpose of this study is to assess and quantify the value of the air freight industry to the UK economy, and in particular, its importance to UK regions, international trade and industrial sectors.

Our Approach

1.2 To undertake this assessment, we have undertaken a review of the available literature, with data and information gathered from the following sources:

- The Civil Aviation Authority (CAA);
- The Department for Transport (DfT);
- Her Majesty's Revenue and Customs (HMRC);
- The Office of National Statistics (ONS);
- Eurostat;
- The Official Airline Guide (OAG);
- The United Nations Statistic Division (UNSD); and
- Individual airport traffic statistical releases.

1.3 In addition, we have held interviews and received data from industry stakeholders, including:

- Passenger airlines (UK and foreign);
- Integrators;
- Cargo airlines;
- Airport operators;
- Freight industry trade bodies; and
- UK-based companies using air freight.

This Report

1.4 The remainder of this report is structured as follows:

- Chapter 2 gives an overview of the air freight industry in relation to markets, business models and constraints;
- Chapter 3 describes the UK freight industry in relation to freight volumes;
- Chapter 4 describes air freight's role in international trade; and
- Chapter 5 provides a quantification of the economic contribution of air freight.

1.5 Illustrative case studies have also been provided in the text.

2 Industry structure

2.1 In this chapter we provide an overview of the major sub-markets within air freight, the primary business models serving them and the interaction between industry actors. The end of the chapter also provides a description of the current constraints within the UK market, based on information and views provided by stakeholders.

Overview

2.2 The air freight industry is complex and – at some levels – highly fragmented. The organisation which operates the aircraft is often not the same organisation with which the shipper has made a contract – airlines rarely interact directly with the ultimate customer (the shipper). The four major sub-markets within air freight that we have identified are:

- General cargo;
- Express;
- Specialist and niche products; and
- Mail.

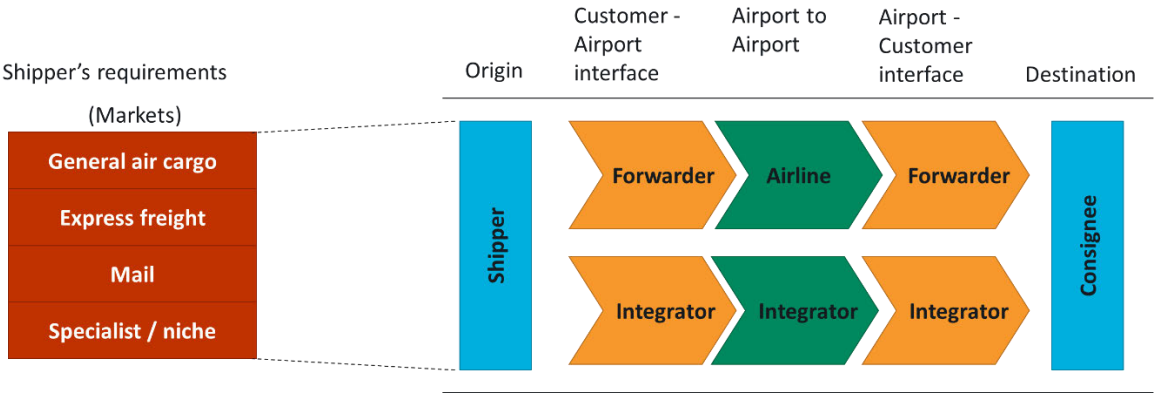
2.3 The products offered within each sub-market are generally driven by customer requirements, which may include (but are not limited to): cost, speed, predictability, storage requirements and shipping regulations.

2.4 Although the industry is complex and business models overlap, two principal business models serve all four markets; the forwarder model and the integrator model. Over the last thirty years, these two types of service providers have significantly increased their product range, coverage and scale of operation, to the point where they now serve almost every market.

2.5 Integrators traditionally offered a worldwide courier product for documents and parcels, but now offer a range of products and geographies which compete at some level with every logistics provider in the supply chain. The forwarders, partly in response and partly in search of higher yields, have expanded their product range to include greater international coverage, door to door products and other logistic services.

2.6 The interaction between the four sub-markets and these two business models is illustrated in Figure 2.1 below.

Figure 2.1: Typical end to end journey: interaction between markets and business models



2.7 In the remainder of this chapter we provide, in turn, a more detailed description of the air freight sub-markets and business models.

Air freight markets

General air cargo

2.8 General air cargo forms the majority of air freight being shipped to and from the UK and is shipped predominately using passenger bellyhold capacity. General cargo is the standard core product offered by most freight-carrying airlines and therefore consists of a broad range of goods. The main carriers of general cargo in the UK are therefore IAG Cargo (British Airways and IAG group airlines), Virgin Atlantic and a number of foreign (predominately American and Asian) passenger airlines flying on long-haul routes, split approximately 40:60 in terms of volumes flown.

2.9 End-customer relationships are generally owned by freight forwarders, who act as intermediaries between shippers and airlines. Freight forwarders will often maintain relationships, possibly on a tendered basis, with a range of shippers, many of whom will have a requirement to send large volumes of freight on a regular basis.

Express freight

2.10 Although air freight is, by its nature, time-critical, express freight services are used when particularly rapid delivery is required and are generally sold on the premise of a guaranteed delivery slot. As well as a guaranteed delivery time, customers are also often able to track a shipment's progress, enabling them to have up-to-date information on geographical position, estimated time of delivery, details of any delays and revised delivery times.

2.11 The international express market is dominated by the four main integrators (DHL, FedEx, TNT (now a subsidiary FedEx)) and UPS), who carry freight on a mixture of their own aircraft and purchased bellyhold capacity. Integrators use their own aircraft within Europe and on high-volume long-haul routes, and purchase bellyhold capacity on lower volume long-haul routes where they do not operate their own aircraft.

2.12 Although business-to-business (B2B) activity still accounts for much of express freight volumes (for example on just in time supply chains), the growth of E-Commerce has increased the demand for business-to-consumer (B2C) services. This has, to some extent, changed the dynamic of express air freight services as a growing share of express demand is now driven by consumer expectation of fast delivery.

Specialist and niche cargo

2.13 In addition to speed, some cargo shipments have requirements that cannot be met by general air cargo due to specific storage, security or regulatory requirements. Some of this cargo, such as perishable foodstuffs or pharmaceuticals, can be shipped as bellyhold freight but will usually require specialist containers and packaging. In some cases, it may also require specially trained staff or additional paperwork.

2.14 Other types of specialist cargo, such as dangerous goods, are not permitted to be carried on passenger aircraft and are therefore transported on dedicated freighters operated either by freight airlines or integrators. In some cases, shippers' requirements will not be met by either bellyhold or dedicated freighter capacity; in such cases, aircraft will need to be specifically chartered to transport goods. Examples of such goods include outsize shipments, goods destined for remote destinations or goods with particular handling requirements – such as live animals.

Mail

2.15 UK air freight capacity is used for mail by the Royal Mail domestically for its faster delivery options and for most of its international deliveries. Nearly all domestic mail is carried by chartered freighters, whereas European and Intercontinental mail is largely carried in the bellyhold of scheduled passenger flights.

2.16 A small number of freight only airlines operate in the UK in support of the major integrators and the Royal Mail; these operators generally supply both aircraft and crew and effectively lease capacity to the integrators and Royal Mail. In 2017, West Atlantic and Titan Airways accounted for over 90% of the domestic mail carried by air in terms of weight.

Air freight business models

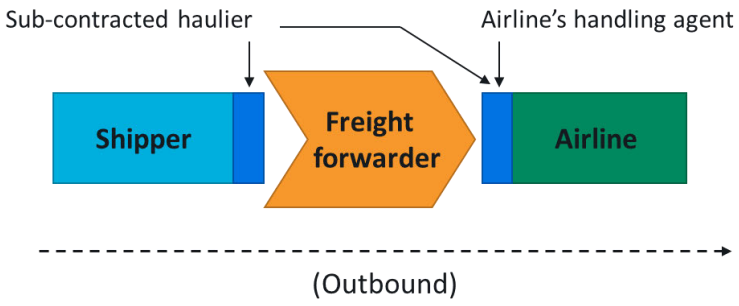
Forwarder model

2.17 In the forwarder model intermediaries (forwarders) provide the link between those with a requirement for air freight (shippers) and those with the means to provide capacity (airlines), by consolidating consignments from a number of shippers and purchasing capacity from freighter or passenger airlines. This means airlines have little contact with shippers. Many forwarders will ship any type of cargo, but the majority of consignments are general air cargo.

2.18 The forwarder model is illustrated in Figure 2.2. After collecting from the shipper (by subcontracted haulier), the forwarder will often consolidate freight at a regional centre before moving consignments in volume to its warehouses close to an airport, where freight is further consolidated before being sent (by subcontracted haulier) to the airport. At the airport,

consignments may be handed directly to the airline, or – more typically – to the airline's appointed handling agent.

Figure 2.2: Typical end to end journey: Freight forwarder



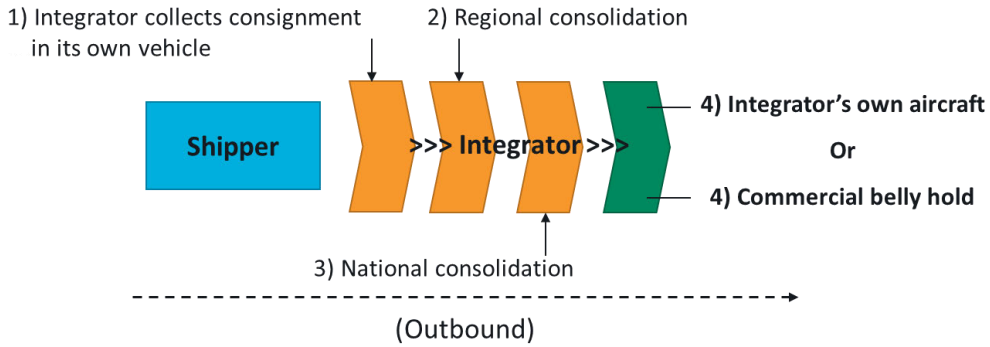
2.19 Freight forwarder activity in the UK is concentrated around Heathrow – Heathrow airport Limited (HAL) stated that approximately 450 freight forwarders are located within five miles of the airport. The concentration of forwarder activity around Heathrow also means that cargo leaving from other UK airports (both around London and further afield) is often consolidated around Heathrow before being trucked to the relevant airport, in some cases not actually being flown to or from Heathrow Airport at all.

Integrator model

2.20 In contrast to the forwarder-airline model, the integrator model has sought to offer customers a logistics solution which combines an extensive surface transport collection and delivery network with an in-house fleet of aircraft, thereby offering an "integrated" product, generally controlling the entire logistics chain from pick up to delivery. While the majority of cargo is express-like products, integrators carry all forms of cargo. On short-haul routes, this is predominately with their own aircraft, while on long-haul routes this is often on purchased bellyhold capacity (with the integrator effectively acting as a forwarder in the latter case).

2.21 A depiction of the integrator model is shown in Figure 2.3. The integrator will collect the goods and deliver them to the final destination, providing all the links in the transport chain, controlling the choice of mode (where appropriate) and offering a comprehensive information flow along with the physical transport of the goods. This is usually using their own road transport, handling, transit warehousing facilities and (for short haul) aircraft.

Figure 2.3: Typical end to end journey: Integrator forwarder



2.22 Integrator air freight activity in the UK is dominated by DHL, FedEx, TNT and UPS concentrated at East Midlands (c.50%) and Stansted (c.25%). Only a small number of dedicated cargo freighter flights operate at Heathrow.

Other models

2.23 Although the forwarder and integrator models are the two principal models handling the majority of UK air freight, several other smaller models exist, including:

- Courier and express services, which use either integrators' services or their own small chartered freighters for especially time-sensitive products such as automotive parts or newspapers.
- Specialist operators, which meet shippers' specific storage or temperature requirements en-route to the airport, in storage before shipping and on board the aircraft for goods such as pharmaceuticals or fresh salmon. Goods may be shipped on specialist freighters or in specialist containers as bellyhold cargo if specified requirements can be met.
- Air cargo brokers, who do not provide vehicles or warehouse space, but who work with freight forwarders, shippers, logistics providers, governments, and relief organisations to offer chartered freighter aircraft on a onetime or long-term basis.
- Mail, which is flown domestically on tendered dedicated freighters and internationally using tendered UK and foreign airline bellyhold capacity.

Trucked freight

2.24 Alongside the business models described above, a significant amount of air freight is transported in customs-bonded trucks between the UK and continental Europe and is classified as air freight with an assigned flight number. Freight is often flown to continental Europe, particularly from Asia, as there is often more available air freight capacity than to UK airports, partly due to lack of available slots for freighter aircraft at Heathrow. The freight is trucked as bonded freight to avoid having to undergo local customs procedures so that importers only need to deal with the UK customs authorities rather than investing in systems to deal with multiple customs authorities. This represents an inefficiency from the perspective of the UK economy as whole. See also the Case Study on consumer electronics imports at the end of this chapter.

2.25 In contrast to goods from Asia, Heathrow stated that goods destined for North America are also often trucked to the UK, in particular Heathrow, from continental Europe in order to take advantage of cheaper rates from the UK on North American routes. As Heathrow is the primary European hub for North American passenger connections, there is a significant level of bellyhold capacity available, which means air freight rates are cheaper compared to other European airports.

Structural constraints

Air freight business models at UK airports

2.26 The business models described above dominate the UK's major air freight airports: Heathrow, East Midlands, Stansted and Manchester (see Figure 3.1 below). Heathrow is by far the largest general air freight market using the forwarder business model and the overwhelming majority of cargo is transported in the bellyhold of passenger aircraft, mostly on long-haul routes. East Midlands, by contrast, is dominated by express freight using the integrator business model, with freight carried in freighter aircraft, often overnight on routes to mainland Europe, but also on intercontinental routes. Stansted has a combination of integrators and other freighters, while Manchester is largely bellyhold, although on a much smaller scale than Heathrow.

2.27 One notable feature of the UK air freight market is the huge importance of Heathrow and its surrounding freight facilities, with most forwarders having major consolidation centres in the vicinity of the airport, as noted in paragraph 2.19 above. Very significant volumes of air freight are trucked to such facilities near Heathrow, processed and then trucked to another airport, either in the UK or in continental Europe, without ever flying in or out of Heathrow itself.

2.28 Another common model is freight arriving from long haul origins (such as China or the US) flown into Heathrow and then being trucked to other airports (e.g. East Midlands) to be flown to continental airports overnight, leading to a symbiotic relationship between the different airports.

2.29 Both of these models mean that the resilience of the road network to and from airports is an important factor in reliability of service. To a large extent, they reflect the constraints on the UK air freight industry, discussed further below.

Operating restrictions

2.30 Night operating restrictions, based on movement limit and noise quota systems, are currently in place at Heathrow, Gatwick and Stansted. The current restrictions to October 2022, are summarised for current and future seasons in Table 2.1. The restrictions apply from 11:30pm to 6am, with less stringent restrictions also applying between 11pm and 11:30 pm, and between 6am and 7am.

Table 2.1: UK airport night-time operating restrictions

Airport	Seasonal Movement Limit	
	Winter (2018/19 –2021/22)	Summer (2019-2022)
Heathrow	2,550	3,250
Gatwick	3,250	11,200
Stansted	5,600	8,100

Source: DfT

2.31 There is also an additional noise quota limit incentivising the user of quieter aircraft.

2.32 Apart from the restrictions at these three London airports, other airports have to produce noise action plans which may set out operating limits for the night period.

2.33 Integrator stakeholders consulted as part of this study stated that the way in which these operating restrictions are applied impacts their ability to operate effectively, as the express business model (described above) is dependent on being able to ship goods during the night to enable maximum productivity for customers who rely on shipments being picked up close to the end of the working day and delivered as early as possible the next.

Capacity

2.34 Several stakeholders have noted that capacity constraints are a significant hinderance to the operation of UK air freight – one stated that it has caused volume growth to fall behind other European countries and another stated it is one of the main reasons why so much freight is flown to mainland Europe and trucked to the UK – in turn causing more road and port congestion.

2.35 While many of the UK's airports are not currently particularly congested, the concentration of air freight activity at Heathrow, which is severely slot constrained and which operates at 98% capacity, means that the congestion there has a disproportionate impact on UK air freight. Slot constraints at Heathrow mean that no additional freighter operations are possible, while the larger passenger aircraft such as the A380 actually have lower freight capacity than the aircraft they are replacing, particularly 747s.

2.36 Historically, much of the UK air freight activity is concentrated around Heathrow due to its significantly more extensive intercontinental passenger network compared to those of other UK airports. Although this remains the case, new intercontinental passenger connections at regional UK airports have increased possibilities for transporting long-haul freight as bellyhold cargo. As discussed in Chapter 3, some other major UK airports have increased their bellyhold volumes significantly with new connections to Asia – one stakeholder noted that Emirates is the "best in class" at utilising regional capacity.

Infrastructure

2.37 Several stakeholders commented that the quality of the UK's air freight infrastructure is a major issue, with freight facilities at UK airports often being decades old and having suffered from continued under-investment. While other airports are not as slot congested as Heathrow, they now cater to significantly more widebody freight capacity than the facilities were originally designed for.

2.38 At Heathrow, the infrastructure has led to severe levels of road congestion, with trucks often queueing for hours at the Cargo Horseshoe (Heathrow's main freight facility), with some operators investing in off-site facilities to mitigate these problems[1]. However, restrictions imposed by the Border Force currently prevents any new such remote-site facilities being developed.

2.39 The Heathrow Cargo Working Group has proposed measures to mitigate these problems, including more flexibility in allowing multiple consignments in bonded truck movements around the airport vicinity.

[1] In particular, some operators have remote "Internal Temporary Storage Facility" (ITSF-R) with customs bond facilities.

Potential Brexit impacts

2.40 Although the terms of the UK's exit from the EU are still being negotiated, withdrawal from the EU has the potential to affect the UK freight industry through changes to customs arrangements and changes to air services agreements (ASAs). The purpose of this section is not to speculate on the likely outcome of the negotiations but to describe the impact of any possible changes to current arrangements.

Customs checks

2.41 Under current arrangements, goods traded between the UK and other EU countries are not required to undergo customs checks at ports or airports. However, depending on the terms of the UK's withdrawal agreement, this may cease to be the case. This would mean, firstly, freight traveling by air between the UK and other EU countries may be required to undergo customs checks at airports and, secondly, that freight being trucked in free circulation between the UK and continental Europe may be required to undergo customs checks at ports.

2.42 As has been discussed, much of freight being trucked between the UK and continental Europe travels in customs-bonded trucks and freight traveling on these trucks should not be required to undergo additional customs checks at ports should these be imposed. However, it is likely that trucks carrying bonded freight may still be affected by customs checks at ports, if they were introduced, as additional checks of other trucks are likely to cause delays at ports.

Air service agreements

2.43 The UK is currently part of European Common Aviation Area (ECAA), which includes all EU member states and a number of other European countries. The ECAA entitles an airline with an operating licence from any ECAA country to operate flights anywhere within the ECAA. For example, a UK airline can currently operate a domestic flight in Germany or an international flight between Ireland and France.

2.44 The EU also has a number of bilateral agreements negotiated on behalf of its members with non-ECAA countries, the most important being the 'open skies' agreement with the USA. These agreements are often more liberal for freight services compared to passenger services; the EU-US deal grants 7th freedom rights for cargo services compared to 5th freedom rights for passenger services. 7th freedom rights allow airlines to fly between two foreign countries (for example, a UK airline flying between the USA and Canada), whereas 5th freedom rights only allow airlines to fly between two foreign countries if the journey ends or begins in the airline's own country (for example, a UK airline flying between the UK and Mexico via the USA).

2.45 Leaving the ECAA without an agreement in place would mean UK airlines would no longer have the right to fly to and from EU Member States under existing arrangements, or to fly to third countries, such as the US, under the terms of the EU's open skies agreements. This

means the UK would be required to fall back on bilateral agreements with both third countries (such as the USA) and ECAA members.

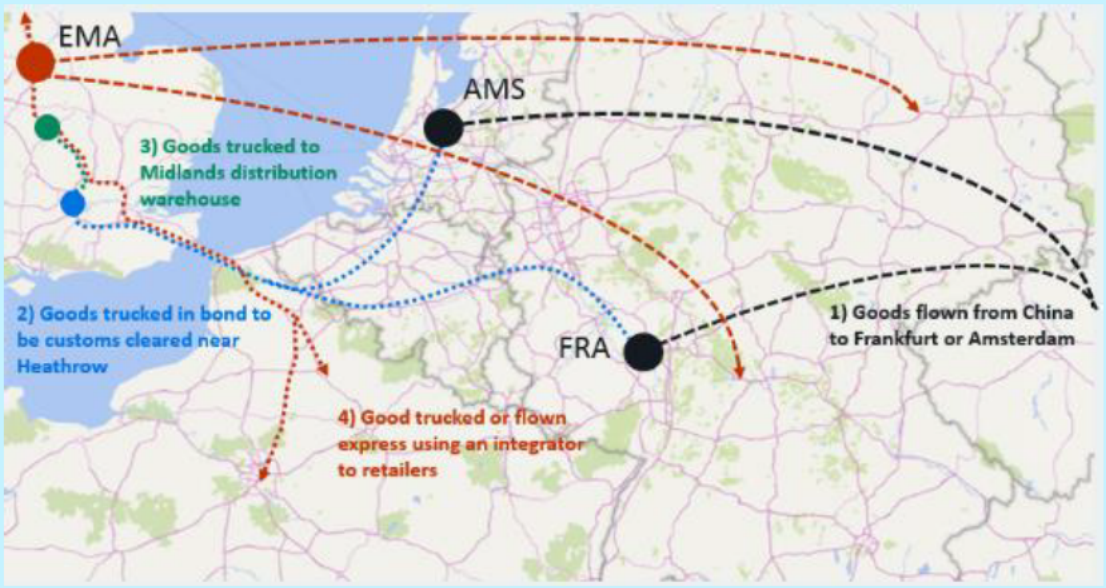
2.46 Many bilateral agreements are more restrictive than the ECAA and, for example, the EU-US open skies agreement. This may lead to more restrictions on how freight is flown between different countries, leading to slower transit times and/or higher costs, unless similarly liberal agreements can be negotiated by the UK with the EU and with other key countries such as the US.

Case Study – Consumer electronics imports

In 2017, the UK imported £10.6 billion's worth of consumer electronics accessories, equivalent to just under 90,000 tonnes of goods. These imports, which are comprised of items such as iPhone cables, car hand-free kits and other similar accessories, are imported primarily from China and other East Asian countries. In 2017, 64% of the total import value was transported by air.

A consumer electronics importer consulted as part of this study, which imports its goods from 20 different locations in China, stated that it imports approximately two thirds of its goods (in value terms) by air, with the remaining third transported by sea. More bulky goods, such as laptop bags and wireless routers tend to be transported by sea, with smaller, lighter items, such as cables, transported by air. Although using air freight is approximately four times more expensive then transporting goods by sea, air freight is often more cost effective as goods can be transported much faster.

Typical journey for imported consumer electronics goods



Since 2008, large retailers selling consumer electronics have been ordering smaller quantities of goods more frequently, which means suppliers need to be able to respond to orders more quickly. As a consequence, volumes shipped by sea have fallen in recent years as, from China to its main distribution warehouse in the Midlands, goods typically take one week by air compared to five to six weeks by sea. This also means warehouse usage has been halved through better management of inventory.

However, despite the need to import goods by air, the importer stated that it only flies around 20% of its total imports directly to the UK, with the remaining 80% being flown to mainland Europe (usually to Frankfurt or Amsterdam) and trucked in bond to the UK via a ferry or the Channel Tunnel. Imports are usually customs cleared at facilities near Heathrow, before being trucked to its Midlands distribution centre.

The importer stated the reason such a high proportion of its goods are flown to the UK via Europe, is because the UK's air freight capacity is not sufficient to service the required import volumes. Goods are trucked as bonded freight to avoid having to undergo Dutch or German customs procedures, as the importer incurs fewer administration costs as it is only required to deal with UK customs.

The importer stated that, as most of its imports are flown in freighter aircraft, one of the reasons why it often cannot fly its goods into the UK, is because not enough UK airlines operate these types of aircraft. Many airlines that in the past operated long-haul freighter services, for example IAG Cargo at Stansted, no longer do; therefore, there are fewer long-haul freighter options available. However, the main problem the importer cited with UK air freight capacity was the quality of the infrastructure.

The importer stated that it avoids using UK airports because they are too congested and therefore not efficient; air freight infrastructure has not been upgraded in line with increased traffic, which causes delays that can be avoided at continental European airports. The importer stated that there should be better utilisation of regional airport capacity at, for example, Manchester, which was cited as a relatively good operation with not enough freight capacity.

Policy considerations

2.48 The analysis in this chapter raises a number of issues relevant to the formulation of national aviation policy. These include:

- the positive and negative aspects of the concentration of the air freight industry at and around Heathrow;
- the quality of infrastructure supporting air freight services;
- the balance of the impacts of night and noise restrictions on local residents and air freight services;
- the potential for growth of air freight services at airports outside the South East of England; and
- the management of the potential impacts of Brexit.

3 Market Analysis

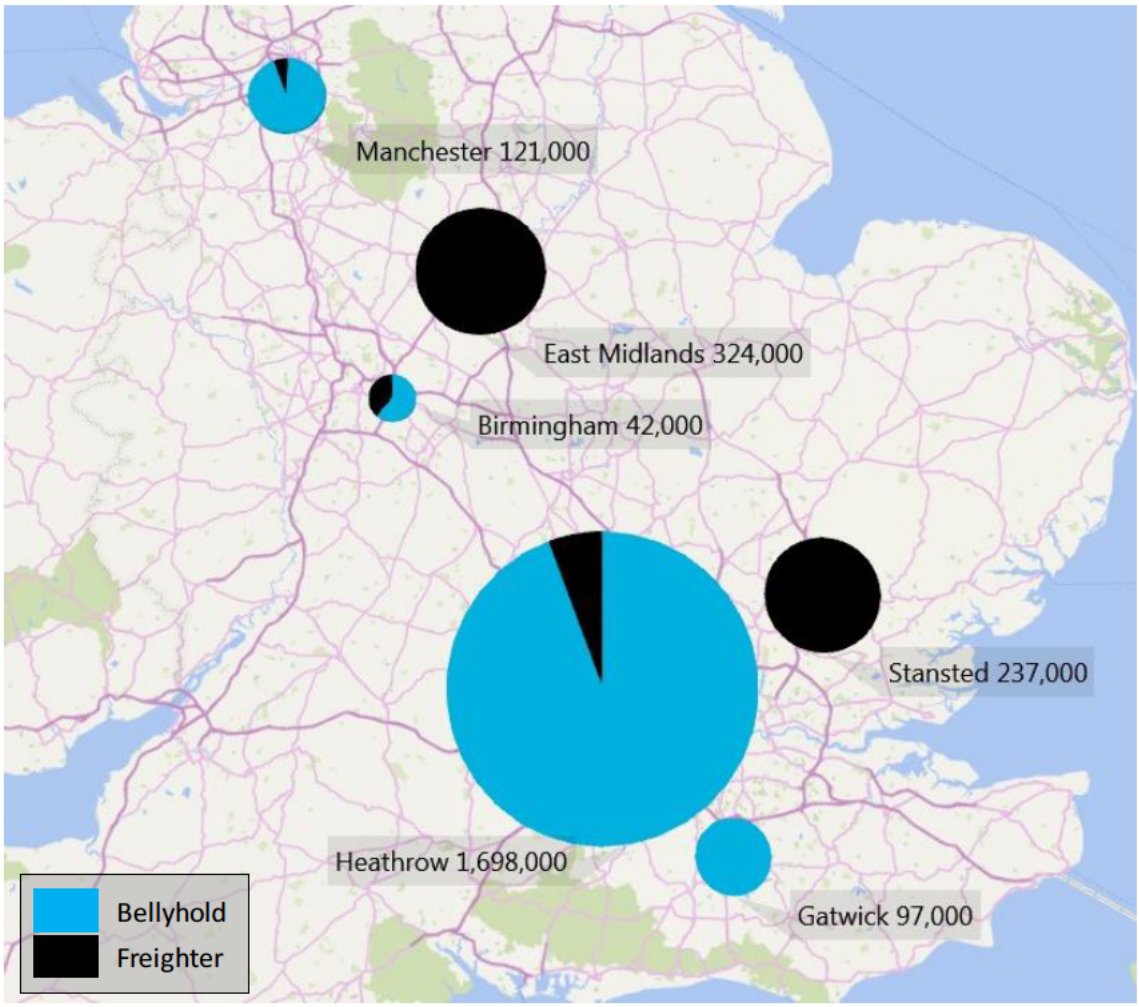
3.1 This chapter describes UK air freight volumes flown from key airports as well as recent growth trends, freight destinations, freight activity at other major UK airports and international comparisons. The analysis of UK freight volumes is based on data provided by the CAA and international comparisons based on Eurostat data.

Overview of air freight volumes

Key airports

3.2 Figure 3.1 shows the volume (tonnage) and type of freight handled at the six largest UK freight airports – the remaining airports not shown each represent less than 1% of the market in terms of volume.

Figure 3.1: Freight volumes at six largest UK airports, tonnes (2017)



Source: CAA

3.3 Bellyhold cargo at Heathrow accounted for over 60% of total UK air freight volume in 2017, with forwarders and shippers utilising its extensive intercontinental passenger network. Over 30% of total air freight was shipped on US routes and most of the remainder on Asian routes. The number of freighters at Heathrow are flown by a mixture of cargo-only airlines and passenger airliners with some freighter aircraft.

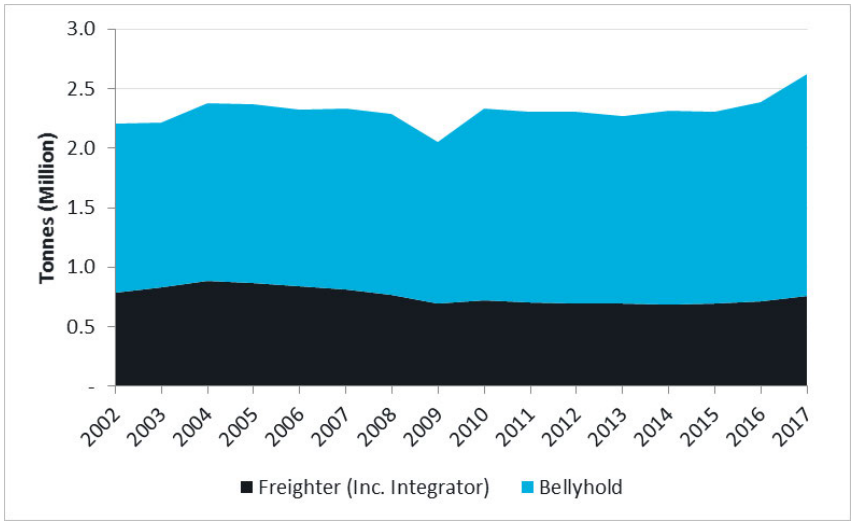
3.4 Freighter and integrator cargo is concentrated at East Midlands and Stansted, which, in 2017, together accounted for over 20% of all UK freight and the majority of freighter (60%) and integrator (79%) activity. Integrators accounted for over 90% of freight at East Midlands, with much of freight being shipped to Europe, particularly Germany, where DHL and UPS both have major hubs, as well as on intercontinental routes. At Stansted, integrators FedEx and UPS were the largest airlines, although intercontinental freighters such as Qatar Airways, Cargolux and China Southern also accounted for a large share of volume.

3.5 Almost all freight at Gatwick and Manchester was carried as bellyhold cargo in 2017, predominately to the UAE and the USA. Although both airports had relatively large freighter operations prior to the financial crisis, these operations have ceased completely at Gatwick and almost completely ceased at Manchester. Prior to 2016, freight handled at Birmingham was almost all bellyhold, and although most of Birmingham's freight volume was carried as bellyhold cargo to Asia in 2017, about a third of its volume was freighter and integrator cargo.

Volume growth

3.6 Figure 3.2 shows the development of total UK freight volumes in the last 15 years. Aside from the decline in 2009 due to the fallout from the financial crisis, total volumes have remained relatively flat, growing with a compound average growth rate (CAGR) of +1.2% over the 15-year period with volumes only surpassing the pre-crisis peak in 2016.

Figure 3.2: UK freight volumes, Million Tonnes (2002-2017)



Source: CAA

3.7 The relatively modest CAGR of +1.2% for total volumes is due to a combination of growing bellyhold volumes, which over the 15-year period grew with a CAGR of +1.8%, and stagnating freighter volumes, which declined with a CAGR of -0.2%.

3.8 The share of total volumes carried by freighter aircraft has fallen from over 35% in 2002 to under 30% in 2017 and has fallen away significantly at some airports. The market for dedicated freighter services has struggled globally since the financial crisis due to falling sea-freight rates and the continued rise of air passenger demand (and associated bellyhold capacity), which have driven down freighter yields. Although some UK airports have retained important integrator, and to lesser extent, freight operations, freighter activity has remained relatively flat in recent years and is currently lower than pre-crisis levels.

3.9 Although bellyhold cargo volumes have grown more strongly and are now above pre-crisis levels, their growth has been somewhat inhibited by capacity constraints at Heathrow and limited intercontinental networks at many other UK airports. However, combined bellyhold and freighter volumes grew by 10% in 2017, which suggests the slow growth of the previous few years may have ended.

3.10 The +1.2% CAGR for total UK volumes to some extent masks the mixed performance of different UK airports. Heathrow, East Midlands and Stansted have grown relatively steadily over the last few years, whereas smaller airports have seen more significant increases or decreases in volumes (discussed further later in this chapter). The net result has been a consolidation of freight operations at the largest airports. Between 2002 and 2017, Heathrow's share of total volumes increased from 56% to 65%, while the combined share of East Midlands, Stansted and Manchester increased from 23% to 26%.

Destinations

3.11 Figure 3.3 shows the origin/destination of freight handled at UK airports in 2017[2]. Across all airports, North America was the largest market (accounting for 32% of volume), followed by Europe (25%, 18% of which was to the EU) and, South and East Asia (19%). Heathrow, and to a lesser extent Gatwick, handled predominately North American and Asian freight, benefitting from extensive passenger networks.

3.12 The large European share of volume at East Midlands reflects the airport's role within its integrators' networks, as DHL and UPS have major hubs in Leipzig and Cologne respectively. Similarly, at Stansted, much of the freight volume is on European and North American routes – FedEx has a major hub in Memphis and Stansted is used by FedEx and other

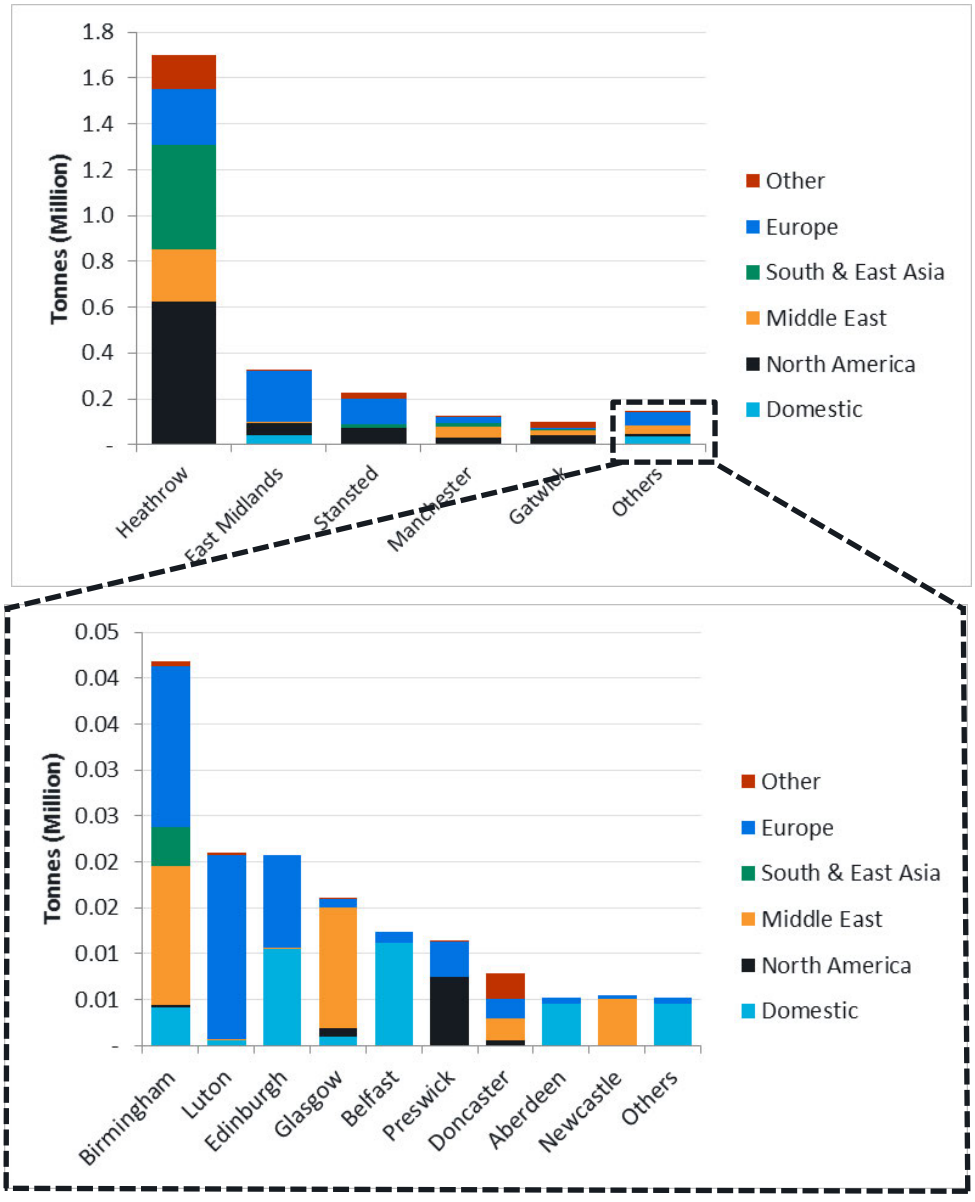
[2] Note that this is based on the origin/destination of the flight to/from the UK, which is not necessarily the same as the true origin or final destination of the cargo itself.

operators for distribution throughout Europe.

3.13 A relatively large share of many regional airports' (including Manchester, Birmingham, Glasgow and Newcastle) volume is accounted for by Middle Eastern routes, reflecting the importance of the Gulf carriers' networks to these airports' freight operations. As commented above, stakeholders noted Emirates is one of the best airlines at utilising regional airport capacity.

3.14 Airports in Scotland and Northern Ireland, such as Aberdeen, Belfast and Edinburgh, have a relatively large share of domestic volumes, which is likely to be because trucking to other parts of the UK from these locations is less time-effective.

Figure 3.3: Destination[3] of UK freight volumes, Million Tonnes (2017)



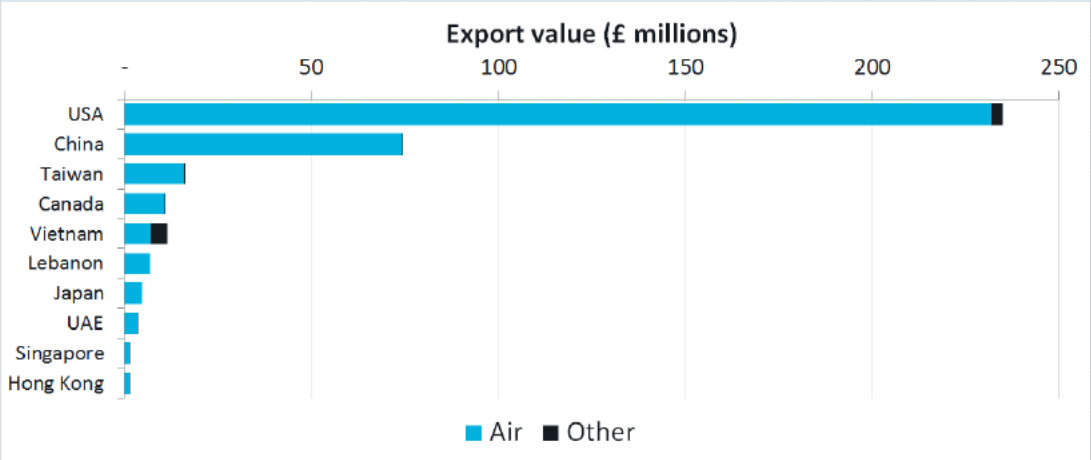
Source: CAA

[3] The "destination" as defined in CAA data is the destination of the flight departing the UK (or origin of arriving flight). It is not necessarily the final destination (true origin) of the freight consignments themselves, as they may be transhipped onto subsequent flights to onward destinations.

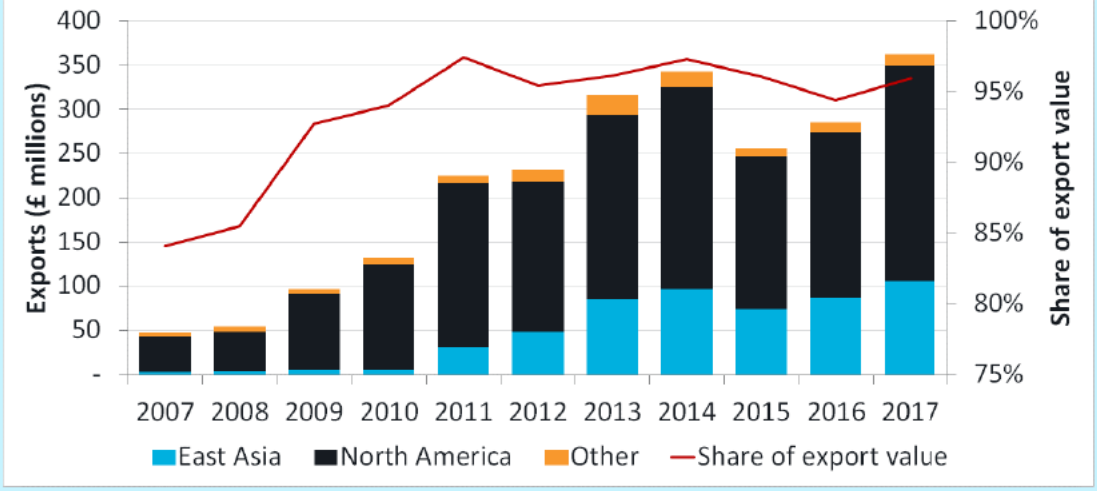
Case Study – Heathrow and the Scottish salmon industry

Scottish salmon exports were worth £600 million in 2017, up 35% on the previous year. In recent years, salmon has become one of the UK's most valuable food exports. Compared to other salmon sold worldwide, the Scottish industry has positioned itself as providing a higher quality product. Air freight is important for getting produce to market quickly to be sold as fresh as possible. Although the USA and France have remained the two largest markets, demand from East Asia has increased significantly in recent years. The share of salmon carried by air has increased with growing intercontinental demand.

2017 10 largest non-EU markets for salmon exports



2007-2017 value of salmon exports to non-EU countries

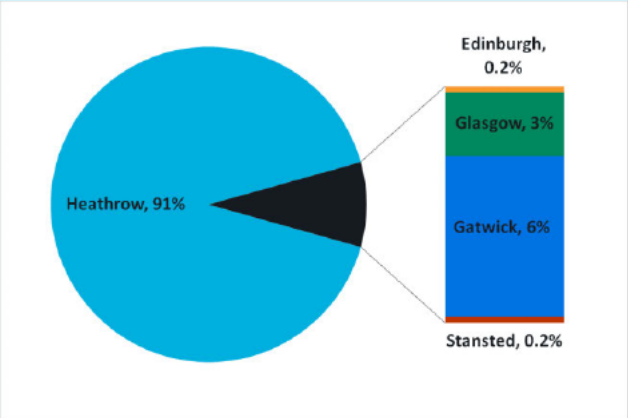


Source: HMRC

The vast majority (91%) of UK salmon is shipped internationally from Heathrow – produce is transported within the UK either by road or by air. While in transit, salmon is stored in temperature-controlled containers and may be stored at specifically designed facilities at Heathrow before being shipped. Outbound capacity must be pre-booked in advance and packing typically takes place 2-3 days before shipping.

While Heathrow is still by far the largest airport supporting the industry (see chart below), increased international connectivity at Scottish airports has given exporters other options – this year salmon was exported on the first direct flight between Scotland and China (from Edinburgh to Beijing).

2017 share of UK salmon exports by airport

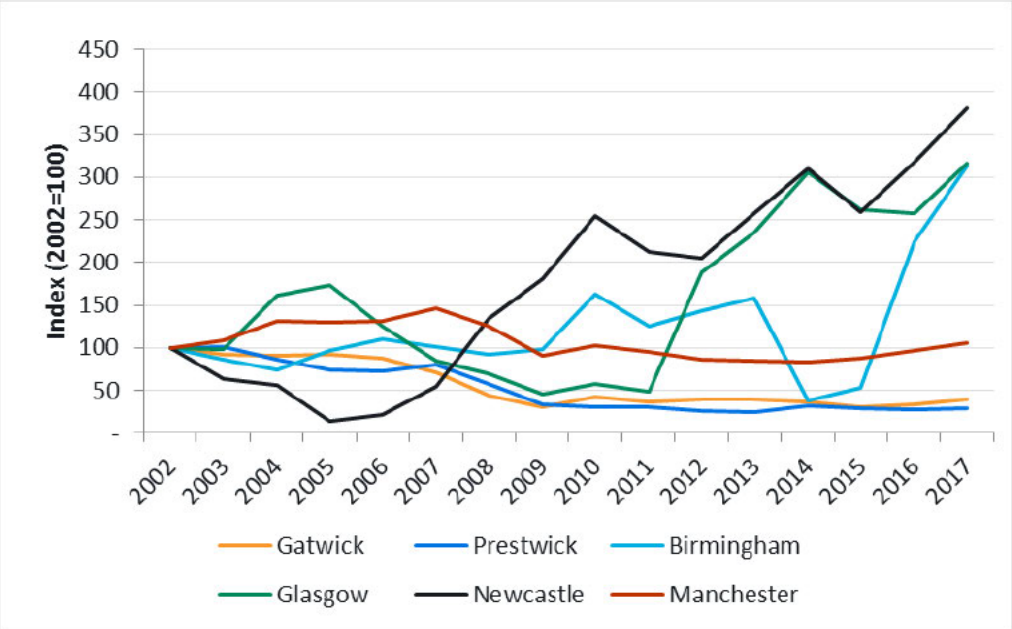


Source: HMRC

Volumes at regional airports

3.15 As discussed above, the +1.2% CAGR for total UK volumes between 2002 and 2017, shown in Figure 3.2, to some extent reflects the mixed performance of different UK airports. Figure 3.4 shows the development of total freight volumes at selected UK airports (not including the largest three freight airports: Heathrow, East Midlands and Stansted).

Figure 3.4: Indexed growth of freight volumes at selected UK airports, 2002=100 (2002-2017)



Source: CAA

3.16 Relatively significant freight operations at Gatwick and Prestwick (which in 2002 were respectively the second and sixth largest UK freight airports) have fallen to less than half of their pre-crisis levels. On the other hand, smaller operations at regional airports, such as Birmingham, Glasgow and Newcastle have increased significantly in recent years, as a result of new or increased frequencies on intercontinental passenger routes. Manchester has experienced a mix of these effects; driven by a reduction of freighter activity, total volumes decreased significantly since the financial crisis, but have grown in recent years as a result of new passenger bellyhold connections.

3.17 The figures below show, for selected regional airports, the number of departing frequencies to intercontinental destinations (represented by the stacked bars) and the total bellyhold freight volumes (represented by the red line). Charter and low-cost carrier frequencies have been excluded as these do not contribute materially to total freight volumes.

Figure 3.5: Glasgow: Departing frequencies and bellyhold freight volumes (2002-2017)

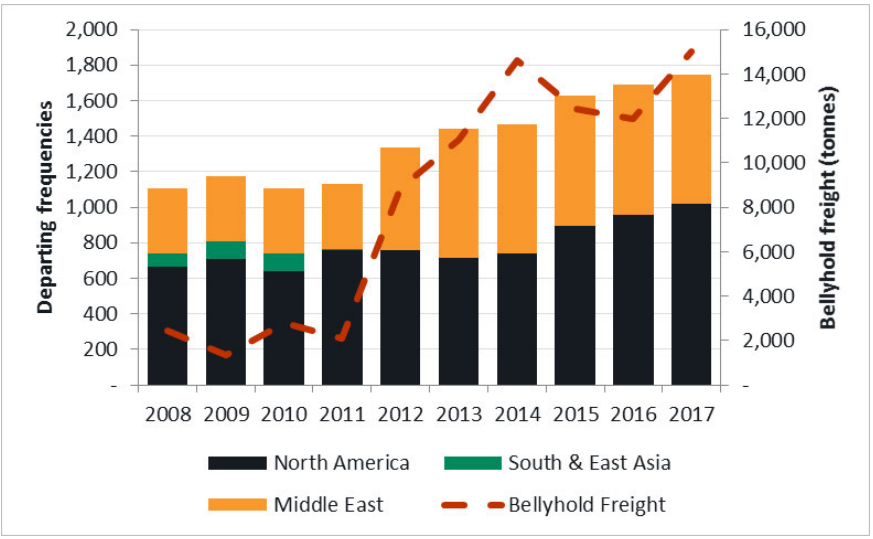


Figure 3.6: Birmingham: Departing frequencies and bellyhold freight volumes (2002-2017)

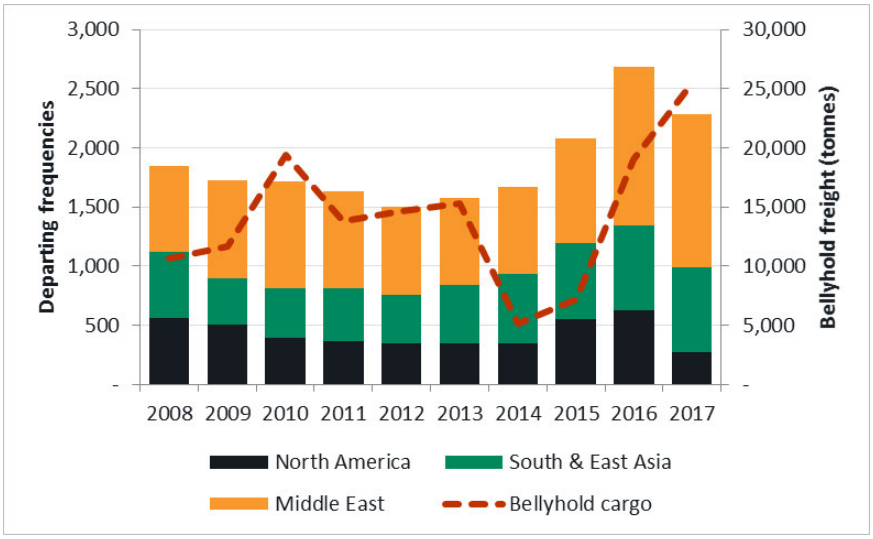
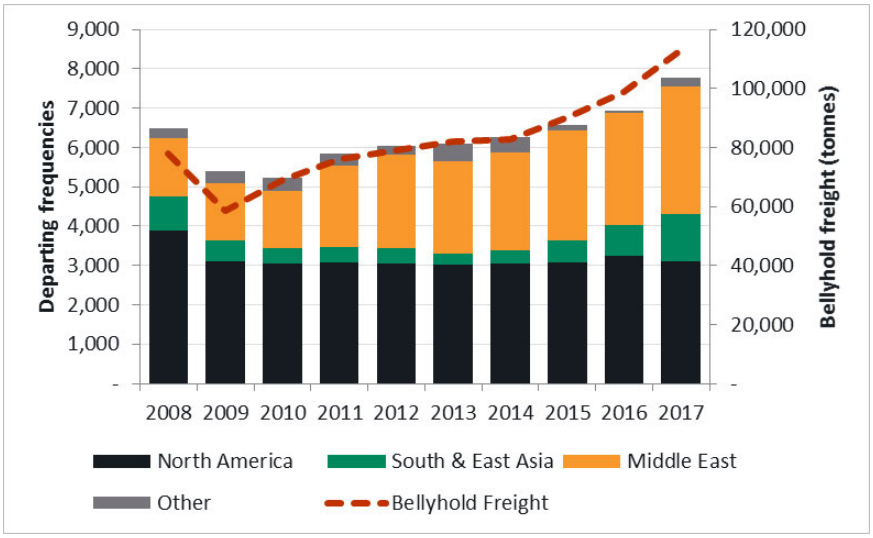


Figure 3.7: Manchester: Departing frequencies and bellyhold freight volumes (2002-2017)



Source: OAG, CAA

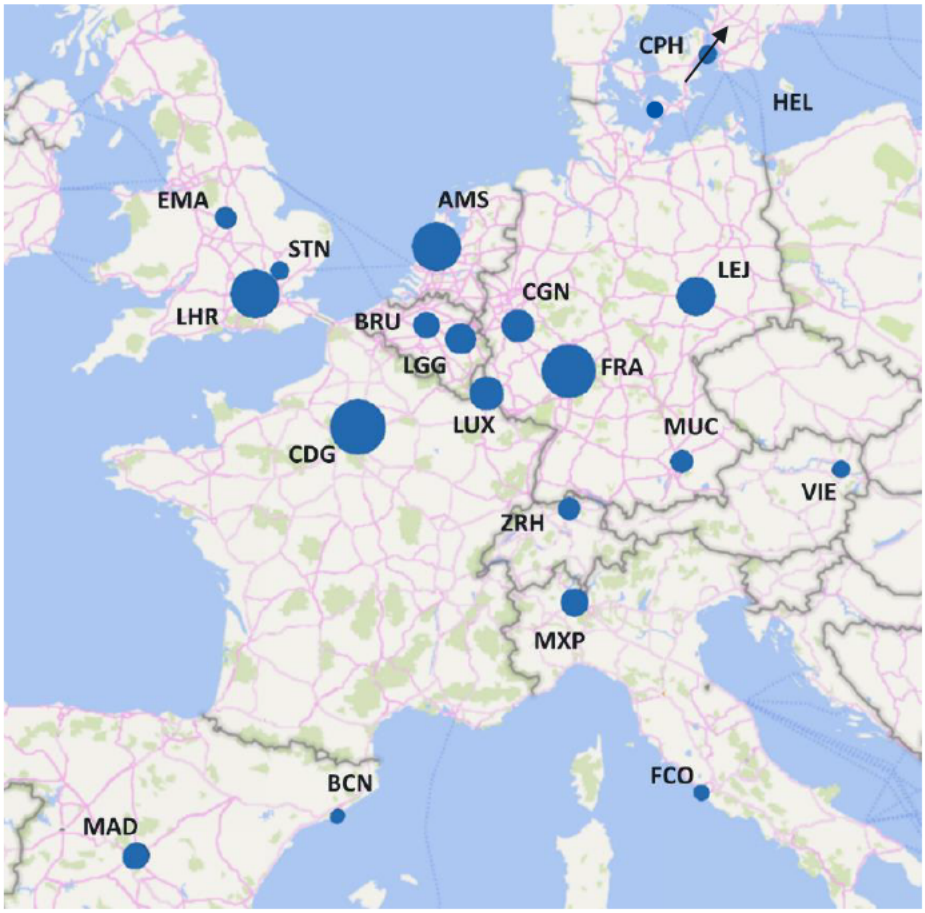
3.18 At the three airports shown in the figures above, increasing frequencies to the Middle East and Asia have significantly increased total bellyhold freight volumes. Although all three airports have had a sustained level of passenger connections to North America, as Figure 3.3 demonstrates, North America does not account for material amount of freight volumes at these airports. This is likely to be because of the large amount of North American bellyhold capacity available at Heathrow, which means shippers and forwarders have little incentive to utilise regional capacity on North American routes.

3.19 On the other hand, Heathrow has relatively less bellyhold capacity available on Asian and Middle Eastern routes, which means airlines have a greater incentive to utilise regional airports on these routes (although five new Chinese routes have started operations from Heathrow in 2018). Other airports' freight volumes have also benefited from their own new connections to East Asia. Direct passenger connections have recently started at Manchester (2016) and Edinburgh (2018) and, given the capacity constraints at Heathrow, it is likely that other airports' freight volumes will continue to benefit from the rapidly growing Asian economies.

International comparisons

3.20 Figure 3.8 shows 20 largest EU airports in 2017 based on total freight volumes.

Figure 3.8: Relative freight volumes at 20 largest EU airports (2017)



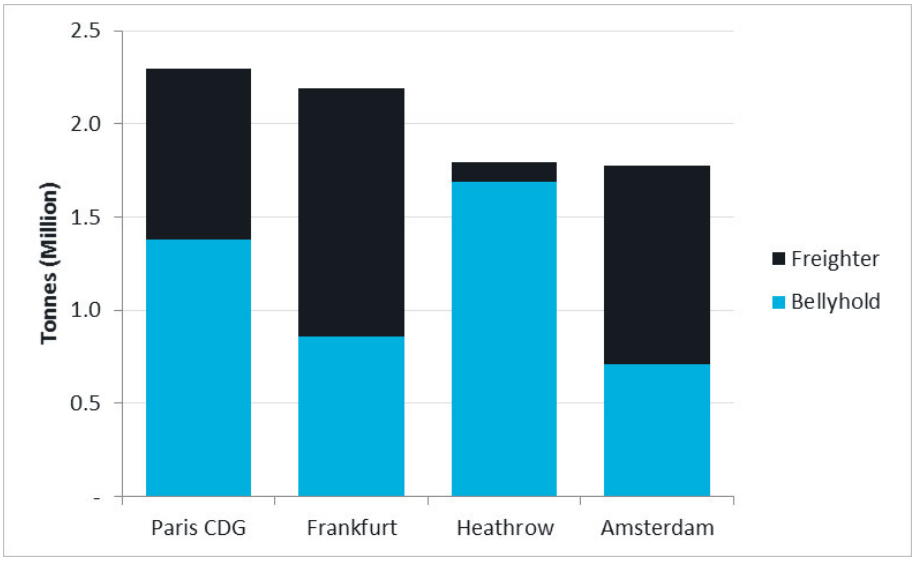
Source: Eurostat

3.21 Many of the largest freight airports in the EU are concentrated in North-West Europe, which is relatively well off and densely populated (therefore generates demand for imports), and is the home of a lot of European industry (therefore produces a large amount of goods for export). The close proximity of many large freight airports to the UK may also to some extent explain why so much air freight is flown to continental Europe and trucked to the UK, as there is much greater capacity available to continental North-West Europe than to the UK.

3.22 In terms of total freight volumes, Heathrow is the third largest airport in the EU (based on Eurostat data) and handles a similar magnitude of freight to that handled by Europe's other three major hub airports (Amsterdam, Frankfurt, Paris). Although East Midlands and Stansted are two of the twenty largest freight airports in the EU, they are significantly smaller than many of the freighter-orientated airports in Europe (including Cologne, Luxembourg, Liège and Leipzig).

3.23 Although Heathrow is one the largest airports in the EU in terms of freight volumes, due to its slot and operating constraints described above, it has a significantly lower amount of freighter activity compared to many major European airports. Figure 3.9 shows the share of total freight volumes carried by freighter and bellyhold capacity at the four major European hub airports.

Figure 3.9: Freighter and bellyhold volumes at four largest European airports, Million Tonnes (2017)

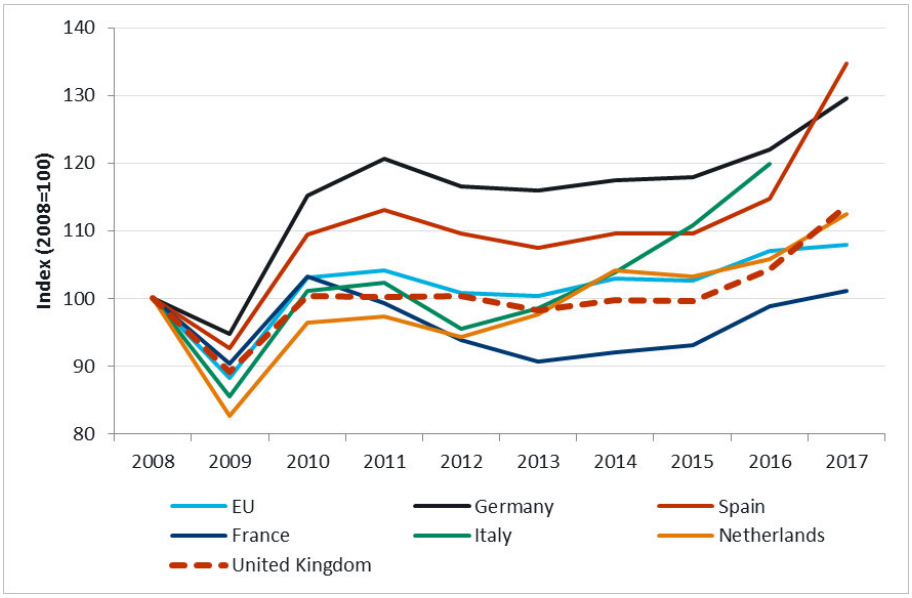


Source: Eurostat, CAA, individual airport traffic statistics (Paris CDG shares based on 2016/17)

3.24 At Heathrow in 2017, 6% of total freight volumes were carried by freighter aircraft compared to between 40% and 60% at Amsterdam, Frankfurt and Paris. Although Heathrow and Amsterdam carried very similar levels of freight in 2017, there were around 3,000[4] freighter air traffic movements at Heathrow compared to just under 17,800 at Amsterdam.

3.25 Figure 3.10 shows the indexed growth of total air freight volumes in the UK against comparable EU countries, as well as the EU as a whole, from 2008 to 2017 (and 2016 for Italy).

Figure 3.10: Indexed growth of selected EU countries freight volumes, 2008=100 (2008-2017)



Source: Eurostat. Note: France's growth prior to 2014 has been adjusted with ADP statistics to account for a change in measurement at CDG

[4] 2,971 non-passenger movements (source: CAA)

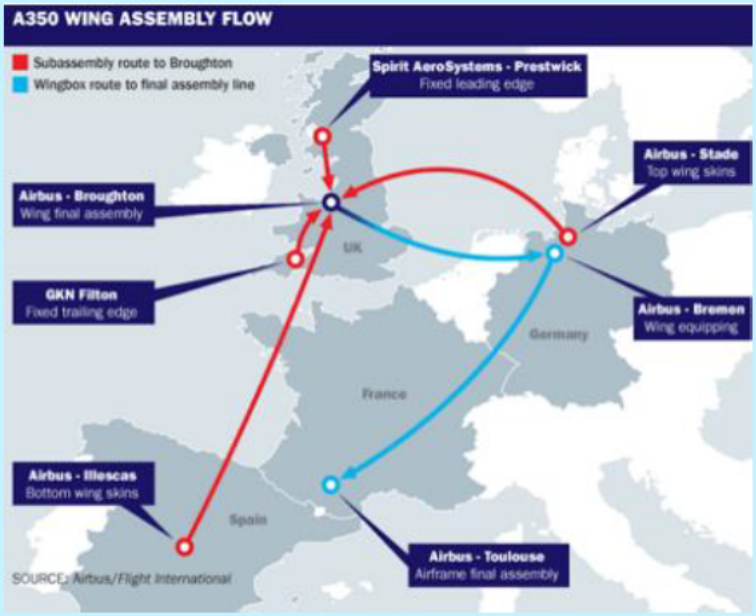
3.26 Although, like many of the countries shown, the level of growth in the UK appears to have picked up in the last couple of years, over the period shown, growth in the UK air freight volumes appears to have been lower than the growth in many other major European economies (with the exception of France).

Case study - Aerospace

The UK aerospace sector is one of the largest in the world which, according to ADS (a UK Aerospace trade organisation), had a total turnover of £45 billion in 2017 and supported 123,000 direct jobs. ADS also states that nearly 90% of final demand for UK aerospace products comes from exports. However, a large volume of goods are also imported, as aerospace supply chains are often located in several different countries, and as much of the UK's aerospace industry focuses on manufacturing aircraft parts, large quantities of components need to be regularly transported in and out of the UK.

In 2017, non-EU trade in aircraft and associated equipment[5] was worth £17.2 billion, equivalent to a little over 48,000 tonnes of equipment. In addition, trade in engines[6] (a large proportion of which are aircraft engines) was worth £28.4 billion, equivalent to a little over 32,000 tonnes of equipment. Air transport accounted for 76% of trade value in aircraft and associated equipment and 89% of trade value in engines. For both these product types, the value of imported and exported goods flown by air was very similar, reflecting the international nature of the production process and the flow of goods between countries. Some the world's most important aerospace firms are UK-based (BAE, Rolls Royce) and many of the world's largest aerospace manufacturing firms (Airbus, Boeing, Bombardier) have significant operations in the UK. For example, UK manufacturing sites are an integral part of the production process for the wings of Airbus aircraft (see map below).

Airbus wing assembly production flow



Source: HM Treasury (via Airbus/Flight International)

[5] SITC code 792
[6] SITC code 714

Airbus's assembly line for its A350 wings demonstrates air freight's role in these international production processes. Composite front spars are produced in the USA by Spirit and flown to its facility in Prestwick for assembly; these are then trucked to Airbus's facility in Broughton and are combined with other parts trucked from Filton (UK), flown from Stade (Germany) and from form Illescas (Spain). Completed wings are then flown to Bremen (Germany) for equipping, before being flown to Toulouse for final assembly.

As well as aircraft manufacturing, air freight is also important for facilitating aircraft maintenance and repair operations (MRO).
The figure below shows, on a £/kg basis, the top five UK airports with the most valuable cargo. With the exception of London City (which handles large amount of jewellery and diamonds), all are airports used as a base for aircraft manufacturing plants (Bombardier at Belfast City and BAE at Warton) or MRO (IAG at Cardiff and Marshall at Cambridge). Compared to other imports and exports, this demonstrates the high value of goods and components transported by air within the aerospace sector.

Value of airport cargo - £/kg basis (2017)

Policy considerations

3.27 The analysis in this chapter shows that air freight has started to grow again after several years of stagnation. The increasing volumes and longhaul connections at major airports outside the South East of England as well as the prospect of the third runway bringing additional capacity at Heathrow, give rise to a number of policy issues for consideration, including:

- how to make best use of existing infrastructure and unlock more capacity through investment in air freight facilities at UK airports;
- how to manage the air freight implications of the third runway at Heathrow; and
- how to support the air freight sector to grow sustainably.

4 International Trade

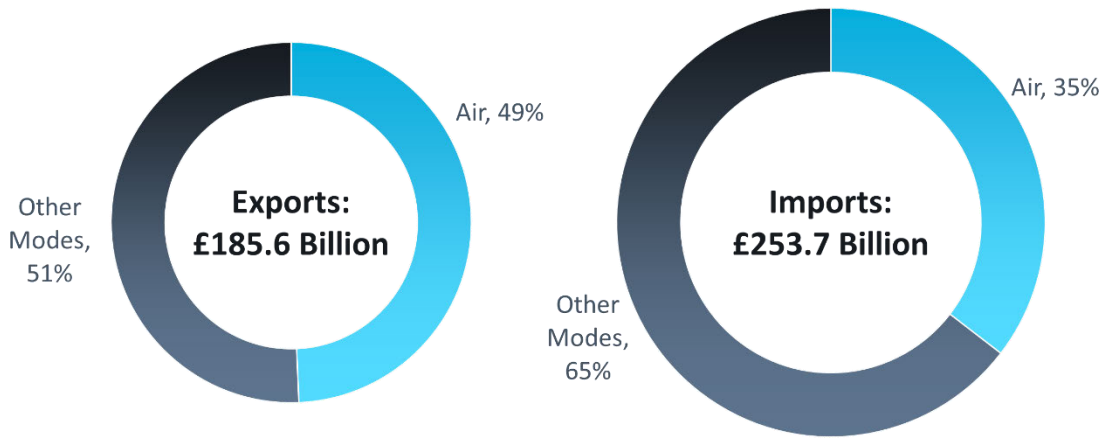
4.1 This chapter examines the breakdown of air freight flows in terms of the commodities flown and their value. We firstly compare the value of imports and exports by air in comparison with the total by all modes, then go on to examine the key product and geographic markets. We also provide a comparison of UK trade with that of other major European markets.

4.2 The analysis of UK trade presented in this section is based on import and export data within HMRC's data downloads, and therefore relates only to trade with non-EU countries. Although HMRC does provide estimates of arrivals and dispatches to and from EU countries, the level of detail provided is insufficient to undertake the analysis presented in this section for non-EU trade.

Role of air freight in UK trade

4.3 In 2017, non-EU trade classified as being transported by air accounted for over 40% in terms of value but under 1% of total trade in volume terms (with sea accounting for over 98%). Air as a proportion of total exports and imports in 2017, in value terms, is shown in Figure 4.1.

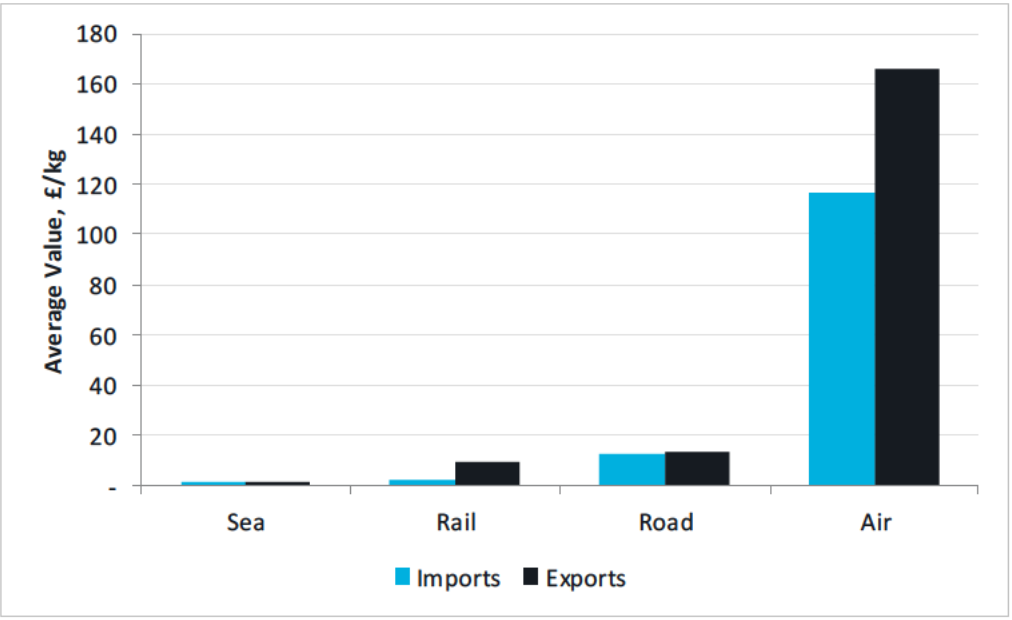
Figure 4.1: Air transport's share of total export and import value, £ Billion (2017)



Source: HMRC

4.4 Figure 4.2 shows the average value per kilogram, of exports and imports, for goods transported by sea, rail, road and air. Goods transported by air, on average, are significantly more valuable than those transported by other modes.

Figure 4.2: Average value of goods transported by each mode, £/kg (2017)

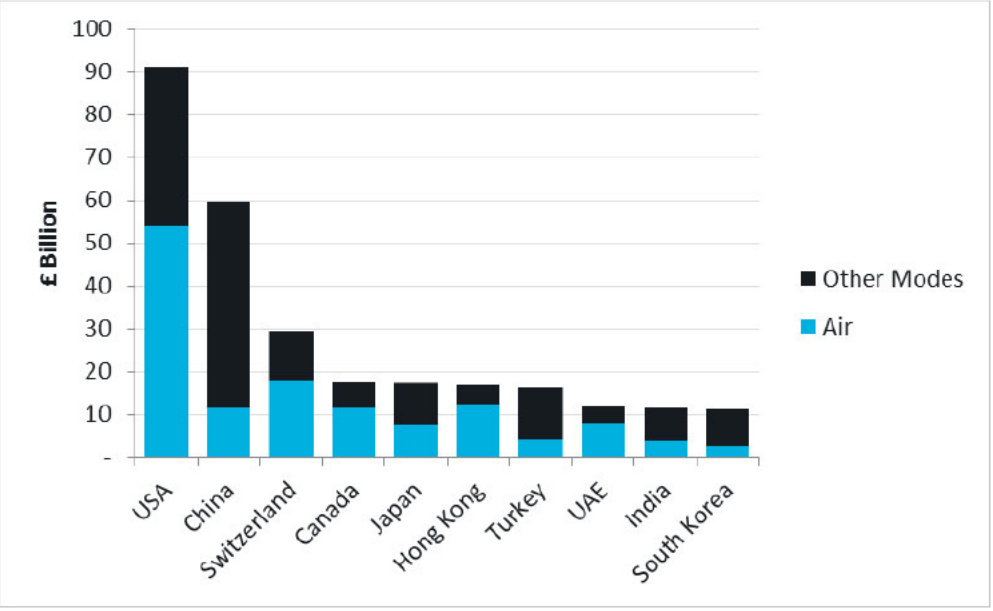


Source: HMRC

4.5 Similarly, for the UK's top ten non-EU trading partners, in volume terms, air accounted for under 1% of trade in most cases (but 1.3% with the US and 1.5% with India). Only with the USA (1.3%) and India (1.5%) did air account for over 1% of trade in volume terms. However, air accounted for a much higher proportion of trade with the UK's top ten trading partners in value terms.

4.6 Figure 4.3 shows the proportion of trade by value transported by air with the UK's top ten non-EU trading partners. Air generally accounts for a higher proportion of trade value with other service and high-end manufacturing-orientated economies (such as the USA and Switzerland), and has lower share with Asian mass manufacturing-based economies (such China and India).

Figure 4.3: Air transport's share of trade value with largest non-EU trading partners, £ Billion (2017)



Source: HMRC

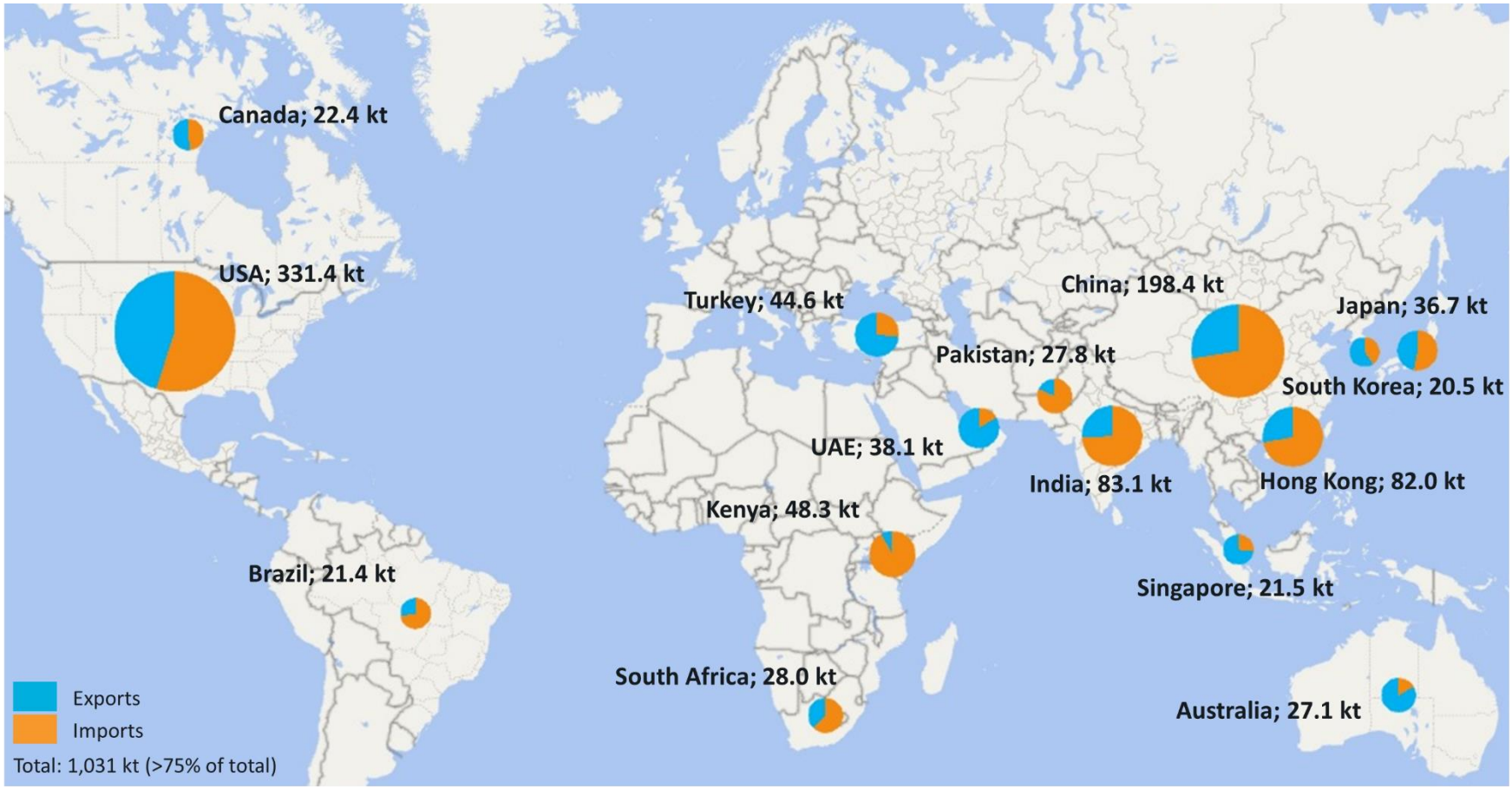
Geographical markets

4.7 The size of the import and export markets with the UK's top 15 non-EU trading partners, separately in volume and value terms are shown in Figure 4.4 and Figure 4.5, respectively. Note that although many countries feature within the UK's top 15 non-EU trading partners, in both volume and value terms, the two figures do not show the same 15 countries.

4.8 With its major trading partners, in volume terms, the UK's imports are characterised by a mixture of mass manufactured goods (such as clothing) from Asian countries including China, India and Pakistan, and more high-value manufactured products (such as electronics and machinery) from countries including Japan and South Korea. The UK also imports a significant amount of food and raw materials from countries including Brazil, Kenya and South Africa. On the export side, UK volumes are characterised by high-end manufactured goods (such as transport or scientific equipment) and food, in particular salmon, to higher income countries.

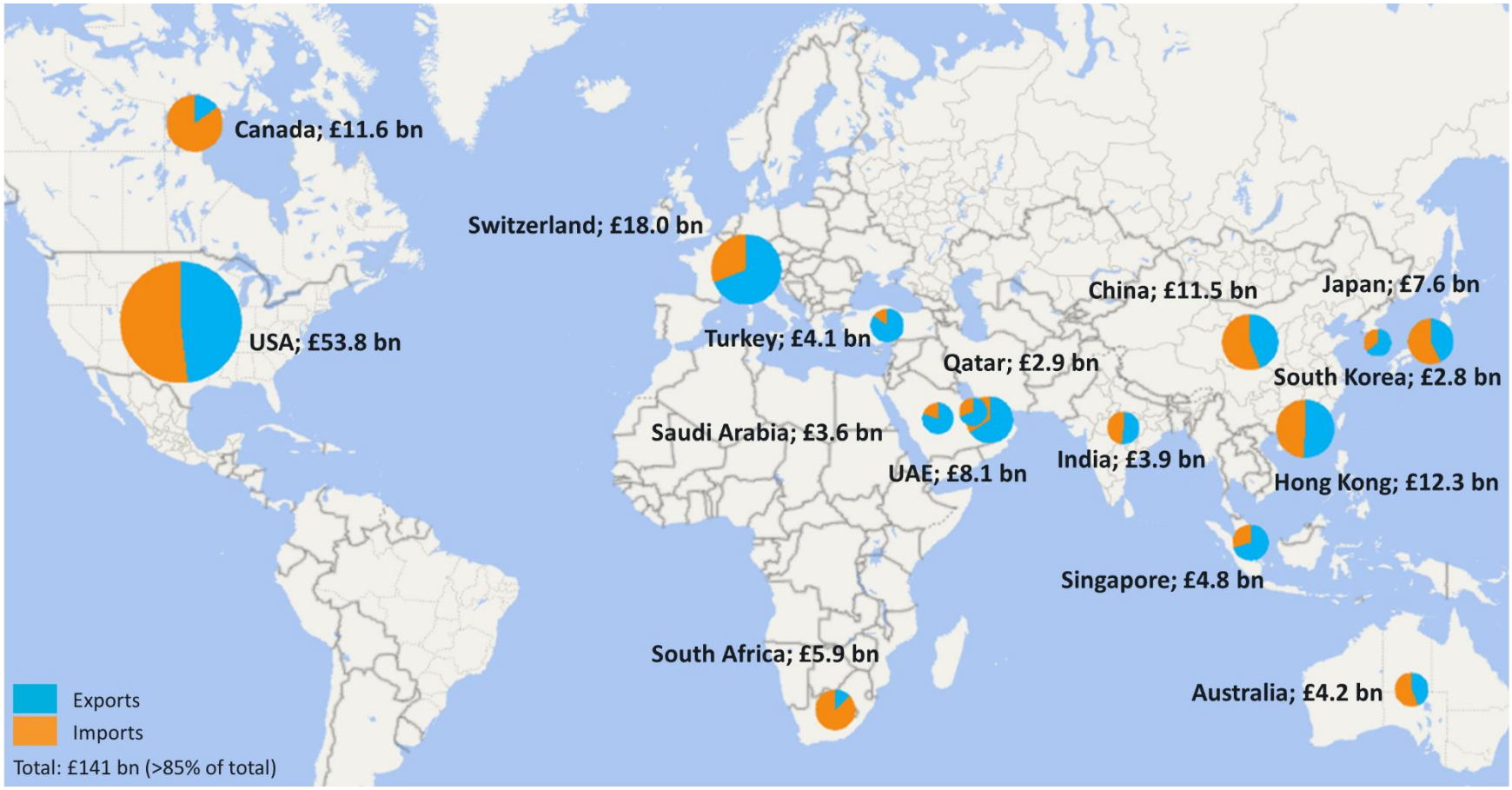
4.9 In terms of value, many of the UK's major trading partners in Asia and North America are also major trading partners in volume terms; however, in value terms UK exports account for a higher share of trade. As with volumes, much of the import and export value is accounted for by high-end manufactured goods (such as industrial machinery) as these goods are high value as well as high volume. Much of the trade with the UK's major partners, in value terms, is accounted for by precious metals and minerals (such as gold), which is high-value but low-volume. This includes imports from countries where these materials are mined, including South Africa, Australia and Canada, as well as Switzerland, which has a large gold refining industry.

Figure 4.4: Volume of air exports and imports with top 15 non-EU trading partners, 1,000 tonnes (kt) 2017)



Source: HMRC

Figure 4.5: Value of air exports and imports with top 15 non-EU trading partners, £ Billion (2017)



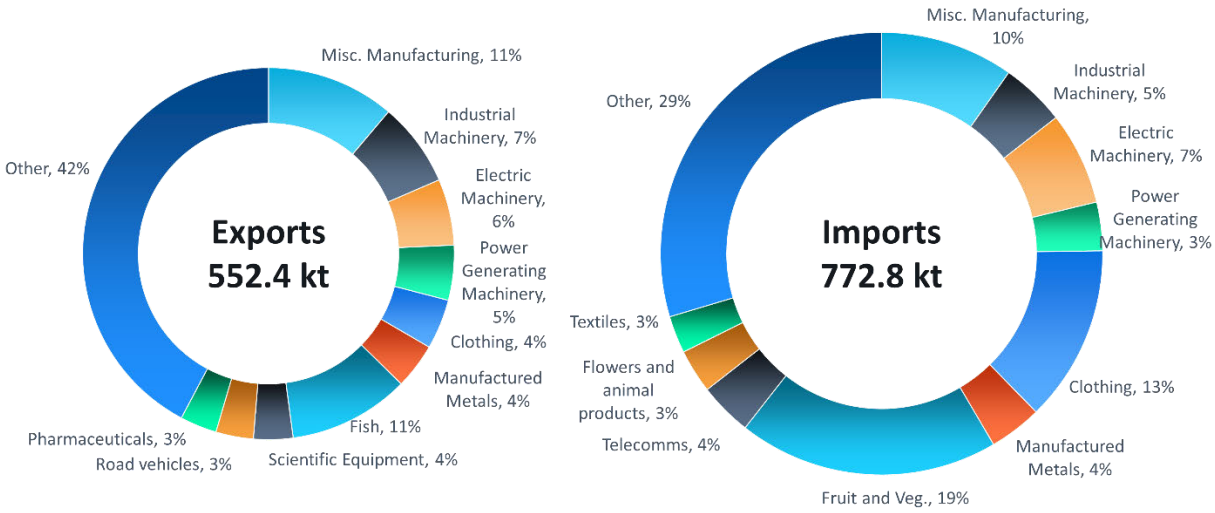
Source: HMRC

Product markets

Products shipped by air

4.10 The UK's exports and imports to all non-EU countries at a 2-digit Standard International Trade Classification (SITC) code level, in volume terms, are shown in Figure 4.6.

Figure 4.6: UK non-EU exports and imports at a 2-digit SITC code level, 1,000 tonnes (kt) (2017)



Source: HMRC

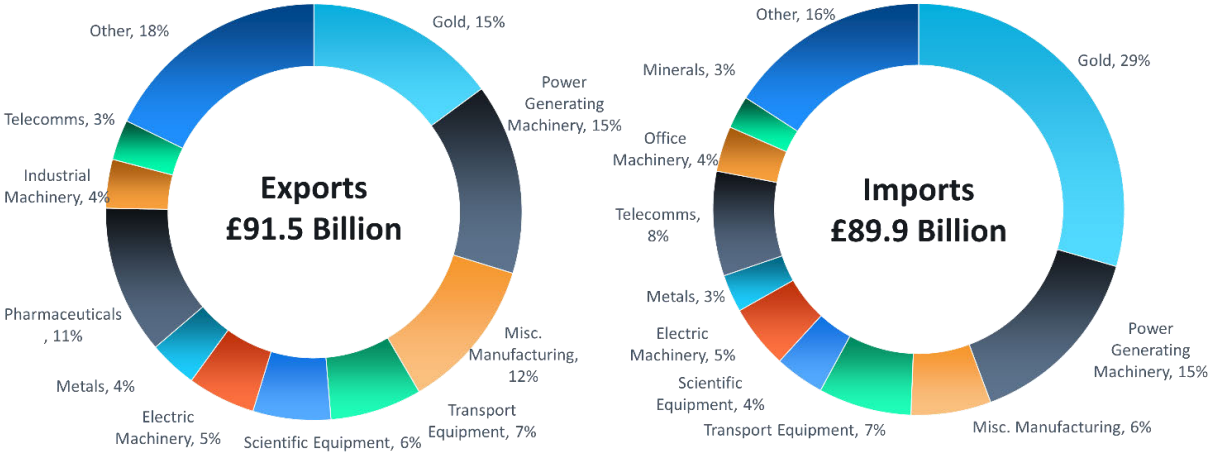
4.11 Clothing and fruit / vegetables are the two largest 2-digit SITC product groups imported by air. Fruit and vegetables are perishable and therefore need to be delivered quickly, while clothing is often shipped by air to enable retailers (particularly online retailers) to meet shifting demand of the latest fashion trends.

4.12 Other high-volume imports include business products including industrial goods, such as electric components and industrial machinery, and consumer goods including mobile phones, flowers and a range of manufactured products.

4.13 On the export side, most products with a high share of total volume are high-end manufactured goods, such as pharmaceuticals, cars, books and plane engines, or creative and knowledge industry-based goods such as books and high-end fashion. The notable exception to this is fish, in particular Scottish salmon, which accounted for over 10% of export volumes.

4.14 Figure 4.7 shows the UK's exports and imports to all non-EU countries at a 2-digit Standard International Trade Classification (SITC) code level in value terms.

Figure 4.7: UK non-EU exports and imports at a 2-digit SITC code level, £ Billion (2017)



Source: HMRC

4.15 Gold accounts for a significant proportion of import and export value, although it should be noted this is largely driven by the existence of the London Bullion Market, which, accounts for over 80%[7] of the global gold trade. This has a distorting effect on both the value of total imports and exports, as well as the value of trade with certain countries (such as Switzerland with its large gold refining industry).

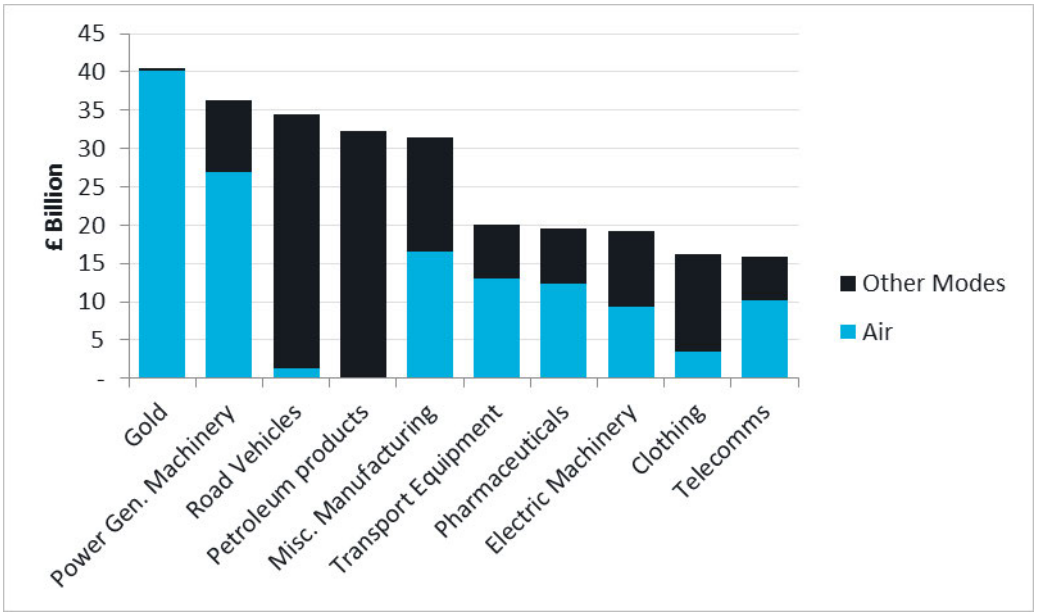
4.16 Many of the other products with a high share of UK trade value, such as aircraft engine parts and power generating machinery, have a high share of both import and export value, likely reflecting the global nature of these industries' supply chains and manufacturing processes. One exception is pharmaceuticals, which account for a significant proportion of export (but not import) value.

Products most dependent on air freight

4.17 Figure 4.8 shows, at a 2-digit SITC code level, the largest traded product groups by value and the proportion transported by air.

[7] Financial Times

Figure 4.8: Largest traded product groups at a 2-digit SITC code level, £ Billion (2017)



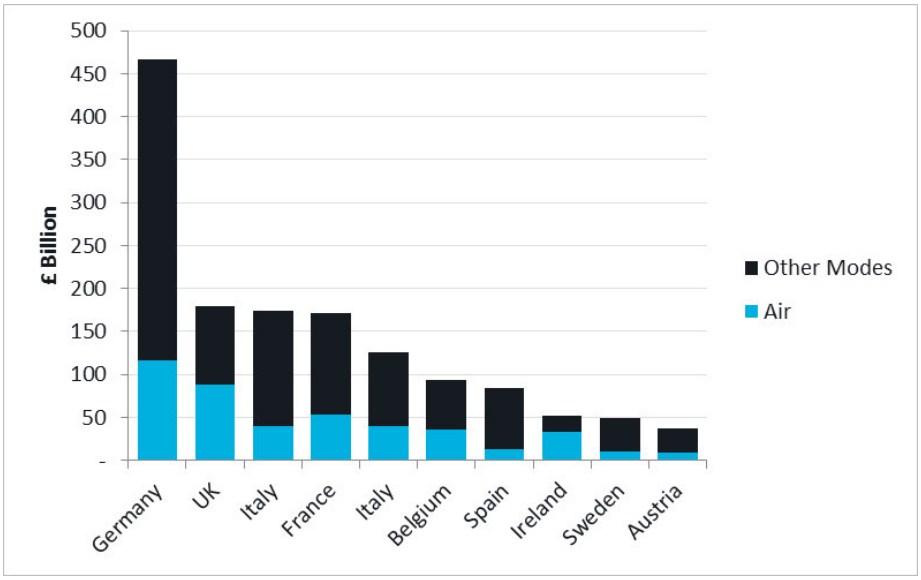
Source: HMRC

4.18 In all but three cases (petroleum products (oil), road vehicles and clothing), air accounted for over half of the value of each 2-digit product group. For some product groups, including miscellaneous manufactures, clothing and telecoms, air also accounted for a significantly higher proportion of exports (in value terms) than of imports.

International comparisons

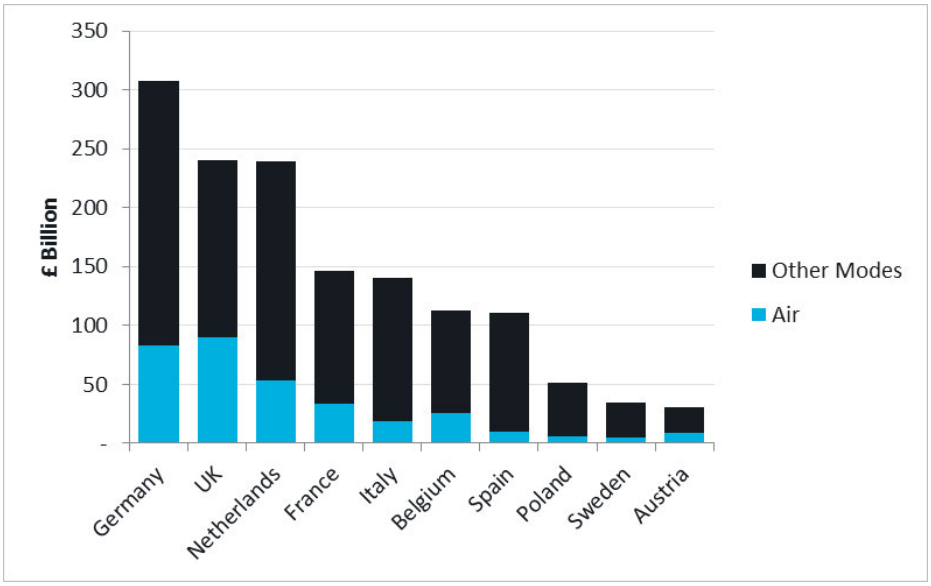
4.19 The size of the largest EU import and export markets to non-EU countries in value terms, and the shares transported by air, in 2017 are shown in Figure 4.9 and Figure 4.10 respectively.

Figure 4.9: Air transport's share of export value in top 10 EU export markets, £ Billion (2017)



Source: Eurostat – figures have been converted from Euros using an average 2017 exchange rate of €1: £0.88

Figure 4.10: Air transport's share of import value in top 10 EU import markets, £ Billion (2017)



Source: Eurostat– figures have been converted from Euros using an average 2017 exchange rate of €1: £0.88

4.20 Although Germany is by far the largest exporter to non-EU countries, only 25% of its goods by value are transported by air, whereas the UK, which is second largest total export market, ships a far higher proportion (49% by value) by air. Most of the other major EU economies ship between 20% and 40% of the value of their non- EU exports by air; only Ireland (64%) ships a greater share of its non-EU exports by air than the UK.

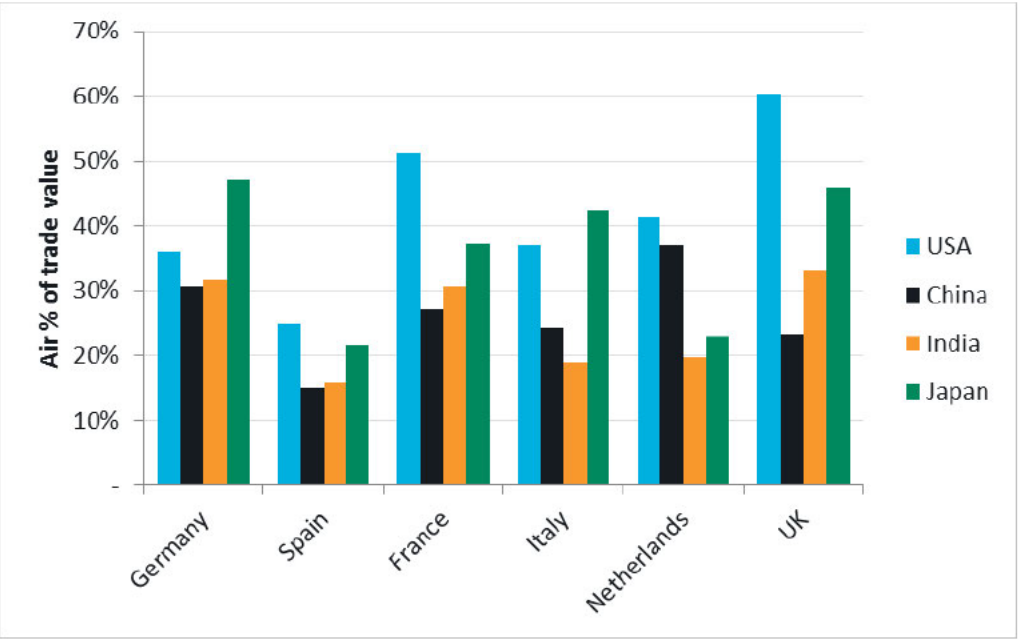
4.21 On the import side, the UK is second largest market in the EU and has the highest share (37%[8]) of imports transported by air, which makes its imports by air (£90 billion) the most valuable in the EU. Like the UK, most other major European economies ship lower proportion of their non-EU imports (compared to exports) by air, with most importing 10% to 30% by air in value terms.

4.22 The high share of air in non-EU trade for the UK (and Ireland) compared to other EU countries, is likely to be explained to some extent by the fact many countries on continental Europe can ship to some non-EU markets (such as Switzerland, Russia or Turkey) much more easily than UK without using air transport.

4.23 Figure 4.11 shows the proportion of trade value transported by air between some of the largest EU and non-EU economies in 2017.

[8] Difference from 35% shown in Figure 4.1 is likely due to slight difference between sources

Figure 4.11: Proportion of trade value transported by air between selected EU and non-EU countries (2017)



Source: Eurostat

4.24 The share of the UK's trade transported by air with India, Japan and the USA is either the highest (or close to the highest) compared to other major EU economies. In 2017, 60% of the UK's trade value with the USA was transported by air, compared to 51% for France and 36% for Germany. To a large extent, the proportion of trade value between two countries transported by air will be driven by the products the two countries trade, import demand preferences and the strength of each country's export markets.

4.25 However, it is likely that, to some extent, the proportion of trade value that is flown by air is linked to the level of air connectivity between the two countries. The UK has significantly more freight capacity to the USA than any other EU country, but has less capacity to China than Germany or the Netherlands. This may partly explain the low relative share of air in UK- China trade value; of the six EU economies shown, only Spain has a lower share of trade value with China that is transported by air.

Case Study – Pharmaceutical exports

In 2017, the UK exported £13.4 billion's worth of medical and pharmaceutical products[9], equivalent to just under 90,000 tonnes of goods. In 2017, 79% of the value these products were carried by air, which, as shown in Figure 4.7, represented over 10% of total air export value. Pharmaceutical products are key strategic knowledge-intensive industry for the UK, that benefits internationally from a reputation for high quality standards.

One company that has taken advantage of this reputation is Loughborough-based Morningside Pharmaceutical[10], which exports supplies to the developing world, to customers including NGOS, ministries of health and private sector clients including hospitals

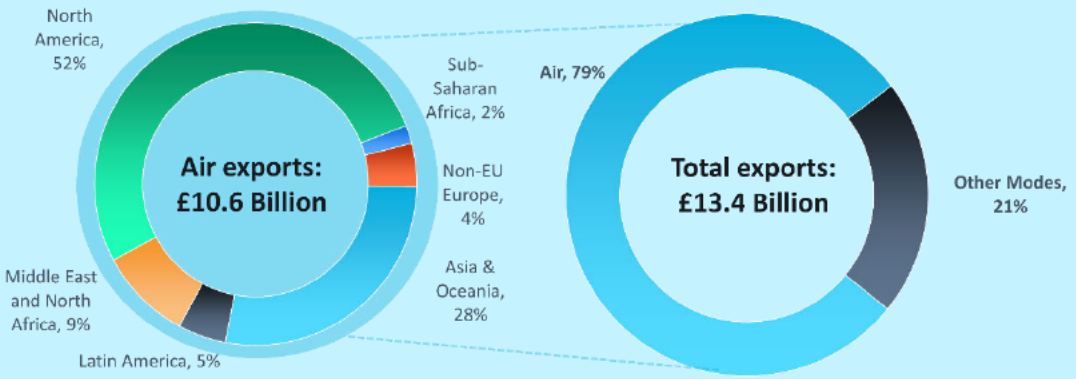
[9] SITC code 54

[10] Credit: East Midlands International Trade Association

and retailers. Shipping by air is more expensive than by sea, however, it enables supplies to delivered faster; shipments can be delivered to in-land locations in the developing world, such as Harare, within two to three days, compared to 45 to 50 days by sea and road. Many shipments are able to leave from East Midlands airport – 20 minutes away from Morningside's facility in Loughborough. Faster delivery is beneficial for Morningside as it facilitates faster payment.

Although companies like Morningside do most of their business in developing markets in Africa, the majority of UK pharmaceutical exports are to more developed economies, as shown in the figure below. In 2017, over half of air export value was shipped to the USA, while Australia, China and Japan were also important markets.

Medical and pharmaceutical supplies (SITC 54): Total and by air, £ Billion (2017)



Source: HMRC

Although it is beneficial for the drugs produced by Morningside to be delivered quickly, other pharmaceutical products are even more time critical. One pharmaceuticals manufacturer of diagnostic and therapeutic medical products, based in South-East England, supplies drugs from their facility, via Heathrow, to hospitals and medical facilities across the world. The drugs have a short life span and are therefore time critical; they must be shipped using express services before they start to degrade.

On the import side, the UK is also a world leader in clinical trials testing, therefore patient urine and blood samples from across the world are sent to the UK in order to develop world class drugs to treat illnesses. The global connectivity provided by Heathrow is therefore important for also facilitating this industry, as samples need to be delivered within 48 hours from collection so as not to compromise the sample integrity. Biological samples are imported (often on dry ice) from countries such as South Africa or Kuwait on direct commercial flights into Heathrow.

Policy considerations

This chapter demonstrates the importance of air freight to UK international trade, and in particular that the UK has a higher dependence on air freight than most other countries. This raises issues for consideration in the development of the UK Government's Aviation Strategy on the appropriate level of Government support for the air freight sector and how its importance should be reflected as part of the strategy for the aviation sector as a whole.

5 Economic analysis

Introduction

5.1 This chapter builds on the analysis earlier in the report to estimate the economic value of air freight to the UK economy. Economic value can be measured in different ways, but typically considers the impacts of an economic sector (or of a proposed project or intervention) on:

- employment (number of employees associated with the sector or intervention);
- income received as salaries by employees; and
- gross value added (GVA).

5.2 GVA is an important indicator which measures the revenues generated by an industry, after netting off the costs of its inputs, in particular its expenditure on the outputs of other economic sectors or on imports, hence the concept of "value added". GVA can be measured for both economic sectors and for geographical regions within a country, allowing for comparisons between each of these. When totalled to cover the whole economy at national level, GVA broadly equates to gross domestic product (GDP), the standard measure for national economic output (the difference is an adjustment for taxes and subsidies on products).

5.3 The analysis in previous chapters demonstrates the importance of air freight to the UK economy. As noted in paragraph 4.3 above, air freight is the transport mode used in UK external trade (to non-EU countries) for:

- 49% of exports by value;
- 35% of imports by value; and
- 41% of combined exports and imports by value.

5.4 However, while clearly demonstrating the significance of air freight, these figures do not automatically translate into the measures typically used by economists to estimate the economic value of the sector (employment, income and GVA), which are discussed below.

5.5 In this chapter, we consider two different, complementary, approaches to assessing economic value:

- the traditional measure of economic impacts on employment, income and GVA of the air freight industry and associated services, generally known as "direct", "indirect" and "induced" impacts (based on the activity in the sector itself and on upstream monetary flows between the air freight industry and other sectors in the economy); and
- the wider economic impacts of air freight, sometimes referred to as "catalytic impacts", which consider how air freight facilitates economic activity in other sectors (based, in this case, on estimating what proportion of GVA in those sectors is currently reliant on air freight services).

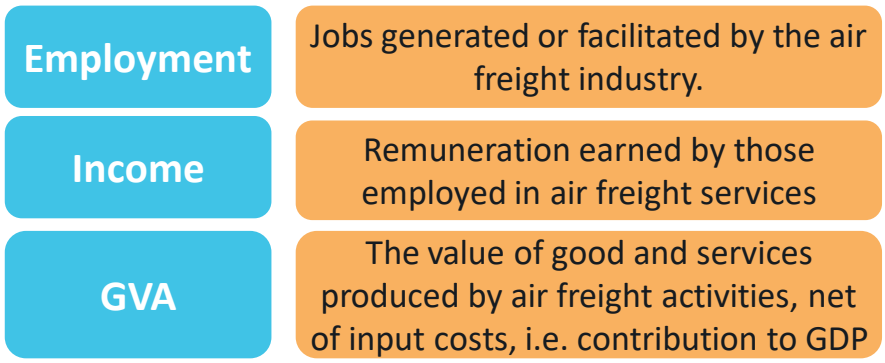
5.6 Our approach to the wider economic impacts of air freight also allows us to disaggregate these impacts both by economic sector (to illustrate which industries are most dependent on air

freight) and by the UK regions and constituent countries. This gives important insights into where the economic benefits of air freight are generated, as distinct from the localities from where or to which it is flown (concentrated at Heathrow and three other airports). These approaches are described in the sections below.

Direct, indirect and induced impacts

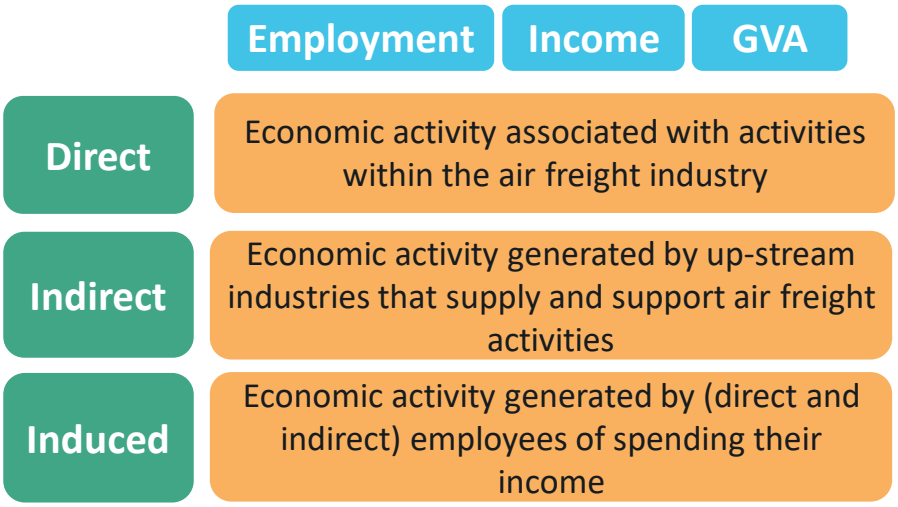
5.7 As noted above, the traditional approach to quantifying the economic impacts of an economic sector is to consider how its activity affects levels of employment, income and GVA, as shown in the diagram below.

Figure 5.1: Measures of economic impact



5.8 For each of these measures, it is possible to compute the "direct", "indirect" and "induced" impacts using a recognised methodology. In addition, wider, catalytic, impacts can also be estimated (see section below), although the approach for this is less standard. In this section, we focus on the direct, indirect and induced impacts, as shown in the diagram below.

Figure 5.2: Direct, indirect and induced economic impacts



Methodology

5.9 The calculation of direct, indirect and induced economic impacts is based on the use of Input-Output tables (I-O tables), produced by the Office for National Statistics (ONS), the latest available version being from 2014. I-O tables cross-tabulate what each industrial sector purchases from each other industrial sector (intermediate demand), and in addition include

data on household and government expenditure, employees' income and company profit, as well as taxes, capital investment, exports and imports.

5.10 However, I-O tables are only available at a high level of industrial aggregation. In order to isolate the air freight sector, it has therefore been necessary to break down the existing categories into their constituent parts, and then reconstruct the table so that it provides the best representation of the range of air freight-related activities taking place in the economy.

5.11 In order to capture the economic value of air freight, it is important to include all the economic activities relevant to the delivery of air freight services. However, the Standard Industry Classification (SIC) used by ONS classifies as "air freight" (SIC code 51.2) only the activities related to the scheduled and non-scheduled transport of goods by air, but does not include essential supporting activities such as ground service activities, cargo handling, warehousing and storage. We have therefore developed a wider definition of supporting air freight services, which also includes the following sub-sectors:

- Warehousing and storage facilities (SIC 52.10/2)
- Service activities incidental to air transport (SIC 52.23)
- Cargo handling for air transport act. (SIC 52.24/2)
- Other transport support activities (SIC 52.29).

5.12 Clearly, not all warehousing and storage, or other transport support activities relate to air freight (forwarding, brokerage, etc.), but we have made the assumption that such activities within a given distance of airports will be largely focused on such activities[11]. Based on this assumption and levels of employment in each of the above sub-sectors in wards within these airport "catchments", as compared with overall employment in the sub-sector, we have allocated a proportion of the economic activity in each sub-sector to air freight services. Although this will not capture all aviation-related activity (clearly there will be non-aviation related warehousing near airports, as well as aviation-related warehousing further away), on balance we consider that this approach is reasonable.

5.13 For "service activities incidental to air transport", which includes airport terminals and air traffic control, we have taken a proportion based on air freight's share of overall air transport GVA[12]. Cargo handling for air transport can reasonably be included in its entirety.

5.14 The table below shows the key components of the economic activity for air freight and its supporting services (these correspond to the "direct" impacts).

[11] Within 10km of Heathrow, within 5km of each of Gatwick, Stansted, Manchester, Birmingham and Glasgow, and within 3km of other airports

[12] 2.6%

Table 5.1: Air freight and supporting services

	Gross Value Added (£m)	Employment (000 jobs)	GVA per worker (£k)	Income generated (£m)	Income per worker (£)
Air Freight (SIC 51.2)	222	3	86	101	38,914
Supporting Air Freight Services	1,261	44	29	1,000	22,838
Total Air Freight Services	**1,483**	**46**	**32**	**1,101**	**23,739**

Source: ONS data, Steer analysis. 2014 data and prices.

5.15 With these adjustments to the ONS 2014 I-O table, we are able to create the underlying data to calculate the direct, indirect and induced economic impacts of air freight and its supporting services. As indicated in Figure 5.2, direct impacts relate to the employment, income and GVA generated by the sector itself, indirect impacts take account of the knock-on effects in the sector's supply chain, while induced impacts also include the impacts of employees' spending in the economy. These can be calculated from the I-O table, by inspection for for direct impacts and via standard techniques for the indirect and induced impacts[13].

Results

5.16 Undertaking the analysis described above allows "multiplier effects" to be calculated. These capture the extent to which changes to air freight services impact the supply chain (indirect impacts) and how the employee income generated by such changes generates knock-on economic activity as this is spent in the wider economy (induced impacts). Multiplier effects are initially calculated for an industry's output, and can then be converted into the corresponding effects on GVA, employment and income. The table below shows the relevant multipliers for (total) air freight services. Note that the multipliers are shown, as is customary, as the overall impact compared to the direct economic impacts (as shown in Table 5.1 above), hence can be considered to be cumulative. The multiplier for direct effects is, by definition, equal to 1.

Table 5.2: Air freight multiplier effects

Multipliers	GVA	Employment	Income
Indirect	2.21	1.81	1.97
Induced (including indirect)	4.88	3.25	3.69

Source: ONS, Steer analysis

5.17 Applying these multipliers to the direct impacts leads to the economic impacts shown in the table below.

Table 5.3: Economic impact of air freight services

Impacts	GVA (£m)	Employment ('000s)	Income (£m)
Direct	1,483	46	1,101
Indirect	1,800	38	1,067
Induced	3,949	66	1,891
Total	**7,232**	**151**	**4,059**

Source: ONS, Steer analysis. 2014 data and prices.

[13] Using Leontief I (indirect) and Leontief II (induced) matrix inversions

5.18 Overall, air freight services support GVA of **£7.2 billion**, **151,000** jobs and associated income of **£4.1 billion** (2014 data and prices) in the UK economy. Note that this result only relates to activities and expenditure either within the air freight and supporting industries, its supply chain and spending by its workforce. It does not include "downstream" effects, i.e. the effect on the industries purchasing air freight services, or the wider, catalytic, impacts on the whole economy. These are discussed in the next section.

Wider economic impacts

5.19 Traditional economic impact assessments are based on the monetary interactions between each sector of the economy with other sectors, as well as with its workforce (salaries), the government (taxation), owners (dividends) and interactions with suppliers and purchasers outside the country (imports and exports).

5.20 However, air freight is a low margin business where the actual revenues earned from supplying air freight services (whether the actual flying or support activities such as ground handling and warehousing) do not fully represent either the value of what is being flown, or the value of timely delivery. In terms of the value of what is flown, air freight imports and exports, between them, were worth £181 billion (2017 values and prices)[14], or close to 25 times more than the economic added value (GVA) calculated using the direct, indirect and induced methodology of the previous section.

5.21 Additionally, beyond the value of the goods transported by air, some products are worth considerably more to the shippers/consignees of the goods than the value of the item itself. This explains why so much machinery and equipment, as well as contractual and legal documents, are delivered using air freight. The items themselves may not be particularly valuable, but a key component may allow a production line to continue to operate rather than being shut down while the component is delivered by surface transport. Similarly, key original signed documents may allow deals worth billions of pounds to go ahead.

5.22 While the value of goods flown (exports and imports) cannot be directly compared with an economic value measure such as GVA, because their worth is not "added value" in the same sense that the activities of an industry add value, the two concepts are linked. We have therefore developed an approach to identify how much value added across the economy is associated with the value of products moved by air.

Methodology

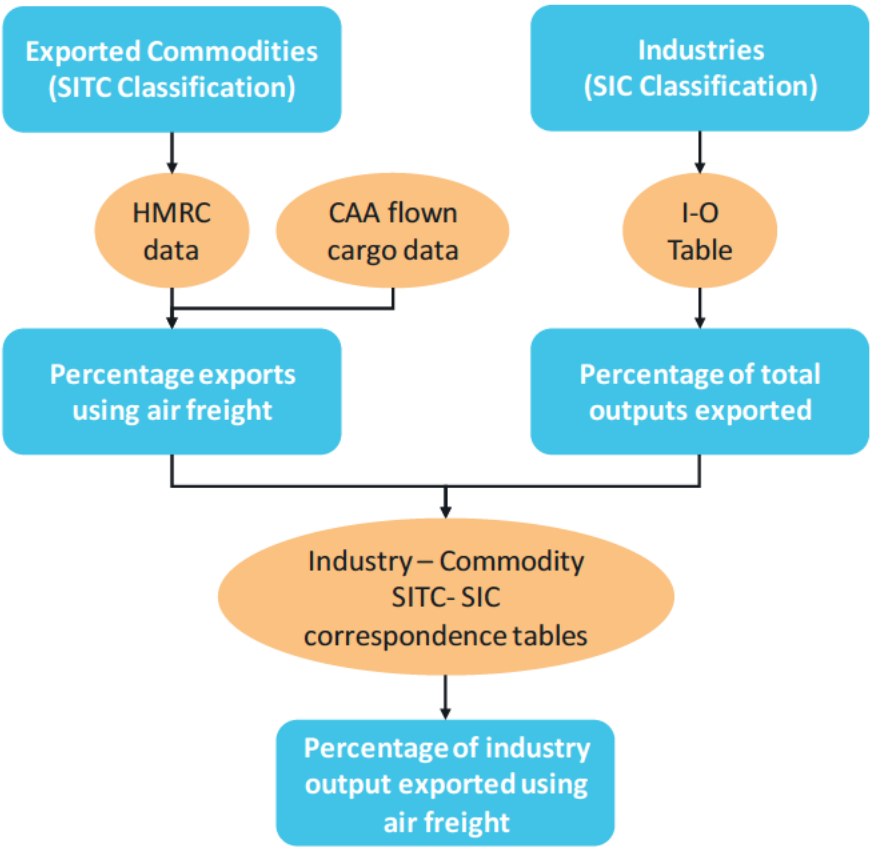
5.23 Each sector of the economy produces outputs for which customers are willing to pay. While service industries produce largely intangible outputs, primary and secondary sectors produce physical products such as food, machine parts, cars and so on. For these sectors of the economy, their outputs equate to particular commodities so that, for example, farms produce agricultural products while automotive plants produce cars and trucks. Hence, there is a correspondence between each industry and its outputs[15].

[14] See Figure 4.7 above

[15] This correspondence is formally available using tables provided by Eurostat RAMON relating Standard International Trade Classification (SITC) commodity codes and Standard Industry Classification (SIC) codes, together with mappings between different versions of each set of codes provided by ONS and UNSD.

5.24 As identified in Chapter 4 and illustrated in Figure 4.8 above, for a number of commodities air freight plays a significant role in delivering exports of the product (the majority for pharmaceuticals and power generating equipment, for example), as identified by HMRC data on transport mode used for trade. Using the HMRC data, we can therefore identify what proportion of such industries' exports are transported by air. Furthermore, for each industry, the I-O table developed by ONS and described from paragraph 5.9 above, identifies the value of exports produced by each industry in relation to the total value of its output. Bringing these together by using the correspondence between industries and the commodities those industries produce, we can therefore establish, for each industry which produces physical outputs, what proportion of those outputs is represented by exports transported using air freight services. The approach is illustrated in the figure below.

Figure 5.3: Estimation of industry output exported using air freight



Source: HMRC data downloads, ONS weighted correlation tables, Eurostat RAMON, UNSD SITC Rev. 4, CAA airport data, Steer analysis

5.25 Note that because HMRC data covers only non-EU exports, an adjustment needs to be made to account for EU exports by air. In volume terms (tonnage), air freight flown to the EU represents 18.3% of total air freight from the UK, based on CAA flown volumes data[16], so total

[16] CAA 2017 airport data (Table 14)

air freight export values can be estimated from non-EU exports by uplifting the value of non-EU exports by 22.3%[17].

5.26 An industry's output represents the value of the goods (or services) that it sells, while its value added (measured by GVA), broadly represents the value of outputs net of the cost of inputs[18]. For this reason, GVA, summed across the whole economy, with an adjustment for product taxes and subsidies, represents the whole national economic output (whereas adding all industries' outputs together would double-count the portions of output sold from one industry to another).

5.27 It is reasonable to make the assumption that all output contributes equally to the GVA generated by an industry. For example, based on the 2014 I-O Table, SIC 26, the "Manufacture of computer, electronic and optical products" generated £20.6 billion in output (sales) and its GVA was £7.9 billion. We therefore assume that each £1 million of output from these industries generate a GVA of £383,000.

5.28 We have also made the assumption that, since its exports represent a component of an industry's output and also contribute directly to the value added (GVA) of that industry, that:

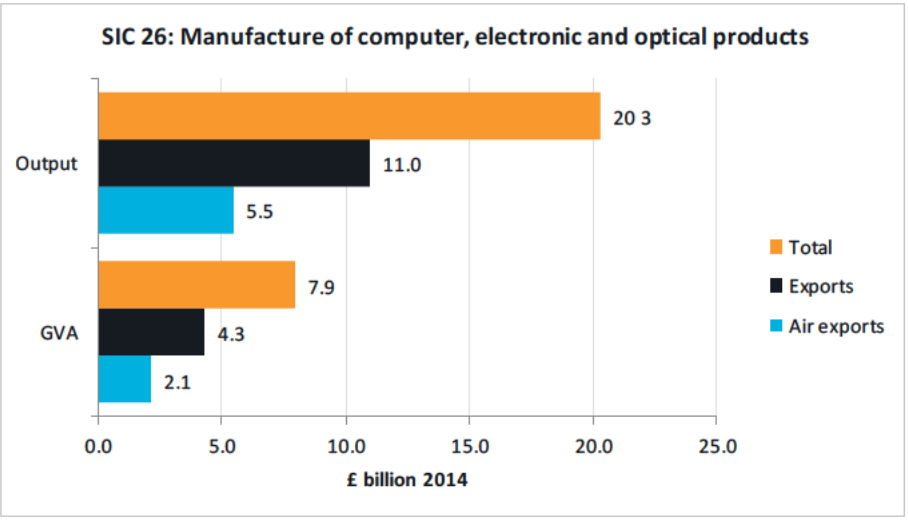
- The proportion of an industry's GVA supported by air freight services is equal to the proportion of its outputs which are exported by air.

5.29 In the case of computer, electronic and optical products, using the analysis based on the approach in Figure 5.3, 54.2% of the value of the relevant industries outputs are exported, and of these, 49.5% are exported by air (EU and non-EU combined). Therefore 27.3% of the industries' outputs, or £5.5 billion's worth of sales, are exported by air. Using the assumption that each unit of output generates the same level of GVA, we can therefore deduce that 27.3% of the GVA generated by the industries producing computer, electronic and optical products is, currently, dependent on the use of air freight services. This equates to 27.3% of the industries' combined GVA of £7.9 billion, or £2.1 billion. Note that this represents the "direct" GVA of the industries themselves, and not any knock-on effects on their supply chains. This direct GVA to output relationship is illustrated in the figure below.

[17] The 22% uplift is calculated from [1 / (100% - 18.3%)] - 1, and by making the assumption that the commodity value per kg of EU exports using air freight is similar to the value per kg of non-EU air freight.

[18] Some adjustments are made for consistency across industries which sell different proportions of outputs to other industries rather than to consumers or the public sector, so GVA for an industry is actually calculated as the sum of employees' compensation, taxes on production and its gross operating surplus. At a national level, the two approaches are equivalent.

Figure 5.4: Illustration of relationship of industry output and GVA related to exports by air, £ Billions



Source: ONS, HMRC, Eurostat, CAA, Steer analysis

5.30 The final step in this analysis is to recognise that, if a portion of an industry's GVA is dependent on air freight services, then the suppliers who provide inputs to that industry are also dependent on the air freight services. This is the same "knock-on effect" described in paragraph 5.15 above. Following this logic, it is reasonable to apply the industry multipliers for indirect and induced impacts generated from analysis of the ONS I-O table. While Table 5.2 above shows the relevant multipliers for the air freight sector, each different industry sector has its own multiplier[19]. The multipliers are shown, for each sector with air exports, at the single-character industry section level, in the table below.

Table 5.4: Industry sector induced effects multipliers

Code	Industry sector	Induced multiplier
A	Agriculture, Forestry and Fishing	3.3
B	Mining and Quarrying	2.4
C	Manufacturing	3.9
E	Water Supply; Sewerage, Waste Management and Remediation Activities	3.0
H	Transportation and Storage	4.0
J	Information and Communication	3.0
M	Professional, Scientific and Technical Activities	3.0
R	Arts, Entertainment and Recreation	2.8

Source: ONS, Steer analysis

5.31 In the example of the industries manufacturing computer, electronic and optical products, the application of the multiplier for manufacturing (code C), which is 3.9, increases the estimate of GVA dependent on air freight exports from £2.1 billion to £8.3 billion.

[19] These are estimated by the same Leontief matrix inversion approach on the I-O table used to find the air freight multipliers

5.32 This approach leads to analysis that implies that a very significant proportion of some industries' GVA is dependent on air freight. While this is factually true at the current time, it is also necessary to consider the possibility that the exports currently transported by air could be transported by other modes (i.e. land or sea), and hence that this dependency is purely contingent, because substitute transport options exist. In the absence of air freight, some products might be transported via other modes and could not, therefore, be considered "dependent" in the strictest sense.

5.33 However, while it is true that all products which are currently transported by air could, in principle, be transported by surface modes, air transport is qualitatively very different in its characteristics, because:

- transit times are very much faster (e.g. one week for bulk air freight from the Far East, vs. six weeks by sea); and
- prices are very much higher (in a range of four to six times more expensive for bulk air freight, and higher still for express freight).

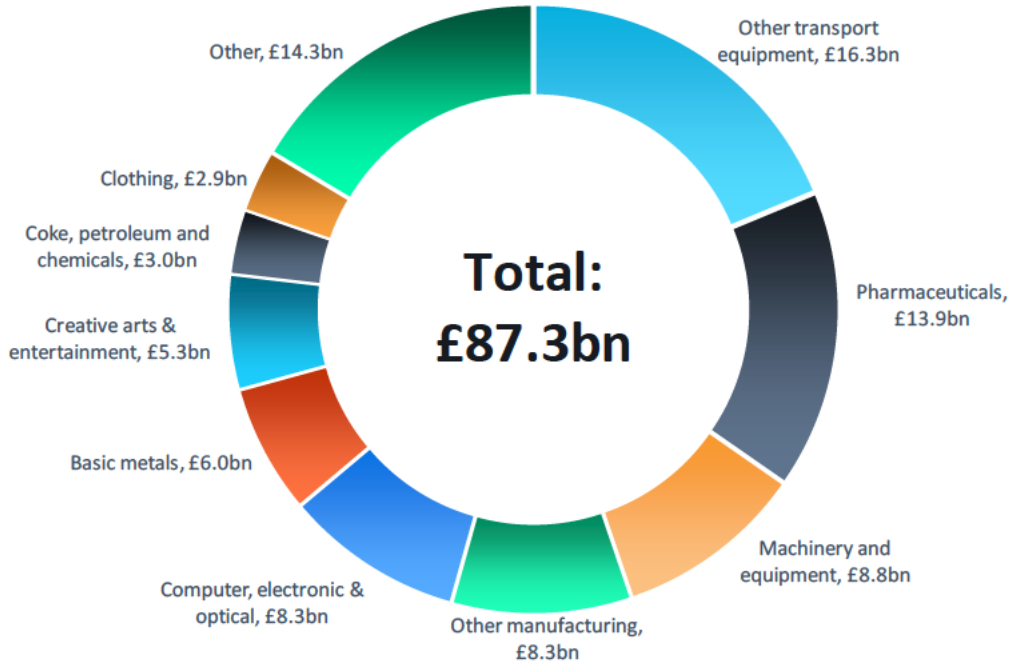
5.34 Therefore, surface modes would appear to be poor substitutes for air freight. Clearly, if air freight became less available and/or more expensive, some users would switch to surface transport. However, it is likely that they would become less competitive by doing so as, if not, they would already have made the switch. Therefore, in the longer run, such industries would tend to migrate away from the UK to other locations where air freight was more readily available and/or cheaper. For example, manufacturing plants which depend on air freight for their supply chains, and particularly to ensure continuous operation when parts fail, would be less efficient if surface transport had to be used, and hence corporations would be less likely to invest in such plants located in the UK.

5.35 For this reason, while the proportion of GVA dependent on air freight estimated using this approach may be reduced through the substitution of other modes, we consider that much of the GVA currently dependent on air freight is likely to remain so in future. Hence, any factors making air freight less convenient, less available or more expensive, are likely to have a negative impact on the industries generating this portion of GVA.

Results

5.36 Using the approach above, we have estimated the level of GVA currently dependent on air freight across the economy. Figure 5.5 below shows the industry sectors with the highest level of GVA currently dependent on air freight exports (including the contribution of their supply chains). The GVA figures are based on ONS' latest release (2016) of figures disaggregated at an industrial and regional level.

Figure 5.5: GVA currently dependent on air freight by industry, £ Billion



Source: ONS, HMRC, Eurostat, CAA, Steer analysis, 2016 values and prices

5.37 The chart shows that £16.3 billion of the GVA generated by the industries producing "Other transport equipment" (SIC 30) is currently dependent on air freight exports (including the contribution of their supply chains). Similarly, £13.9 billion of the GVA of the pharmaceutical industry (and its supply chain) is currently dependent on air freight exports. Across all sectors of the economy, **£87.3 billion of GVA is currently dependent on air freight exports**. This represents **5% of the total GVA measure of national output** (£1,747 billion in 2016).

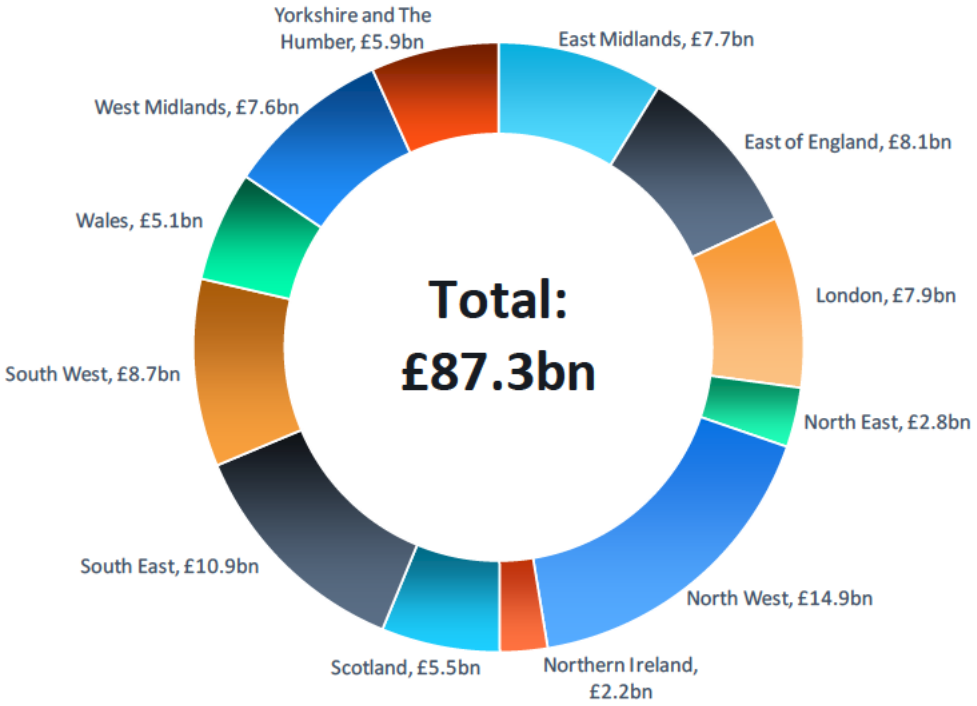
5.38 While the level of GVA currently dependent on air freight might potentially be reduced through the use of alternative modes of transport, the fact that such alternatives are generally poor substitutes for air freight indicates that the level of GVA dependent on air freight is likely to remain significant. This indicates that air freight is a very important service supporting a significant fraction of national economic activity.

Regional economic impacts

5.39 The analysis of the level of industries' and their supply chains' added value (GVA) which is currently dependent on air freight, enables us to estimate the regional importance of air freight services, by considering the regional distribution of output for each industry (and making the reasonable assumption that the proportion of air freight exports, compared with outputs, is the same for each industry across the different regions).

5.40 Figure 5.6 below shows the distribution of the £87.3 billion of GVA currently dependent on air freight exports across the UK's regions. Note that, unlike flown cargo data statistics, this data represents the origin of the air freight (i.e. where it is manufactured) rather than the region of the airport from which it is flown.

Figure 5.6: GVA currently dependent on air freight by region, £ Billion

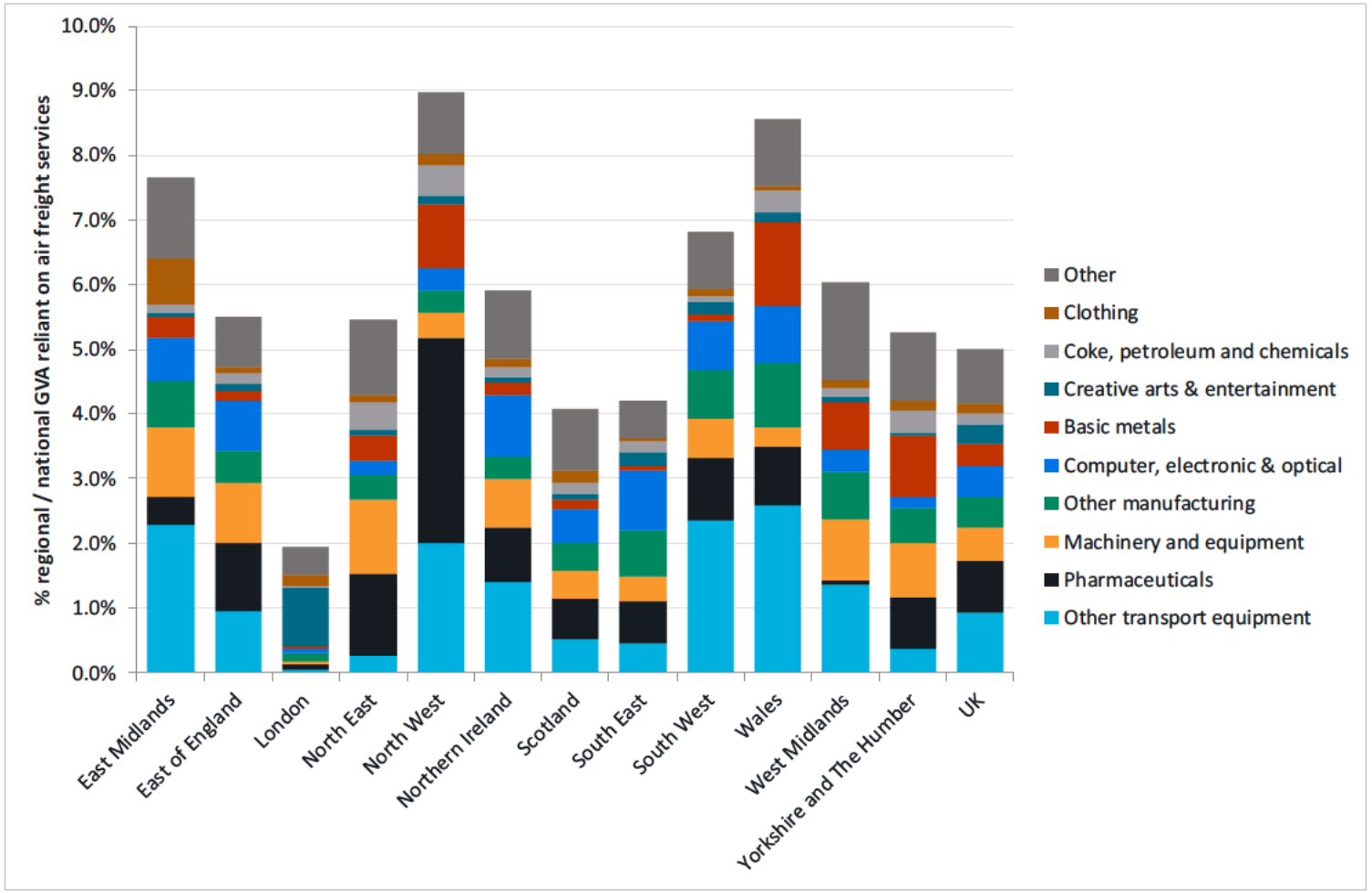


Source: ONS, HMRC, Eurostat, CAA, Steer analysis, 2016 values and prices

5.41 Figure 5.6 demonstrates the importance of the air freight industry in the North West, where £14.9 billion GVA is currently dependent on air freight, representing 9.0% of the whole economy of the region. Similarly, air freight supports very significant proportions of economic activity in many UK regions and nations, including 8.6% in Wales, 7.6% in the East Midlands, 6.8% in the South West, 6.0% in the West Midlands and 5.9% in Northern Ireland. Note that some of these regions have insignificant levels of actual air freight volumes flying from their airports, despite the importance of air freight to their economies, implying a reliance on surface transport to reach airports located elsewhere in the country.

5.42 Taking a combined view of both regions and the industries within them whose GVA is currently dependent on air freight provides some interesting insights, as illustrated in Figure 5.7 below.

Figure 5.7: Proportion of GVA currently dependent on air freight by region and industry



Source: ONS, HMRC, Eurostat, CAA, Steer analysis, 2016 values and prices

5.43 Figure 5.7 highlights the importance of air freight to transport equipment producing industries in the East Midlands, the North West, the South West and Wales, while pharmaceutical manufacturing in the North West makes very significant use of air freight as well as (to a lesser extent) in other regions. Machinery, equipment and other manufacturing in many regions are supported by air freight, while basic metal industries in Wales, the North West, West Midlands and Yorkshire are also dependent on it.

5.44 Air freight does not support much of the production of the London region, which is unsurprising since it is in general not a manufacturing region, but London's large creative arts sector is seen to be strongly dependent on air freight services.

5.45 The contrast between the importance of London and the South East in terms of providing air freight services (focused on Heathrow), compared with the relatively low dependence of their economies on the sector in comparison to regions such as the North West, Wales, the East Midlands and the South West, is stark.

Case study – Connectivity at Manchester Airport

Several stakeholders consulted as part of this study have stated that, due to the concentration of air freight activity at Heathrow, UK air freight would benefit from greater utilisation of regional capacity. The recent growth in freight volumes at Manchester, enabled by increased intercontinental connectivity, have demonstrated how utilisation on regional capacity can benefit UK air freight and regional exports.

Prior to the financial crisis, freighters accounted for a significant amount of volume at Manchester. Although freighter volumes have fallen away since the financial crisis, increased intercontinental frequencies on passenger aircraft have driven a significant increase in bellyhold freight volumes since 2009. Bellyhold volumes at Manchester have increased with a CAGR of +8.5% between 2009 and 2017.

Bellyhold freight volumes have grown in line with the number of annual departing frequencies to the UAE and Qatar, which have more than doubled since 2009. In more recent years, bellyhold volumes have also been boosted by new direct connections to Hong Kong (2014), Saudi Arabia (2014), Singapore (2016), China (2016) and Oman (2017).

Connections on these new routes accounted for over 15% of freight volumes in 2017. The wider benefits of the China connection were explored in a recent report[20].

As well increasing freight volumes, these new connections have also facilitated exports flown from Manchester Airport. Although some of the routes are to global freight hubs, such as Hong Kong and Singapore, and have therefore not materially affected exports to these countries, other routes have significantly increased the value of exports shipped from the airport. The figure below shows the value of exports to China flown from Manchester Airport as well as the number of annual departing frequencies. The value of exports flown to China from Manchester Airport increased by close to £300 million in the two years since direct frequencies to Beijing were introduced. The exports to other countries have also increased; the value of exports to Oman increased 5-fold by over £40 million the year direct frequencies were introduced.

Manchester: Departing frequencies and value of exports to China, £ Millions (2013-2017)

Source: OAG, HMRC

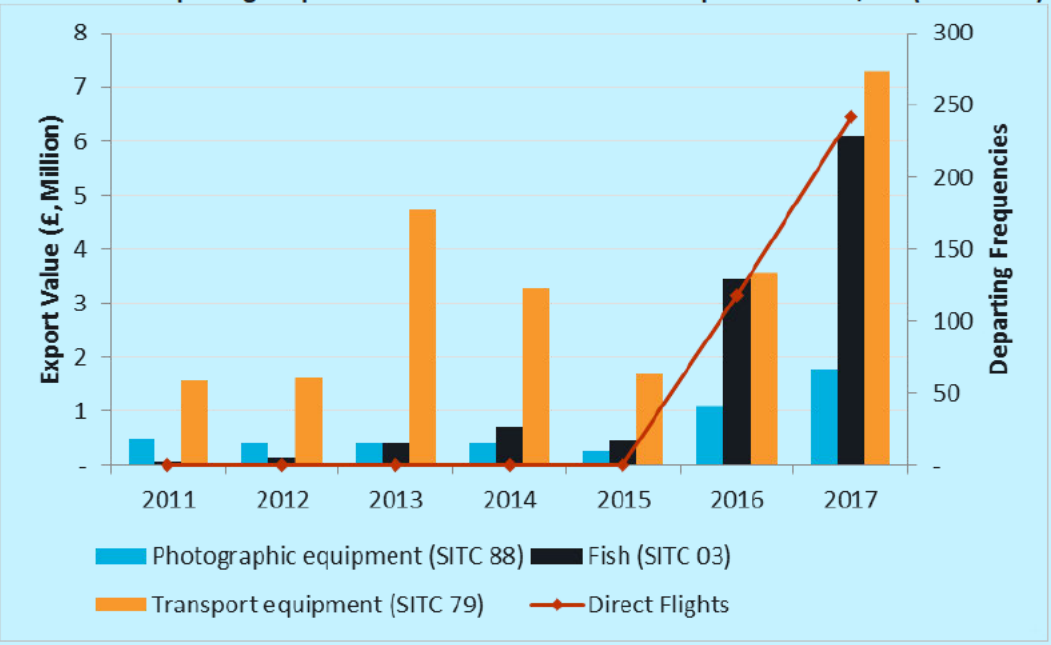
The direct connection to Beijing in some cases also appears to have aided exporters in North-West England. Although total exports to China from the UK grew strongly in 2016 and 2017 (recovering from a slump in Chinese trade in 2015), the value of some products exported to China have grown especially strongly since 2015. HMRC's Regional Trade Statistics (RTS) do not disaggregate exports by transport mode; but there has been strong growth in the value of some exports from the North West, in some products that are transported predominately by air.

The figure below shows the growth in export value from the North-West region to China, for selected product groups that have over a 70% share of air exports nationally, and the number of departing direct flights from Manchester Airport to China. The value of exports

[20] *The China Dividend: Two Years In,* Steer Economic Development, at: https://mediacentre.manchesterairport.co.uk/new-report-shows-manchester---beijing-service-is-a-major-catalyst-for-the-northern-economy/

to China from the North West, in these product groups, have increased significantly in the years since the direct flight to Beijing was introduced.

Manchester: Departing frequencies and value of North West exports to China, £m (2011-2017)



Source: OAG, HMRC

Direct connections to other countries also appear to have benefited local exports; after a new direct connection to Muscat in 2017, the value of exports flown from Manchester Airport to Oman increased 5-fold by over £40 million with export values of flown products from the North West also increased significantly.

The increased freight volumes and export values flown from Manchester demonstrate that long-haul connections served by non-UK carriers, can be a catalyst for the utilisation of regional airport capacity, can help mitigate the decline in freighter activity and can boost exports from regional airports. Given the capacity constraints at Heathrow and that, as of 2017 compared to other major European countries, the UK has relatively few connections with China and the Far East, these markets represent significant opportunity to grow freight capacity.

Policy considerations

5.56 This chapter demonstrates the importance of air freight to the UK economy as a whole, as well as to particular economic sectors and to certain UK regions and nations. Taking account of the analysis of the industry in previous chapters, this raises particular issues relevant to the formulation of national aviation policy as the UK Government develops an aviation strategy towards 2050, including:

- how to protect and develop the significant share of the UK economy currently dependent on air freight services; and
- how to support UK regions and nations whose economies are heavily dependent on air freight services, particularly where local airports do not currently benefit from strong air freight services.

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Steer project/proposal number

23348601

Client contract/project number

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Distribution

Client:

Steer:

Version control/issue number

V09 Final

Date

22 October 2018

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Freight by Aircraft Configuration 2017 (a)
Comparison with Previous Year
Tonnes

Table 15

	<---------- Passenger Aircraft ---------->			<---------- Cargo Aircraft ---------->			<---------- Total ---------->		
	2017	2016	Percentage Change	2017	2016	Percentage Change	2017	2016	Percentage Change
London Area Airports									
GATWICK	96 983	79 588	22	-	-		96 983	79 588	22
HEATHROW	1 601 563	1 457 192	10	96 898	83 837	16	1 698 461	1 541 029	10
LONDON CITY	65	69	-6	-	-		65	69	-6
LUTON	192	765	-75	20 835	24 660	-16	21 027	25 426	-17
STANSTED	-	197		236 892	223 006	6	236 892	223 203	6
Total London Area Airports	1 698 802	1 537 811	10	354 624	331 503	7	2 053 427	1 869 314	10
Other UK Airports									
ABERDEEN	1 727	1 768	-2	4 144	3 963	5	5 870	5 731	2
BARRA	14	14		-	-		14	15	-7
BELFAST CITY (GEORGE BEST)	317	476	-33	-	-		317	476	-33
BELFAST INTERNATIONAL	3	121	-98	12 306	7 476	65	12 308	7 597	62
BENBECULA	4	5	-20	-	-		4	5	-20
BIRMINGHAM	25 424	19 048	33	16 379	10 962	49	41 803	30 010	39
BRISTOL	10	-		-	-		10	-	
CARDIFF WALES	4	3	33	-	1		4	5	-20
COVENTRY	-	-		-	2 032		-	2 032	
DONCASTER SHEFFIELD	7	17	-59	8 650	9 324	-7	8 657	9 341	-7
DURHAM TEES VALLEY	-	-		4	8	-50	4	8	-50
EAST MIDLANDS INTERNATIONAL	-	-		324 216	300 101	8	324 216	300 101	8
EDINBURGH	232	223	4	20 427	20 145	1	20 659	20 369	1
EXETER	-	-		7	-		7	-	
GLASGOW	15 002	11 999	25	932	953	-2	15 935	12 952	23
HUMBERSIDE	84	99	-15	9	24	-63	93	123	-24
ISLAY	268	231	16	-	-		268	231	16
ISLES OF SCILLY (ST.MARYS)	41	42	-2	20	34	-41	60	76	-21
KIRKWALL	35	34	3	-	-		35	35	

Freight by Aircraft Configuration 2017 (a)
Comparison with Previous Year
Tonnes

Table 15

	<---------- Passenger Aircraft ---------->			<---------- Cargo Aircraft ---------->			<---------- Total ---------->		
	2017	2016	Percentage Change	2017	2016	Percentage Change	2017	2016	Percentage Change
LANDS END (ST JUST)	48	35	37	22	36	-39	70	71	-1
LEEDS BRADFORD	15	22	-32	-	-		15	22	-32
LIVERPOOL (JOHN LENNON)	104	256	-59	19	14	36	123	270	-54
MANCHESTER	113 113	98 718	15	7 068	10 058	-30	120 181	109 630	10
NEWCASTLE	4 975	3 756	32	507	818	-38	5 482	4 574	20
NEWQUAY	12	2	500	-	-		12	2	500
NORWICH	332	390	-15	-	18		332	407	-18
OXFORD (KIDLINGTON)	-	-		-	6		-	6	
PRESTWICK	1	499	-100	11 392	10 323	10	11 393	10 822	5
SCATSTA	490	455	8	-	1		490	456	7
SOUTHAMPTON	193	160	21	7	12	-42	200	173	16
STORNOWAY	164	93	76	1	-		165	94	76
SUMBURGH	328	306	7	1	-		329	306	8
TIREE	12	8	50	-	-		12	8	50
Total Other UK Airports	162 957	138 783	17	406 112	376 310	8	569 069	515 948	10
Total All Reporting UK Airports	1 861 759	1 676 594	11	760 737	707 813	7	2 622 495	2 385 262	10
Non UK Reporting Airports									
ALDERNEY	97	94	3	3	1	200	100	95	5
GUERNSEY	241	282	-15	982	1 583	-38	1 223	1 865	-34
ISLE OF MAN	110	160	-31	102	102		212	262	-19
JERSEY	202	294	-31	1 102	1 601	-31	1 304	1 895	-31
Total Non UK Reporting Airports	650	829	-22	2 189	3 287	-33	2 839	4 116	-31

(a) Domestic traffic is counted both at the airport of arrival and the airport of departure.
The total domestic plus international traffic is, therefore, only a measure of airport activity.

Freight by Aircraft Configuration 2020 (a)
Comparison with Previous Year
Tonnes

Table 15

	<---------- Passenger Aircraft ---------->			<---------- Cargo Aircraft ---------->			<---------- Total ---------->		
	2020	2019	Percentage Change	2020	2019	Percentage Change	2020	2019	Percentage Change
London Area Airports									
GATWICK	24 707	110 150	-78	1 356	208	552	26 063	110 358	-76
HEATHROW	679 754	1 503 730	-55	466 556	83 757	457	1 146 310	1 587 486	-28
LONDON CITY	-	4		-	-		-	4	
LUTON	74	353	-79	31 082	35 408	-12	31 155	35 761	-13
STANSTED	3 263	6 874	-53	251 310	217 265	16	254 573	224 139	14
Total London Area Airports	707 798	1 621 111	-56	750 303	336 637	123	1 458 101	1 957 749	-26
Other UK Airports									
ABERDEEN	1 548	2 274	-32	3 886	3 712	5	5 434	5 986	-9
BARRA	8	12	-33	-	-		8	12	-33
BELFAST CITY (GEORGE BEST)	49	196	-75	-	-		49	196	-75
BELFAST INTERNATIONAL	126	17	641	27 820	25 079	11	27 946	25 095	11
BENBECULA	29	36	-19	-	2		29	38	-24
BIRMINGHAM	5 387	15 764	-66	13 161	14 101	-7	18 548	29 866	-38
BRISTOL	16	11	45	-	-		16	11	45
CARDIFF WALES	204	1 795	-89	113	9	1156	317	1 803	-82
DONCASTER SHEFFIELD	1	8	-88	22 572	17 639	28	22 573	17 647	28
EAST MIDLANDS INTERNATIONAL	11	1	1000	381 942	335 947	14	381 954	335 948	14
EDINBURGH	21	34	-38	17 301	19 376	-11	17 322	19 410	-11
GLASGOW	5 061	11 960	-58	1 540	863	78	6 601	12 822	-49
HUMBERSIDE	43	106	-59	9	10	-10	52	117	-56
ISLAY	69	313	-78	-	-		69	313	-78
ISLES OF SCILLY (ST.MARYS)	33	18	83	50	50		82	68	21
KIRKWALL	20	33	-39	1	-		21	33	-36
LANDS END (ST JUST)	33	39	-15	50	32	56	83	71	17
LIVERPOOL (JOHN LENNON)	80	60	33	214	724	-70	294	784	-63
LYDD	-	21		-	-		-	21	

Freight by Aircraft Configuration 2020 (a)
Comparison with Previous Year
Tonnes

Table 15

	<---------- Passenger Aircraft ---------->			<---------- Cargo Aircraft ---------->			<---------- Total ---------->		
	2020	2019	Percentage Change	2020	2019	Percentage Change	2020	2019	Percentage Change
MANCHESTER	44 449	104 635	-58	4 489	3 747	20	48 938	108 382	-55
NEWCASTLE	512	4 075	-87	527	670	-21	1 039	4 745	-78
NEWQUAY	2	2		-	-		2	2	
NORWICH	178	257	-31	-	-		178	257	-31
PRESTWICK	1	7	-86	12 048	13 047	-8	12 049	13 054	-8
SCATSTA	96	275	-65	-	-		96	275	-65
SOUTHAMPTON	68	203	-67	1	-		69	203	-66
STORNOWAY	134	179	-25	1	-		134	179	-25
SUMBURGH	168	321	-48	1	-		169	322	-48
TEESSIDE INTERNATIONAL AIRPORT	-	-		8	-		8	-	
TIREE	5	12	-58	1	-		6	12	-50
Total Other UK Airports	58 351	142 664	-59	485 734	435 009	12	544 085	577 673	-6
Total All Reporting UK Airports	766 149	1 763 776	-57	1 236 037	771 646	60	2 002 187	2 535 422	-21
Non UK Reporting Airports									
ALDERNEY	40	79	-49	3	1	200	43	80	-46
GUERNSEY	84	221	-62	744	758	-2	828	979	-15
ISLE OF MAN	39	42	-7	53	78	-32	93	120	-23
JERSEY	73	162	-55	603	623	-3	676	785	-14
Total Non UK Reporting Airports	237	504	-53	1 403	1 461	-4	1 640	1 964	-17

(a) Domestic traffic is counted both at the airport of arrival and the airport of departure.
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Setting the Course

Kent County Council's Interim Strategic Plan

December 2020

Kent County Council
kent.gov.uk

Contents

Alternative formats

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Foreword

Roger Gough
Leader, Kent County Council

In March this year the council was ready to adopt its new 5 Year Plan 'Kent's Future – Our Priority' - a strategic plan developed over many months in consultation with the public, our partners and our staff which set out our commitment to make Kent the best place to live, work, play, learn and invest in.

That plan was never adopted. The County Council meeting in March was cancelled as the first COVID-19 national lockdown began. As we worked with our partners to support Kent's immediate response to the pandemic, it became clear that COVID-19 would leave a huge social and economic legacy long after it has ended and that any plan would have to take account of that.

We accepted that a post COVID-19 strategic plan would be required and postponed work on our 5 Year Plan. But we are still living in uncertain times. Trying to plan ahead too far into the long-term is unrealistic when so much can change so quickly. In a few short weeks while this plan was in its final stages, the level of COVID-19 infections within the county rose dramatically and a second round of national restrictions was announced, but the availability of an effective vaccine, with all its longer-term implications, also became a stronger possibility. Nonetheless, there is still a need to provide a framework against which the council will support our residents, businesses, service users and local communities to emerge from the pandemic stronger and more sustainable than before.

This Interim Strategic Plan explains the immediate challenges we face and the actions we will prioritise to lead Kent through the next 18 months. These actions will in many cases be the groundwork for longer-term change. The Plan sets out the challenges and vital opportunities we will focus on addressing to support the county to recover, build resilience and reset.

We are not starting from a blank page. The views, experiences and suggestions we heard during our 5 Year Plan consultation have informed the priorities we have set. People told us that their quality of life is greatly impacted by things like how easy it is to travel around the county, how well looked-after their local area is and how safe it feels. These day to day experiences make a big difference. And they will make a bigger difference in a post-COVID-19 world where people work more from home, commute less and invest more time in their local neighbourhoods and communities.

How we will respond to the long-term structural opportunities emerging from COVID-19 will be central to a new 5 Year Plan which we will begin developing in the latter half of 2021. Once again,we will develop that long-term strategic plan through listening to and engaging with the residents and businesses of Kent that we serve.

Background and context

This Interim Strategic Plan has been developed during a time of significant and continuous change and uncertainty for our county. The COVID-19 crisis has affected virtually all aspects of life and its impact will continue to be felt for months and years to come. Individuals, families, businesses and community groups are all feeling the strain and some of the most vulnerable people have been affected the most. Through these difficult times, people in Kent have shown incredible strength in quickly adapting to new ways of doing things, keeping in touch and supporting each other.

From the start of the crisis, Kent County Council (KCC) has taken emergency action to protect the safety and wellbeing of Kent residents. With our partners we launched Kent Together which has so far taken over 7,000 requests to provide urgent help and supplies to vulnerable people. We have made additional payments to care homes to help them cope and have bulk bought personal protective equipment (PPE) for key workers. We have found new ways to deliver our services including online support and activities for young people and adults with learning disabilities. Our Public Health teams are continuing to provide expert advice to help people protect their health. We have safely adapted and reopened the services we can, including Household Waste Sites and some of our libraries. Working with our partners, we have set up an emergency helpline for businesses which we have funded to continue to the end of the year and established an Employment Taskforce.

The impacts of the COVID-19 crisis and the economic downturn it has created will have a significant impact on demand for our services and on the budget we have available. Demand for some services continues to rise each year due to changes in our population, but new pressures from the crisis will add to this. We are also seeing a big reduction in our income as the money we usually collect from Council Tax and Business Rate collection falls. We have received some additional grants from Government, and we are continuing to stand up for Kent's interests and seek further essential financial support and clarity on future funding so we can plan ahead.

During this challenging time, we have also seen great strengths and opportunities for the future. All over the county, people have stepped up to help those in need and look out for their family, friends and neighbours. Public sector and community

services have worked more closely together than ever before to find ways to continue supporting those that rely on them, thinking innovatively through the challenges. Some of the new ways of doing things have proven to work well and have demonstrated how we can make improvements to the way we deliver our services. KCC's staff are always our greatest asset and it is important that we acknowledge and thank them for their ongoing hard work, dedication and resilience.

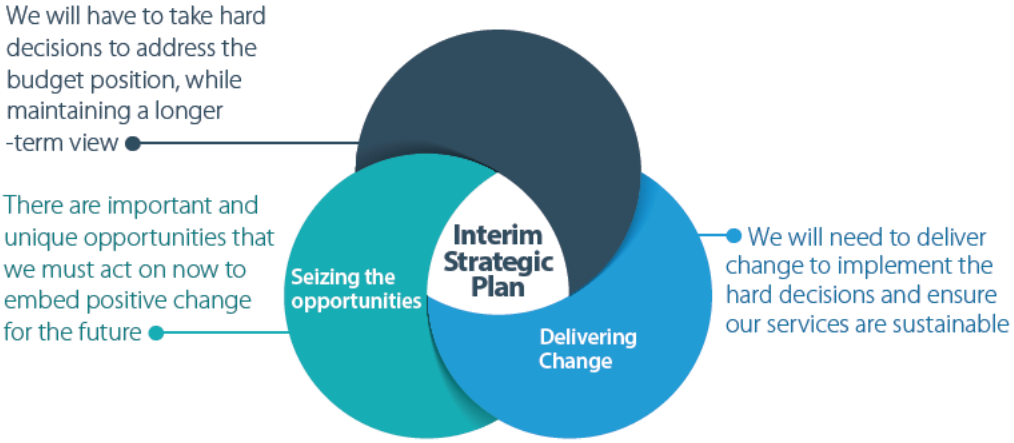
The COVID-19 crisis is not the only factor affecting Kent in the near future. Our geographical position as the gateway to the UK means that the transition from the European Union will have a greater impact on us than other parts of the country. Our preparations are driven by the twin objectives of minimising disruption to local communities and keeping the county open for business. Our joint planning with partners is as robust as it can be against a continuously evolving landscape, and there are still various strands of work to be delivered which are dependent on Government decisions and actions. Our proximity to London has also always had a big impact on the county and can be an advantage to attract investment and connect people to the opportunities that the capital offers. The changes in working and living patterns caused by COVID-19 may provide new advantages for our county.

The next 18 months will undoubtedly be a challenging time for Kent, but there are also exciting and unique opportunities available to improve the services we provide and accelerate the county's success and prosperity in the future. Our primary and overriding priority now is to balance our budget for 2021/22. The council has a significant number of statutory duties placed upon it and the requirement to balance the budget is pre-eminent. Without a balanced budget we will not be in a position to provide the vital services that our residents rely upon, nor will we be able to position the council and our services to be sustainable in the medium term.

We must take difficult decisions in the short-term to balance our budget and continue to protect and support people who are vulnerable and in need. While we do this, we will continue to lay the foundations for what is best for Kent in the

longer-term. This means we will continue to attract investment into the county and seek to maintain valued universal services that make a big difference to quality of life. We will also seize opportunities available to us now so we can benefit from positive changes in years to come.

The diagram below explains how we will balance these factors to navigate the county through the next 18 months. The priority actions set out in this Interim Strategic Plan aim to achieve this balance.



Delivering change in an organisation as large and as complex as KCC is difficult and it is essential that we take our service users, residents, staff, partners and providers with us. In July 2020, the County Council agreed to the creation of the Strategic Reset Programme to design and deliver a cohesive, modern public service offer for all Kent's residents, businesses and communities. This will bring together change projects consistently across the council and create opportunities to transform the way we work, including our people, assets, technology, structures and service delivery. The delivery of many of the priorities in this plan will be through the Strategic Reset Programme.

The challenges we face

This Interim Strategic Plan sets out the five main challenges that KCC is facing over the next 18 months, and what we will do to help address them. Within the challenges there are also important and unique opportunities to improve the way we do things.

Financial Challenge KCC is facing a significant budget gap and difficult decisions to make in the short-to medium-term, while maintaining a longer-term view of what is best for the county

Economic Challenge

The economic downturn caused by COVID-19 is causing widespread economic impacts, while attracting investment and putting infrastructure in place to support growth remains a priority

Demand Challenge

There is increasing demand for some of KCC's key services, which will be exacerbated by the impacts of COVID-19 on Kent's residents, particularly those that are vulnerable

Partnership Challenge

The crisis presents important opportunities to build on strengthened relationships and rethink how KCC works with partners to better manage demand and improve efficiency

Environmental Challenge

Tackling the climate emergency and protecting the natural environment continues to be an urgent priority, as well as investing in the built environment and creating communities to be proud of

The next sections explain why it is important that we focus on these challenges and the priority actions we will take to help address them.

Financial challenge

Why it matters

We are facing the greatest financial challenge in recent years. Despite the pressures of the COVID-19 crisis, we have ensured a balanced budget for the year to March 2021 through one-off funding sources and savings. However, the biggest financial challenge is still ahead of us.

At the start of our budget consultation in October 2020, we estimated that we could need to find between £62-143 million from spending reductions and savings during 2021-22, although the outcome will depend on the scale of Government financial support. This is more than we have had to find in a single year through any of the last ten years of austerity.

One side of the challenge is that our income is expected to be reduced. The funding we receive from Council Tax and Business Rates usually covers around half of our annual spending and we are already seeing reductions in how much is collected. Grants from Government also make up a large proportion of our budget and we are continuing to make the case for further funding, as well as lobbying to address long-standing funding gaps. The other side of the challenge is that demand for services including Public Health and children's and adults' social care is increasing. We will also need to take a range of actions to support businesses, communities and families to cope and recover, building their resilience for the future.

All of this means that we have some extremely difficult decisions ahead, including on possible spending reductions. At the same time, we must continue to plan for and invest in the county's future. To manage the multiple demands on our budget, we will need to be clear and focused on our priorities so that every penny spent makes the greatest difference. To help us do this, we will need to improve our financial management so that we can get a more detailed understanding of how the money we spend leads to positive outcomes, particularly in areas where we have discretion around what we provide. We will also continue to pursue ways to serve the people of Kent more effectively to save money where we can.

Given the pressures we now face and the efficiency savings we have already delivered over recent years, we will need to go further and make fundamental changes to the way we operate. Through our Strategic Reset Programme, we are bringing together the major change projects which are critical to help shape the future of the council. The programme will ensure our operating framework is fit for the future and can respond to the challenges and opportunities set out in the Interim Strategic Plan.

The COVID-19 crisis has shown that new ways of delivering services can be more efficient and better for the people who use them. Many of our services have used digital technology to continue providing services to customers including through video conferencing and online transactions. Many people have found this to be a more easy and convenient way to work with us, although we will always strive to provide face to face service where this is needed. We must be ready to make use of advances in technology as they evolve. Our staff have also shown great adaptability in adjusting to working from home as much as possible and this presents an opportunity to accelerate changes to how we use our buildings, while supporting staff wellbeing and productivity.

Priority actions to help address the financial challenge

Deliver a balanced budget and develop a sustainable medium-term financial plan

- Use evidence and resident feedback to take difficult decisions to find the necessary savings for the 2021/22 budget, while maintaining a longer-term view on our priorities and ambitions for the county. These will be developed in our new 5 Year Plan during 2021 in consultation with residents.
- Over the medium-term, deliver the Strategic Reset Programme to improve our efficiency and the quality of experience for service users, residents and staff.
- Learn from other Local Authorities where the spend is lower and they achieve similar outcomes to Kent.
- Review our capital strategy and deliver a sustainable 10-year capital programme that reflects our strategic priorities, so we invest in the right infrastructure for the future, including highways, economic development and technology.

Stand up for Kent's residents

- Continue to work closely with Government to ensure Kent receives full funding to meet the county's needs, including where there are specific and unique pressures on the council, such as:
- Additional funding needed to cover the costs and lost income due to COVID-19, working with Kent Districts and other public service partners.
- Adequate funding to cover the impact and additional costs of EU transition for Kent, including the impact on our communities and businesses.
- Historic costs of Unaccompanied Asylum-Seeking Children coming into the UK through the channel ports who are legally required to be placed in the care of the County Council as Looked After Children.
- Address the capital and revenue funding gap for education given Kent's significant demographic challenge, including provision for children with special educational needs and disabilities.

Target resource where it has the greatest impact

- Transform financial management, modelling and forecasting to inform our future budget strategy and medium-term financial plan.
- Develop and implement Outcomes Based Budgeting to inform policy and service decisions.
- Target our discretionary spend (spending on non-statutory functions) where evidence shows it will have the greatest positive impact.
- Set a clear strategic direction for our trading companies focussed on maximising best value for the council.

Use technology to improve efficiency and reduce cost

- Embrace technology and opportunities to be more efficient in how we provide services, moving towards digital access where this is convenient and appropriate, while maintaining face to face provision where this is needed.
- Provide better digital solutions for Kent residents, improve accessibility and lower our cost to serve.
- Refresh the Technology Strategy to maximise our investment in existing technology and put in place the right capabilities for the future.
- Support staff who can work from home to continue to do so for some of their working time to reduce travel and support staff wellbeing and productivity.
- Rationalise our estate and assets to support new working practices and service delivery arrangements and achieve our target of net-zero emissions from our estate and operations by 2030.

Economic challenge

Why it matters

The economic cost of the COVID-19 crisis is severe and far-reaching. Unemployment has more than doubled in Kent and Medway between March and September this year. Many of the business sectors that Kent's economy relies on have been significantly impacted, including hospitality, construction, and transport.

The Kent and Medway economy could potentially see a total output loss of between £5 billion and £7 billion by the end of 2020. Without mitigating action, the economic challenge could create hardship and disadvantage which could take years to reverse. The impact is greatest for those in a weaker position in the labour market and for young people it could permanently damage their career prospects and life chances.

In the face of this challenge, we are working with our partners to deliver the Kent and Medway Economic Renewal and Resilience Plan. This will support businesses, help people access work and skills, attract investment into the county and build confidence. We will do everything we can to support jobs and businesses now, while also taking action to build a greener, fairer and more resilient economy for the future.

COVID-19 has presented a significant opportunity for many businesses and organisations to change their business model and this will likely drive a permanent shift away from requiring staff to commute, with some organisations now actively seeking to move their operations out of London. This reversal of the London pull effect on the home counties presents a significant opportunity for Kent, given our strategic location, transport infrastructure, affordability and opportunities in the creative sector and life sciences which could attract companies and organisations to base their operations in the county.

This would mean that more economic activity would take place locally, with more people spending time and money in their local community rather than in London. If we actively embrace this change it presents an opportunity to create vibrant local towns that are accessible and attractive, become better places to live and work, help businesses to succeed, attract high-quality employment and keep our home-grown talent here.

Kent's population is growing quickly, and it is essential that development is well-planned and well-supported to protect and enhance the unique identity of local areas and quality of life. We need to use our influence to improve the planning system so it better meets the needs of local areas. There are also opportunities

to work more closely with our partners to take a strategic approach to planning across the county.

Growth requires investment in infrastructure and there is a gap of around £4 billion for essential infrastructure to support the necessary housing growth in Kent and Medway to 2031. This is why we are taking an 'infrastructure first' approach, to allow us to secure funding to put necessary infrastructure, like road improvements, more school places and broadband, in place before housing is completed. There are also current opportunities to bring forward investment in new infrastructure to stimulate economic growth and instil confidence in key sectors like construction. The COVID-19 crisis has emphasised the need for homes and businesses to have access to high-speed broadband and mobile data and we need to ensure this is available in all parts of the county.

Another key component for a successful economy is a workforce with the right skills. Skills levels in Kent are below the South East and national average and we have skills gaps in key sectors including construction and the creative industry. The current economic crisis brings into sharper focus the need to support young people and all working age adults to develop skills that are relevant to the job opportunities available and that will help them fulfil their potential.

Discovery Park, science park, Sandwich

Priority actions to help address the economic challenge

Deliver the Kent and Medway Economic Renewal and Resilience Plan

- Work with our partners to deliver essential support for local businesses, including further funding for Kent and Medway Growth Hub's COVID-19 Helpline for businesses and the Kent and Medway Business Fund, offering loan support for businesses with growth potential.
- Promote Kent's key business sectors and visitor economy and promote confidence among visitors and residents that our county is 'open' within Government guidelines.
- Working with our partners, deliver the Kent and Medway Employment Plan to help the existing workforce develop relevant skills, quickly signpost people who are made redundant to advice and support to find work and encourage growing businesses to employ more local people.
- Represent and lobby for the interests of Kent, including the financial challenges of key sectors (including the voluntary and community sector, cultural sector, logistics and life sciences) and how government policy may impact on this.
- Understand the risk and mitigate the long-term impact of failure of businesses on particular locations, sectors and groups of people, focusing support for people at particular risk, including younger and lower-skilled workers.

Create sustainable local economies

- Seize the opportunities of the reversal of the 'London pull effect' on Kent's economy and encourage and attract more London-based firms to consider relocating to Kent.
- Work with partners to enable the necessary physical, social and cultural infrastructure to make Kent an attractive place to live, work and invest in.
- Work with partners to support and reimagine Kent's high streets and town centres as economic, social and cultural centres.
- Consider how KCC assets can be used to anchor regeneration and renewal of high streets and town centres.

Champion the rural and green economy

- Promote the low carbon goods and services sector and opportunities for reskilling and job creation in the green economy, including in high opportunity sectors such as solar and hydrogen.
- Explore opportunities to maximise investment in building retrofit programmes, supporting the local retrofit industry.

- Build on the success of Kent's leading centres of research and development in horticulture, plant science and life science which offer potential for high value employment and wider economic growth for the county.
- Develop a Rural Strategy for Kent – a holistic whole-council strategy to support our rural communities and businesses to meet the specific challenges that arise through living and working in rural communities, such as increased costs, social isolation and access to services.

Shape planning reform

- Continue our policy position of 'Infrastructure First' to create balanced housing and employment growth, with high-quality and timely infrastructure as an essential pre-requisite.
- Influence Government's planning reform legislation so that local needs and views are taken into account in planning for new housing development, particularly on funding for the required infrastructure to support sustainable new communities.
- Develop our strategic planning capacity so we can work together with our partners to enable the development of sustainable, connected, safe and healthy communities.
- Progress the Affordable Housing Select Committee action plan including developing a proposal to set up a virtual Housing Growth Unit with partners and exploring ways to release more of our surplus land for building affordable housing.
- Refresh our innovative Growth and Infrastructure Framework to understand the county's infrastructure requirements and the associated funding gap.
- Update our approach and guidance on developer contributions to ensure the right investment in local infrastructure and develop a stronger relationship with both developers and local planning authorities.

Bring forward infrastructure projects to stimulate economic growth

- Progress the Infrastructure Proposition with Government to leverage national investment in the infrastructure, quality housing and economic development the county needs.
- Maximise the benefits of major capital investment projects into Kent, such as a Lower Thames crossing, Ebbsfleet Garden City and the London Resort development.
- Develop a pipeline of 'shovel-ready' infrastructure projects to act as a catalyst for the construction industry which also deliver a step-change in green infrastructure, helping Kent deliver its zero-carbon ambition.

- Further progress the 'No Use Empty' initiative which provides loans to bring properties that have been empty for a long time back into use as quality housing for sale or rent.
- Accelerate the delivery of the Kent Broadband Programme and continue to work with broadband providers to maximise market-led investment including roll out of 'fibre-to-the-premise' technology.
- Work with mobile network operators to provide enhanced mobile services across Kent.

Empower people with the right skills to compete and succeed

- Work with employers to protect jobs through the upskilling of the workforce and the supply chain, particularly in jobs that require 'Level 3' skills (roughly equivalent to A-Level), which will help people to increase their earning potential.
- Lead the Employment Taskforce which will maximise the local benefit of national employment schemes and ensure the Kent workforce gains from new inward investments and growth in the Kent economy.
- Work with the Employment Taskforce to develop an 'all-age' approach to skills, supporting people to learn and retrain throughout their life so that individuals, businesses and the wider economy are well-equipped to seize economic opportunities.
- Complete the review of Post -16 education and training provision and feed the findings into the work of the Employment Taskforce.
- Intensify efforts to engage employers to offer a range of apprenticeship opportunities, including by continuing to share our Apprenticeship Levy.
- Provide more KCC apprenticeship opportunities in-house and through our trading companies.
- Work with our partners to support young people into work, including maximising benefits from the Government's Kickstart scheme, and developing a network of hubs where young people facing barriers to employment can access work and skills advice.

Demand challenge

Why it matters

Demand for many of KCC's services is rising every year. This is partly caused by changes in the needs of our communities; for example there are more older people who require social care, and more children with special needs and disabilities that we need to support. We anticipate that COVID-19 will have a long-term impact on the demand for KCC services for many years to come.

For example, the economic and psychological distress of lockdown on our residents is likely to increase demand for our social care and support services. The crisis has also seen many of our providers face rapid acceleration of previously long-term and incremental changes in their market, which challenges their operating model. An example of this is the shift away from residential care to increasing demand for Extra Care housing capacity. This creates new and additional pressure as well as opportunities to redesign and shape services with a range of partners.

The COVID-19 crisis has changed the current patterns of demand we would normally see for some of our key services like children's and adults' social care, and we need to ensure that vulnerable people are receiving the support they need. It is also likely that new demand will emerge as people who would not normally need our support are pushed into crisis. It is important that we have a thorough understanding of the changing needs that lead to demand for our services, taking an intelligent data-led approach. This will allow us to more accurately forecast demand so we are well prepared to respond. The approach will work best if we share intelligence, both across KCC departments and with our partners, and make use of all the information available so we can get a complete picture. We can use digital tools to help us do this, and also make use of digital technology to help meet lower-level needs more efficiently, for example making it easier for people to find advice and complete simple transactions online. For people with complex needs or those that require additional support, we will continue to engage with them face-to-face and provide important human contact.

Children and young people have been particularly impacted by the COVID-19 crisis and the restrictions it has brought. Many have missed out on education, social and development opportunities, while those moving into adulthood may have experienced disruption to plans for their future. Children from disadvantaged backgrounds and those with additional needs are likely to have missed out the most from schools and services being closed or restricted. Our children's social care teams are seeing an increase in more complex and serious cases. Without additional support, gaps in outcomes and attainment between vulnerable

children and their peers will grow, impacting on their life chances. The mental and emotional wellbeing and resilience of children and young people is a growing priority and we will need to ensure that support for this is built into recovery planning for all children and young people and that specialist support is readily available for those that need it.

The crisis has also been challenging for older people and vulnerable adults, and the family and friends that care for them. The adult social care system is already under growing pressure as funding is increasingly stretched to manage greater demand. Now more than ever, we need to make it easier for people to find advice and support including from community organisations that provide informal support and contact, to reduce the need for complex interventions later. We are also working to improve our social care practice and make use of innovations in care so we can support people better. During the COVID-19 crisis we have developed stronger working relationships with providers of adult social care, and we have an opportunity to build on this to develop a stronger market providing good quality care options around the county.

There has been a short-term reduction in demand for transport services as a result of COVID-19, but the long-term growth of the county means that pressure on our transport infrastructure will continue to grow over the coming decades. As well as working with transport providers around their short-term sustainability, we need to work with them to meet the long-term transport needs of a growing county and support our environmental objectives.

While we are meeting current needs, we must also act to safeguard the future by continuing to invest in preventative action and early intervention. Whether this is investing in the quality of our highways to avoid bigger costs later, finding sustainable ways to help families tipping into financial crisis or supporting people to avoid the damaging effects of social isolation and loneliness, we need to know what works most effectively so we can invest in the right actions. We will take an evidence-based approach and focus on the preventative activity that leads to a proven reduction in future needs so that individuals experience better quality of life and demand for our services is reduced.

Priority actions to help address the demand challenge

Develop a stronger evidence-based approach to managing demand

- Strengthen our data-led approach to model and forecast demand, so we have the right evidence to adapt and respond quickly.
- Ensure the views and experiences of residents, staff and providers are part of a holistic evidence base to inform decisions about service redesign and commissioning.

- Understand and manage changes in behaviour, new vulnerabilities and increase in complexity of demand caused by the COVID-19 crisis and its impact on service provision.
- Develop a shared data, analytics and intelligence approach across KCC and with our partners.
- Create digital self-service solutions to manage demand and resolve resident issues quickly and intuitively.

Support children and young people with the highest needs

- Manage overall demand and deliver better outcomes for children, young people and their families, support more children to remain with their families where it is safe to do so, and children in care to remain in family based homes, through the Change for Kent Children programme.
- Improve access to emotional and mental health support for children and young people and commission high quality and timely child and adolescent mental health services.
- Work with schools to recover lost learning due to disruption caused by the COVID-19 crisis and close attainment gaps between vulnerable children and their peers.

- In partnership with parents and schools, deliver the required improvements to services for children with Special Educational Needs and Disabilities as set out in the Written Statement of Action.
- Consider opportunities for providing support and activities for young people online, including youth outreach work.

Support older and vulnerable adults to maintain a good quality of life

- Deliver the Making a Difference Every Day Programme to transform the quality of practice in Adult Social Care to better address the needs of service users, drive innovation and ensure we have meaningful measures of success.
- Explore taking forward a strategic review of in-house adult social care services to determine the most effective ways to provide these services, considering all options available.
- Build on the closer relationship with all care providers developed through the COVID-19 crisis to build resilience and shape a sustainable care market.
- Understand the impact of the COVID-19 crisis on adult and young carers and refresh the Carers Strategy where appropriate.

Understand and meet long-term demand for transport

- Work with Transport for the South East to understand the changes in demand for transport services and infrastructure as part of the development of a 2050 Transport Strategy for the South East.
- Develop a new Local Transport Plan for Kent to reflect changes to transport policy as a result of the COVID-19 crisis and the climate change emergency, working closely with residents, businesses, local transport providers and local, regional and national partners.
- Consider the appropriate use of active travel schemes (walking and cycling) within the development of the new Local Transport Plan.
- Approve the Kent Rail Strategy 2021 to influence the new South Eastern Rail concession or contract so that it meets Kent's transport and environmental needs.
- Work with bus providers to understand the long-term impact of the COVID-19 crisis on demand for bus travel and assess the viability of particular bus routes.

Invest in effective prevention

- Take an evidence-based approach to understand the impact of investment in preventative services, to ensure we invest in activity that improves the resilience and wellbeing of residents.

- Continue to deliver our highways asset management approach (roads and public rights of way) to improve quality, reduce costs and maximise capital funding into the county.
- Review and refresh the Social Isolation Select Committee action plan in light of the impact of COVID-19, including considering digital options that work to keep people connected with others.
- Work with partners and Government to develop a sustainable solution for supporting households in financial crisis, food and fuel poverty.
- Work with partners to improve the health and wellbeing of our population, building on new behaviours and understanding developed during COVID-19 of the impact of lifestyle choices on health outcomes. This will recognise the important role that arts, sports and green spaces play in preventative health care.
- Meet our new statutory duties within the Domestic Abuse Bill working with our partners, including planning to ensure accommodation based Domestic Abuse support is available when and where it is needed.

Partnership challenge

Why it matters

One of the great positives of the COVID-19 crisis is that people have come together to support and help each other. This has also been the case for public and community services across Kent. Councils, local NHS services, care providers, schools, voluntary and community groups are coordinating their efforts and breaking down barriers so they can provide the best support for the people that need it.

We have an opportunity now to sustain these strengthened relationships to make real and lasting improvements and efficiencies in the services we provide.

Improving our partnership working arrangements will help us manage demand better and make the best use of our resources. It will make it easier for people to find the support they need and for us to help them more efficiently. By working with other organisations that support Kent communities, we can get a better understanding of the causes of demand and how we can best address them. There are opportunities to think differently about how public services in Kent are provided, joining up with some of our closest partners, like Kent's District, Borough and City Councils. We will explore options to share some of our property estates where this could result in savings and provide flexibility for how we work in the future. As we develop and expand our use of digital technology, there are opportunities to align this with our partners to help make it easier for KCC services to work with other public sector organisations.

During the COVID-19 crisis, Kent's Voluntary, Community and Social Enterprise (VCSE) sector has been more of a lifeline than ever, helping people and communities stay safe, well and connected. The VCSE plays a vital role in helping individuals and communities support themselves and each other and build a sense of collective identity. The crisis has been extremely challenging for the VCSE and has accelerated the need for us to improve the way we work with and support VCSE organisations. Together with our public sector partners, we want to work with the sector to build its capacity and resilience so it can continue to play a vital role in life in Kent.

The VCSE is also a provider of many services that KCC commissions. Whilst the council and VCSE providers worked extremely well together during the COVID-19 crisis, it also highlighted challenges within our commissioning model. In particular, there is a need to make better and more consistent use of VCSE knowledge and skills in designing solutions and better ways to meet people's needs. This means collaborating earlier on in the commissioning cycle to inform our strategy development. Many of the most challenging issues facing our communities,

including mental health problems and homelessness, cannot be tackled in isolation and we need to work with the VCSE and other key partners to find sustainable and effective solutions.

We have a long history of working closely with health partners and aligning health and social care support. KCC is part of new partnership structures for health and social care that aim to take forward improved ways of working together and it is important we get these arrangements right. COVID-19 recovery work has exposed many opportunities to work together to improve services, including to better manage demand for care and residential homes.

As we work through all of the challenges facing us, we are committed to keep talking to Kent's residents, communities and businesses so we understand what is most important for them and what their experiences and views are. We will be honest and open about the choices ahead and report our progress clearly so we can be held accountable. Parish and Town Councils and other local community groups provide invaluable insight into local issues and solutions and we will find better ways to engage with them, including making use of digital technology where this works well.

Priority actions to help address the partnership challenge

Support the Voluntary, Community and Social Enterprise Sector

- Agree a Civil Society Strategy to support the sector in its wider role in building individual and community resilience and to recognise the importance of social infrastructure.
- Establish a Strategic Partnership Board with the VCSE to create a strategic engagement mechanism between the sector and public sector partners. This will provide a forum to develop our strategy where the VCSE is a key partner and to better understand our collective interaction with the sector.
- Develop a support offer for the VCSE which responds to the challenges identified during COVID-19 recovery to help maintain the local VCSE network whilst supporting it to be sustainable and revitalised within a post COVID-19 environment.

Better align our service design and commissioning plans with partners

- Work together with the VCSE and other partners to develop a shared strategy around key population-based issues including deprivation, mental health, older people and homelessness.
- Define our Commissioning Strategy to inform the way we work with the VCSE to meet the needs of our communities and to identify potential new partnership models.
- Implement a KCC/NHS programme of partnership work including reviewing partnership arrangements for people with Learning Disabilities and autism, managing care home demand and delivering a plan to mitigate the impact of COVID-19 on the Black, Asian and Minority Ethnic population.
- Play an active role in the Integrated Care System for health and social care across Kent and Medway, and ensure the council has the right level of engagement to successfully support the development of Integrated Care Partnerships in East Kent, West Kent, North Kent and Medway & Swale.

Work with other public sector partners to improve our efficiency

- Explore and continue to promote opportunities with partners to work across the public estate in Kent.
- Explore opportunities to develop multiagency working to tackle some of the most challenging problems facing our communities, including mental health crisis response and tackling serious and organised crime.
- Support and explore opportunities to align our technology and digital aspirations across the public sector to enable more efficient ways of working between public sector agencies.

Better engagement with residents and local communities

- Create a new resident engagement platform so we can prioritise our budget and activities on what is important to Kent's residents.
- Explore joint communication with partners to explain how to access key services.
- Work with Parish and Town Councils to better understand and respond to local issues.
- Use digital opportunities to better engage with Parish and Town Councils and Amenities Societies.

Environmental challenge

Why it matters

Kent's beautiful and iconic natural environment is one of the county's greatest assets. Our growing population and our location as the UK's gateway to Europe creates particular challenges around carbon emissions, air quality and resource consumption.

KCC has formally recognised the UK Climate Emergency, which poses a very real threat to quality of life now and for future generations. This is why, whilst tackling the climate emergency, it is also important to ensure our communities are resilient and adapting to climate change. Protecting our natural environment is a priority for many reasons; not only to act against climate change and enhance biodiversity, but also to support our health and wellbeing and grow our economy.

KCC has an important role to lead on how the county addresses environmental challenges and opportunities. We have committed to reduce greenhouse gas emissions in Kent to net-zero by 2050 and to achieve this will require every resident, community and business in the county to take simple steps. These include retrofitting buildings so they are more energy efficient, promoting renewable energy generation and planting more of the right tree species in the right places. As the number of households in the county increases, we need to be sure that we have sufficient water, energy and waste disposal infrastructure and promote careful and sustainable use of these resources.

To deliver on our community leadership role for the environment, we will firstly need to lead by example in our own property estate and operations, delivering our target to achieve net-zero emissions by 2030. We will also seek to influence others who provide public services in the county, for example working with transport operators to introduce electric buses and supporting schools to operate in more energy efficient ways. Finally, we will provide advice and expertise so that residents and businesses can take their own actions to reduce emissions. There are unique opportunities now to encourage people to continue changes in behaviours that have emerged during the COVID-19 crisis that have had a positive environmental effect, such as continuing to avoid unnecessary journeys.

With our partners, we want to deliver a 'green recovery' from COVID-19, which means we will consider the environment and rebuild in a way that is sustainable for the future and reduces climate risks. There are significant opportunities to boost our economy and create jobs by attracting investment in activities that will support the environment, such as insulating more homes and developing renewable energy. Kent has a growing low carbon goods and services sector and is home to world-leading research in horticulture and plant science which are important to our economy and must be supported to grow.

The way we live and work is changing, in part accelerated by the COVID-19 crisis which has seen many of us work from home more and travel less. To accommodate these changes we will need sustainable, well-designed homes and communities that support us all to live well. This means homes and communities that 'design in' ways for us to be physically and mentally healthy and resilient, avoid social isolation and build a sense of community identity and belonging. Innovations in technology and design can help ensure that people can safely stay in their own home as they get older with minimal adaptations required.

Homes and communities need to be well-connected, both to convenient transport networks and active travel options and through high quality broadband and mobile connection. Access to green spaces, sport, leisure and cultural activities enhances quality of life and should be available in all communities. New homes and buildings must be energy efficient, environmentally sustainable, resilient to climate change and protect biodiversity so we do not create future problems. Residents have told us that they want their local area to feel safe, clean and well-looked after so they can feel proud of where they live.

Fairfield Church, Romney Marsh

Priority actions to help address the environmental challenge

Deliver net-zero for Kent by 2050 and promote climate resilience

- Refresh the Kent Environment Strategy to deliver implementation plans and projects which will improve environmental standards, tackle climate change and support growth in the green economy.
- Consider environmental impacts in all our decision making.
- Deliver the Kent and Medway Energy and Low Emissions Strategy to contribute to net-zero commitments with our partners and improve air quality.
- Deliver on our commitment to plant a tree for every person in Kent, which totals just over 1.5 million, and enhance other natural assets which increase the storage of carbon, support the recovery of the county's wildlife and benefit residents.
- Deliver the shared priorities in Kent Nature Partnership's Biodiversity Strategy to protect and recover threatened species and enhance wildlife habitats.
- Deliver the Local Flood Risk Management Strategy and the Flood Response Plan.
- Manage increasing demand in waste disposal and take action to reduce demand by promoting reuse and recycling.

Deliver net-zero for KCC's estate and operations by 2030 and influence others

- Lead action on our own estate and operations and those of our Trading Companies to reach Net-Zero by 2030 through investing in renewable energy generation, shifting to electric vehicles and energy rationalisation across the estate.
- Accelerate delivery of green infrastructure and renewable energy projects including the installation of solar photovoltaic panels on public buildings and retrofitting of public sector estates.
- Provide advice and guidance for businesses to reduce their carbon emissions including through Low Carbon Across the South East (LoCASE) projects that provide free support to help businesses become more profitable while protecting the environment and encouraging low carbon solutions.
- Reduce fuel poverty and carbon emissions by championing adaptations to homes including through the Kent and Medway Warm Homes Programme that helps residents install insulation and reduce bills for energy and water in their homes.

- Incorporate green technology in new school buildings and expand opportunities for schools to invest in energy saving initiatives.

Build sustainable, liveable homes and communities

- Refresh the Kent Design Guide to promote high quality, sustainable development in Kent's communities that meets current and future needs.
- Plan to deliver high quality accommodation solutions for older people and those with support needs and encourage housing design that allows older people to stay safely in their home for as long as possible.
- Actively promote and monitor access to green spaces, sport and healthy activities to improve health and wellbeing.
- Work with local communities to promote access to safe places to walk and cycle as an alternative to travelling by car.
- Champion the need for climate resilience and flooding risk to be considered in planning for new developments.
- Work with District Councils and partner agencies to help keep residents and businesses safe including through our community safety teams and Community Wardens and the work of Trading Standards.
- Build on the coordinated response with partners to issues that damage the public realm, for example KCC's investment and joint working to tackle fly tipping with district and borough councils, Kent Police and other partners.

How we will deliver the Interim Strategic Plan

The Interim Strategic Plan is the corporate business plan for the council for the next 18 months.

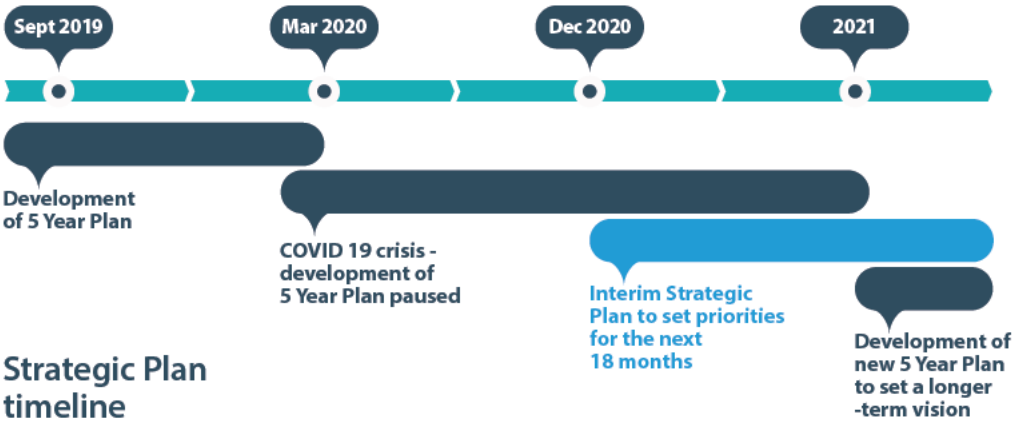
The priorities within it will be taken forward through either:

- **Strategic Reset Programme:** A number of priorities set out within this plan are within the scope of the council's Strategic Reset Programme (SRP). The SRP is intended to draw together a number of the significant change projects across the council and bring them into a single programme so that overlaps, interdependencies and resources can be better coordinated and managed to ensure successful delivery.

- **Divisional and Service Business Plans:** The development of divisional and service level business plans was paused as a result of the pandemic, with immediate response and recovery plans being used as business plans over the last year. Normal divisional and service level business planning will resume for 2021/22, and where not included within the scope of the SRP, priorities within this plan will be included in the relevant business plan.

Monitoring of this plan will be through the usual governance channels. Cabinet will receive regular updates on performance and Cabinet Committees are able to oversee the delivery of specific priorities within the plan that are within scope of their remit. A close-down report to County Council of this plan as the new 5 Year Plan is approved will also allow Members to scrutinise performance against this plan.

As noted, this interim plan will be replaced by a new 5 Year Plan for the council. The diagram below sets out the timeline for the period of this interim plan and the start of developing the new 5 Year Plan from the latter part of 2021 onwards.



Strategic Plan timeline

Setting the Course

Kent County Council's Interim Strategic Plan

December 2020

Kent County Council
kent.gov.uk

-

SMAa submissions to the DFT

2B - Effect of Brexit

The Department for Transport indicated four areas that they would like interested parties to comment on. Here is the third:

"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)".

Please use the references and links below to help you answer. Please include all data you want considered rather than hyperlinks to document unless you are referring to previous submissions. If that is the case, please include the relevant document reference number and preferably include hyperlinks to where the document can be viewed on the National Infrastructure Planning website.

Please do not feel obliged to cover all the points.

Even if you just cover one aspect it WILL make a difference.

When you have finished, please send to:

manstonairport@planninginspectorate.gov.uk

marked "For the attention of the Manston Airport Case Team".

Post Brexit

In February the Airport Industrial Property Unit Trust and Logistics UK held a policy roundtable, with representatives across the airline industry, to discuss the future of air freight. As a result, a report was produced which outlined the priorities.

Priorities for the air freight industry :

https://logistics.org.uk/getattachment/Components/Link-Boxes/Modes-of-Transport/Air/Air-Freight-Achieving-sustainable-growth/Logistics-UK-call-to-action-report.pdf?lang=en-GB

Leaving the EU has enabled trade deals with other countries:

Japan Trade Deal :

https://www.gov.uk/government/news/uk-and-japan-sign-free-trade-agreement

Australian Trade Deal :

https://www.gov.uk/government/news/uk-agrees-historic-trade-deal-with-australia

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:

Perishable goods through Dover :

https://www.mirror.co.uk/news/uk-news/port-dover-closed-fears-food-23198804

Dedicated Freighters would alleviate this problem.

please send to:

manstonairport@planninginspectorate.gov.uk

marked "For the attention of the Manston Airport Case Team".

Good luck and thank you.

SMAa submissions to the DFT 1A - Policies

The Department for Transport indicated four areas that they would like interested parties to comment on. Here is the first:

"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".

*ANPS is the Airports National Policy Statement (see below for more detail)

Please use the references and links below to help you answer. Please include all data you want considered rather than hyperlinks to document unless you are referring to previous submissions. If that is the case, please include the relevant document reference number and preferably include hyperlinks to where the document can be viewed on the National Infrastructure Planning website.

Please do not feel obliged to cover all the points. Even if you just cover one aspect it WILL make a difference. Good luck and thanking you in advance.

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Policies

1) Thanet District Council Local Plan

This was adopted in July 2020. On page 30 of the plan there is the TDC Policy (SP07) on Manston Airport which safeguards it for airport related activities.

TDC Adopted Local Plan

2) Airports National Policy Statement (ANPS)

Following a legal challenge, the ANPS was reinstated. As such it is not a new Policy. It also applies predominately to the case for the 3rd runway at Heathrow.

However, the completion of that is a long way off and the ANPS does refer to "Making Best Use' of existing runways. (See 1.39, 1.41 and 1.42 on pages 11 and 12 plus 2.28 on pages 17 and 18).

It also indicates the Need for Air Freight (see 2.7 on page 14) and the Need for increased Airport Capacity (see 2.10 to 2.18 on pages 15 and 16).

ANPS

It would be useful to listen to Tony Freudmann (52 minutes in) talking about Policies in relation to this process using the link below:

Tony on Radio Kent

SMAa submissions to the DFT 1B – Benefits of the Development

The Department for Transport indicated four areas that they would like interested parties to comment on. Here is the first:

"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".

*ANPS is the Airports National Policy Statement (see below for more detail)

Please use the references and links below to help you answer. Please include all data you want considered rather than hyperlinks to document unless you are referring to previous submissions. If that is the case, please include the relevant document reference number and preferably include hyperlinks to where the document can be viewed on the National Infrastructure Planning website.

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marked "For the attention of the Manston Airport Case Team".

Background

Thanet has high unemployment and levels of deprivation.

[redacted]

Unemployment and Deprivation have negative health implications and reduce life expectancy.

[redacted]

This has been made worse by the pandemic.

[redacted] see headings Job and financial loss and Housing insecurity and quality).

Benefits

The development will provide training and jobs for locals which will reduce unemployment and deprivation. (see table below from Volume IV page 28 of the Azimuth report which can be referenced as [APP-085]). This will have positive health effects.

Table 4 Forecast job creation

	Freight tonnage	Passenger numbers	Direct jobs	Indirect/ induced jobs	Catalytic jobs	Total job creation
Y1	0	0	116	0	0	**116**
Y2	96,553	0	856	1,542	0	**2,398**
Y3	108,553	662,768	1,551	2,791	6,203	**10,545**
Y4	167,092	679,868	2,085	3,753	8,341	**14,179**
Y5	173,741	686,672	2,150	3,870	8,601	**14,621**
Y6	181,436	965,295	2,466	4,438	9,862	**16,766**
Y7	192,908	975,591	2,576	4,638	10,306	**17,520**
Y8	200,673	975,591	2,645	4,762	10,581	**17,988**
Y9	203,245	975,591	2,668	4,803	10,673	**18,143**
Y10	212,351	975,591	2,749	4,948	10,996	**18,693**
Y11	222,377	1,011,587	2,812	5,062	11,249	**19,124**
Y12	234,508	1,049,022	2,890	5,202	11,561	**19,653**
Y13	244,690	1,087,954	2,947	5,305	11,789	**20,042**
Y14	256,989	1,128,444	3,018	5,432	12,072	**20,522**
Y15	270,579	1,170,553	3,094	5,570	12,378	**21,042**
Y16	283,904	1,214,347	3,164	5,695	12,656	**21,515**
Y17	296,594	1,259,892	3,224	5,802	12,894	**21,920**
Y18	312,344	1,307,259	3,301	5,942	13,205	**22,448**
Y19	324,838	1,356,521	3,349	6,029	13,397	**22,775**
Y20	340,758	1,407,753	3,417	6,151	13,668	**23,235**

Also, from the Azimuth report on the same page:

5.1.8 In Europe, direct jobs at airports generally breakdown as follows (Intervistas, 2015, p. 27 – percentage does not add to 100 due to rounding): • Airlines 28% • Ground handling 14% • Airport and Air Traffic Control 14% • Retail and other in-terminal services 6% • Airport security and passenger screening 6% • Customs, immigration and government jobs 5% • Ground transport 5% • Food and beverage 8% • Maintenance, Repair and Overhaul (MRO) 6% • Other 7%

[redacted]

This is not an exhaustive list, and you may think of other benefits you want to write about.

Good luck and thank you.

SMAa submissions to the DFT 2A – Effect of Covid

The Department for Transport indicated four areas that they would like interested parties to comment on. Here is the third:

"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)".

Please use the references and links below to help you answer. Please include all data you want considered rather than hyperlinks to document unless you are referring to previous submissions. If that is the case, please include the relevant document reference number and preferably include hyperlinks to where the document can be viewed on the National Infrastructure Planning website.

Please do not feel obliged to cover all the points. Even if you just cover one aspect it WILL make a difference.

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marked "For the attention of the Manston Airport Case Team".

Covid

One effect of Covid has been to considerably reduce the number of passenger flights. This has illustrated the fact that the UK has an over-reliance on bellyhold freight and a consequent lack of freighter capacity.

[redacted]

Trade demand is set to grow increasing the demand for air freight:

[redacted]

The Covid Pandemic has had a huge effect on e-commerce. Click on the link and scroll down to section 4, Online Retail, and please read this section.

[redacted]

Click on the link below and then click on the "e-commerce strategies for Air Cargo airlines. Scroll to page 2 for the 5 strategies for airlines:

[redacted]

The growth in e-commerce will increase the demand for dedicated freighters.

SMAa submissions to the DFT 3 – Sixth Carbon Budget

The Department for Transport indicated four areas that they would like interested parties to comment on. Here is the third:

"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".

Please use the references and links below to help you answer. Please include all data you want considered rather than hyperlinks to document unless you are referring to previous submissions. If that is the case, please include the relevant document reference number and preferably include hyperlinks to where the document can be viewed on the National Infrastructure Planning website.

Please do not feel obliged to cover all the points. Even if you just cover one aspect it WILL make a difference.

When you have finished, please send to:

manstonairport@planninginspectorate.gov.uk

marked "For the attention of the Manston Airport Case Team".

Background

The Climate Change Committee (CCC) have been making a number of recommendations to Government who have responded:

[redacted] ages 31 to 34

The latest CCC report is the Sixth Carbon Budget and there is an aviation summary.

Use the link below to open the main report. Scroll down and then open the Aviation summary. The key recommendations are summarised in table P8.1 on page 29.

[redacted]

The Government has already established the Jet Zero Council:

[redacted]

The Government have also signed up to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The link below is useful to find out more about CORSIA particularly 1.2, 1.6 and 2.14.

[redacted]

The government response to the Sixth Carbon Budget:

[redacted]

Good luck and thank you.