

# Manston Airport Air Freight Hub

*Reviving strategic transport infrastructure to  
maximise Global Britain's trading potential*

**Applicant's response to  
Arup Assessor's Draft Report**

## **Appendix 3**

**Project:** Manston Airport Development Consent Order  
**Document Ref:** TR020002/RED2/Arup/APP3  
**Redetermination Deadline Date:** 3 December 2021

## MANSTON AIRPORT PROJECT

### PINS REFERENCE TR020002

#### ARUP REPORT RESPONSE – APPENDIX 3 – ANALYSIS OF SAMPLE OF AVIATION INDUSTRY NEWS

#### DOCUMENT TR020002/RED2/Arup/APP3

##### Introduction

- 1.1 This appendix demonstrates the wealth of evidence available in the reputable aviation trade and industry press, quoting leading industry figures, about the current trends in, and post-pandemic changes to the air freight sector, that underpin the Applicants arguments that there is a strategic short, medium and long term need for the re-opening Manston as a predominantly freight Airport. These forward-facing industry journals provide a wealth of evidence that is severely lacking from the Arup Draft Report, undermines the Draft Report's analysis, and strongly supports the Applicant's position and the original decision of the Secretary of State that development consent should be granted.
- 1.2 This document contains a sample of the large volume of evidence that the authors of the Draft Report has stated does not exist. The intention is to inform the Secretary of State about the abundance of publicly accessible information that is available to help form an up to date view of the state of the air freight sector, and in so doing provide essential context against which the issue of need can be assessed. It also highlights the complete failure of the Draft Report to undertake this essential task, despite the fact it is critical to the core issue that the Draft Report should be seeking to address. The Applicant hopes, therefore, that this document will assist the Secretary of State to form an informed view as to the need for re-opening Manston Airport, and that he may benefit from this evidence as he considers the full scope of need.
- 1.3 The Secretary of State announced that he had appointed an independent aviation assessor (Arup) in the letter from the Department of Transport dated 11 June 2021.<sup>1</sup> The Draft Report was published on the PINS website on 21 October 2021. In July 2021, during the period in which the analysis was being undertaken and the Draft Report was being written, a report commissioned by Airports Council International was published. This report, entitled **"Developing Cargo at Airports: How airport operators can develop successful cargo strategies"**<sup>2</sup> (the ACI Report) is extremely relevant to the question of the need for Manston Airport as a dedicated cargo airport in the UK.

##### The Airports Council International Report

- 2.1 Airports Council International (ACI) is the global trade representative of the world's airport authorities, and part of its remit is to represent airports' interests with governments and

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<sup>1</sup> PINS Reference TR020002-005360

<sup>2</sup> Appendix 4.1 – Airports Council International – Developing Cargo at Airports – July 2021

international organisations. The ACI Report therefore carries significant weight as it has been commissioned by the relevant international organisation representing airport interests, and the subject matter and the timing of the report mean its contents are applicable to the question of need for both Manston Airport in principle and Manston Airport in the existing and future freight industry.

- 2.2 Despite these credentials and the favourable timing of the ACI Report, the Draft Report makes no reference to it. This oversight is fundamentally damaging to the credibility of the Draft Report, resulting in a total failure to consider this important evidence. The Draft Report concludes that evidence does not exist of the need for additional air freight capacity at airports, whilst the ACI Report not only finds and avers to evidence of exactly this nature, but also reaches conclusions that strongly support the need for Manston Airport. It would be remiss of the Secretary of State to not have regard to the ACI Report, especially as it comes from a recognised global airport trade body, when reviewing the question of need in the redetermination of development consent.
- 2.3 Whilst the Applicant submits that the entirety of the ACI Report should be taken into consideration by the Secretary of State, it would highlight the following as key findings relevant to the re-assessment of the need for Manston Airport.
- 2.4 The role of air cargo has increased significantly as a result of the pandemic, and this is not expected to change. *“There is a newfound importance of air cargo and willingness from aviation stakeholders to invest in or contribute to its development. The role that air cargo fulfilled during the pandemic has created a positive momentum. In the words of one of the airports interviewed: “cargo engages””.*
- 2.5 The ACI Report is relentlessly forward looking, unlike the Draft Report which makes no proper consideration of future developments in the air freight industry. The ACI Report states *“As aviation faces an impending challenge in the form of Net-Zero commitment, there is a need to chart the path for air cargo, using the latest technology and industry-wide collaboration foreseeing these developments is essential to capture opportunities in an ever-dynamic cargo market. We suggest prioritising these trends based on their expected impact and the airport’s ability to act on them.”* The re-opening of Manston Airport represents an opportunity to capitalise on the changes and growth in the industry, in a sustainable way, by easing pressures that have existed both pre and post pandemic at airports such as London Heathrow, whether as a result of a shortage of slots for dedicated freighters, stands for them to park on while they are loaded and unloaded, or handling capacity of the airside facing trans-shipment building where cargo is screened, checked, certified, put into bonded storage and loaded or unloaded onto landside trucks/vans. The core document to this response, refers at **para 119** to the congestion problems and delays that are once again arising at the Heathrow, in the same way that they did pre-COVID. Further, as a new airport, unburdened by old infrastructure and ground support equipment, Manston is uniquely positioned to deliver a net zero carbon operation from the outset. During the examination, the Applicant offered to be a net zero airport within five years of opening and that commitment has been reiterated in the submissions for this redetermination.
- 2.6 The ACI Report specifically notes the local economic impacts of a cargo airport, stating *“beyond the ‘direct’ value that cargo may provide to the airport’s revenue, there is significant ‘indirect’*

value that cargo generates. Such value comes in the form of supporting local industries, creating employment opportunities, and enabling global trade. Air cargo can be of strategic importance to local economies". It goes further, comparing the economic value of a cargo airport to one focused on passenger traffic, concluding that the "results were eye-opening and helped the organisation better align on the positioning of cargo as a strategic business".

2.7 The ACI Report recognises the role and incentive of public funding for cargo facilities, with policy makers "express[ing] their interest in financially supporting certain new cargo routes, as they valued the potential it could generate for the region's air exports and local economy". The reopening of Manston Airport is a project which is entirely privately funded and represents no risk to the public purse. The value of this project and its ability to boost the economy, with no public funding, cannot be overlooked.

2.8 The ACI Report's focus is on the future of aviation and specifically air cargo. These are precisely the insights that the Draft Report should have focused on, instead it fails to consider the future need for capacity of the kind provided by Manston. It would be appropriate, therefore, for the Secretary of State to consider the conclusions of the ACI Report:

*"The global aviation industry is poised for change and air cargo is no exception. Digitalisation ushers in a new era of opportunities for the cargo industry to improve efficiency and contribute to more sustainable practices. Automating processes, removing paper trails, setting up reliable data exchange and optimising processes are just some of the ways in which digitalisation can help increase load factors, reduce truck movements and contribute to the path towards Net Zero."*

2.9 It is clear that Manston Airport represents an opportunity to meet cargo requirements, relieve passenger-focused airports of excess cargo load, and to do so in a manner that helps contribute towards Net Zero. These opportunities were clearly identified by the ACI Report from freely available evidence, so the question must be asked why the Draft Report does not make any consideration of these matters.

### **Short-to-Mid Range Air Freight**

2.10 The growth of e-commerce has increased dramatically with the onset of the pandemic, with major retailers such as Amazon offering next-day delivery on a huge range of products. This business model is reliant on fast freight shipping, an area in which air freight excels. As competitors try to keep up with Amazon's logistics and distribution network, capacity of next-day services from logistics companies such as DHL must also expand.

*"DHL Express, the world's leading international express service provider, released a new Whitepaper "The Ultimate B2B E-commerce Guide: Tradition is out. Digital is in". The study predicts strong growth for the B2B E-commerce market in the coming years: by 2025, 80% of all B2B sales interactions between suppliers and professional buyers will take place in digital channels. The impact of the Covid-19 pandemic on the pace of digitalisation and the purchasing behaviour of technology-savvy millennials, who are now of an age to be the professional B2B decision-makers, are the main drivers of this global E-commerce growth."*

*“We have been facing the pandemic for over one year now”, says Michiel Greeven, Executive Vice President Global Sales at DHL Express. “A year that showed how nearly a decade of digital evolution happened in just a few months’ time, with online shopping and cross-border shipping as the new normal. And this is true not only for B2C retailers, but also in terms of B2B E-commerce as companies started recognising that online selling platforms are crucial for their business success, today and in the future. As a result, there will also be an additional need for global Express shipping and DHL Express is well positioned to support all B2B companies on their journey.”*

Source: DHL Whitepaper; Appendix 4.2; 30 March 2021

- 2.11 Current research conducted by leading logistics and delivery companies are indicating that premium, express freight growth will continue to grow, and has already resulted in the industry seeing its best results in history. Neither this existing trend nor the future trajectory of the express freight industry were given consideration in the Draft Report, despite being key factors in the assessment of need for an airport capable of and focusing on express freight.

### **Importance of the Runway at Manston Airport**

- 2.12 The runway at Manston Airport is 2852m length. Smaller, narrow-bodied aircraft are commonly used in the short-haul passenger transport model and are capable of utilising smaller airports with smaller runways. By contrast, larger wide-body aircraft require a longer runway in order to have sufficient space to reach the speeds required to take off when fully loaded. As smaller aircraft are increasing in range, the business model for passenger aircraft is changing to allow for more point-to-point long- and medium-haul journeys. The number of passenger routes that can support larger aircraft is diminishing and airlines are increasingly looking to recoup the investment cost of existing aircraft by converting these to carry freight.

*“Supply chain chaos has fuelled demand for freighter aircraft. But the new models will be competing with converted passenger jets.*

*Because of the dramatic growth of e-commerce, the pickup in demand for both consumer and industrial goods as the pandemic eases, and supply chain turmoil that’s shown the downside of total dependence on ocean shipping, cargo carriers and logistics companies are turning to air freighters. These behemoths can quickly transport huge amounts of freight while bypassing port tie-ups, shortages of ocean containers or rail cars, and the current dearth of long-haul truck drivers. And aircraft owners are eager to add more of them to their fleets because the prospects for freight growth are encouraging. Plane lessor Avolon Holdings Ltd., for example, forecasts air cargo revenue will reach \$150 billion this year, with traffic doubling over the next 20 years.”*

Source: Bloomberg Businessweek; Appendix 4.3; 10 November 2021

- 2.13 The Bloomberg Businessweek article also makes reference to the current behaviour of key aircraft manufacturers Airbus SE and Boeing Co, both of whom are promoting cargo-versions of passenger aircraft. This is a response to the documented growth in e-commerce in recent years and during the pandemic, and as major retailer such as Amazon seek to increase resilience through flexibility into their delivery network. The article reports on the existing behavioural shift towards air freight that is altering the business model of aircraft manufacturers, aircraft leasing companies and international retailers alike. The Draft Report fails to consider

these business behavioural changes, instead assessing need against business models that are already becoming extinct.

- 2.14 The presence of a regional airport specialising in freight transport that is capable of accommodating these wide-body aircraft has clear benefits to the economy. London Heathrow is almost at capacity and, due to its location close to London and passenger-friendly onward transport options, it will also have a primary focus on passenger air transport. By contrast, Manston Airport is located away from passenger focused locations and is one of a handful of UK airports capable of accommodating larger aircraft. The scope of air freight that Manston will be able to accommodate is greater than many existing airports simply due to the length of the existing runway. Were the need for air freight recognised but sought to be operated elsewhere, this would require a radical change in business model for an existing airport, an extension to a smaller airport runway and the infrastructure to support this, or the building of a wholly new airport. The use of existing facilities is more cost and environmentally friendly as it does not require the destruction of (likely greenfield) land to build.

### **Existing Shipping and Supply Chain Issues**

- 2.15 With the increase in e-commerce from the pandemic, combined with events such as the blocking of the Suez Canal, supply chains are struggling to keep up with demand. Skift is the world's leading online travel newsletter and is an important source for aviation industry news. It has recently published lessons to be learnt from Atlas Air Cargo, one of the largest dedicated freighter operators in the world with over 100 such aircraft.<sup>3</sup> This highlights the rapidly changing freight industry, propelled by a need to bypass traditional shipping routes and transport goods as close to the end delivery point as possible.

*“The pandemic accelerated a structural shift in retail toward e-commerce. Populations stuck at home and prevented from shopping in grocery stores, malls, and other retail shops turned to e-commerce for daily necessities during lockdowns. And once those lockdowns ended, the habit stuck. Couple this with almost unprecedented savings among the world's middle classes, and the usual shipping lanes buckled.*

*And this is occurring as the global economy starts to heat back up. Manufacturers ran down inventories of raw materials and spare parts during the pandemic and are restocking to feed growing demand.*

*Adding to the mess is a shortage of truck drivers and warehouse capacity in the U.S., so even when goods eventually are offloaded at ports, there's no guarantee they will get to their destinations on time. And on top of that, a global shortage of shipping containers means shippers are struggling to get their goods onto ships.*

*Maritime shipping's bottlenecks are causing a mode shift to air cargo, especially now that air freight costs only five times as much as maritime, compared with 12 times more before the pandemic, International Air Transport Association (IATA) data show. Before the pandemic, perishable cargo, like fresh flowers, fruit, and seafood, went by air, as did lighter, high-value*

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<sup>3</sup> Appendix 4.4 – Skift – What Global Economists Can Learn From Atlas Air – 8 November 2021

*goods like electronics and micro-processing chips. Now, with maritime shipping's constraints, goods that ordinarily would have gone by sea are moving by air. And e-commerce packages, typically small and lightweight, are ideally suited to air shipment."*

- 2.16 These changes are significant but have not happened overnight. Whilst this article post-dates the Draft Report, the changes to shipping were occurring before and during the period in which the Draft Report was written. There is no basis for not being aware of or omitting this information and to do so provides a misleading and incorrect view of the freight market that is so far out of date as to be irrelevant for future planning. It is clear that Arup's claim that "*there is no clear evidence that the recent growth in e-commerce sales has created 'a shift in transportation modes to favour air cargo'*" has been made with no consideration given to the easily accessible and accurate aviation information relating to e-commerce and has not bothered to even consider the impact of a national/European-wide truck driver shortages as a relevant factor even though the Applicant emphasised this key area in its July submissions.

### **The Move to Air Freight**

- 2.17 Shipping companies are now expanding into air cargo, recognising the opportunities contained in rapid transit freight, and the additional resilience generated from a diversified workstream.

*"Shipping giant AP Moller Maersk is expanding into the air cargo market with the acquisition of freight forwarder Senator International and the addition of five freighters.*

*CEO of Senator, an international shipping and logistics firm joining Maersk said: "For many customers operating in technology, Fast-Moving-Consumer-Goods, lifestyle, pharmaceuticals, and the automotive industry, airfreight solutions are a critical component of their supply chain.*

*"These industries have high demand for speed and delivery reliability, and high value cargo.*

*"Events like the pandemic and Suez vessel blockage have demonstrated that integrated logistics, including airfreight solutions, provides critical flexibility to manage supply chain disruptions."*

Source: Air Cargo News; Appendix 4.5; 2 November 2021

- 2.18 The industry is changing with traditional companies looking to utilise air freight more and more. This will inevitably place a greater requirement for capacity within UK airports to accommodate cargo flights. This has not been taken into consideration by the Draft Report, yet its inevitability is such that any viable report must look at the existing infrastructure and its capacity to accommodate this increase. The Draft Report's failure to recognise that capacity is constrained in the South-East is a fundamental failing and renders its conclusions ill-founded and misleading.

### **Conclusion**

- 3.1 The authors of the Draft Report have continually made statements referring to the lack of evidence concerning the future of air freight. Instead, they have relied on the unfounded assumption that the future of air freight will be similar to the situation ten years before the pandemic, ignoring numerous advances in technology that have fundamentally altered the

passenger and freight aviation markets in this period. The Applicant vehemently opposes this distorted representation of the aviation industry.

- 3.2 The Applicant has produced this Appendix which demonstrates and analyses a small sample of the wealth of available evidence from the reputable aviation trade and industry press that supports the need for re-opening Manston Airport. With every passing day further evidence is published which further strengthens the Applicant's position. Appendix 4 (document reference TR020002/RED2/Arup/APP4) provides an illustrative selection of this evidence in full for ease of reference. These forward-facing industry journals provide the evidence that is sorely lacking from the Arup Draft Report. This evidence undermines the Draft Report's analysis and strongly supports both the Applicant's position and the original decision of the Secretary of State that development consent should be granted.
- 3.3 This Appendix and Appendix 4 contain evidence that the authors of the Draft Report stated does not exist, a statement that is demonstratively incorrect. The Applicant's intention in providing these Appendices is to inform the Secretary of State about the abundance of evidence that is freely available and directly relevant to the matter of need that has not been considered by the Draft Report, despite it going to the core of the issue that the Draft Report should be analysing. The Applicant hopes that this document will assist the Secretary of State to form a balanced and informed view as to the need for re-opening Manston.