APPLICATION BY RIVEROAK STRATEGIC PARTNERS LTD ("THE APPLICANT")

FOR AN ORDER GRANTING DEVELOPMENT CONSENT FOR THE UPGRADE AND REOPENING

OF MANSTON AIRPORT (PINS Reference Number: TR020002)

WRITTEN SUMMARY OF STONE HILL PARK LTD'S ORAL SUBMISSIONS PUT AT THE NEED AND OPERATIONS ISSUE SPECIFIC HEARING HELD ON 21 MARCH 2019

1. BACKGROUND

1.1 The Need and Operations Issue Specific Hearing ("Hearing") was held at 10:00am on 21 March 2019 at Discovery Park, Sandwich, CT13 9FF.

1.2 The Hearing took the form of running through items listed in the agenda published by the Examining Authority (the "ExA") on 11 March 2019 (the "Agenda").

1.3 The format of this summary follows that of the Agenda and only refers to parts of the Agenda where Stone Hill Park Limited ("SHP") made substantive comments.

1.4 Present from SHP were James Strachan QC (Counsel for SHP), John Rhodes (Quod Planning), Richard Griffiths (partner at Pinsent Masons LLP), Louise Congdon (York Aviation), Jonathan Naylor (Altitude Aviation), Iain Mackintosh (for SHP) and Jamie Macnamara (for SHP).

2. MANAGEMENT OF HEARING

2.1 SHP has set out its concerns about the management of the Hearing and, in particular, the curtailment of its granted right to ask oral questions of the Applicant's representatives in its Written Summary of SHP's oral submissions at the Compulsory Acquisition hearing held on 20 March. Those same concerns arise here but need not be repeated.

3. AGENDA ITEM 4 - POLICY

3.1 Despite the length of the Applicants' submissions on planning policy, the relevant position is clear and can be briefly stated.

3.1.1 The Airport's NPS does not have effect for the Manston application, although the NPS is important and relevant to the determination. As paragraph 1.41 of the NPS explains, amongst the considerations that will be important and relevant are the findings in the Airports NPS as to the need for new airport capacity and that the preferred scheme (at Heathrow) is the most appropriate means of meeting that need.

3.1.2 For both of these reasons (no NPS and the need having been settled), there is no policy presumption that a need exists and the Examining Authority have rightly made the need for the development of Manston a Principal Issue. As

paragraph 1.42 of the NPS makes clear, applications for more intensive use of existing runways will be judged on the application's individual merits and it will be for the applicant to demonstrate that a need exists.

3.1.3 The requirement for any such application to be treated on its merits is clearly stated both at paragraph 1.39 of the Airports NPS and at paragraph 1.29 of Making Better Use.

3.1.4 The other relevant consideration that arises from the NPS is the requirement to demonstrate that the scheme is cost-efficient and sustainable, and seeks to minimise costs to airlines, passengers and freight owners over its lifetime (Airports NPS paragraph 4.36). Whilst the NPS does not directly have effect, it is important and relevant and these principles represent no more than the common sense principles of sustainable planning.

3.1.5 Manston is not referred to or relied upon in any national aviation policy document.

3.1.6 The extent to which Manston was considered by the Airports Commission is fully set out in SHP's Written Representations at paragraph 2.21 of the York Aviation Report in Appendix 4 [REP3-025] and in SHP's Comments on RSP's responses to Written Question ND.1.1 [REP4-067]. SHP's comments on the Applicant's response to written question is noted below

"The response to this question claims that the Airports Commission did not consider the potential role that Manston might play as a freight airport. In its response to the ExA's questions, the Civil Aviation Authority helpfully provides the submission made by the previous operator of the Airport to the Airports Commission. It is clear here that the proposition submitted by Manston was for a major freight airport (point b) of the submission, which we note was written by the Aviation Strategy and Policy Consultancy now part of Northpoint and one of RSP's current advisers.

In the light of this, it is not credible to suggest that the Airports Commission did not consider Manston other than in terms of a role in meeting passenger demand. It is also disingenuous to say that the Airports Commission's Interim Report and shortlisting did not consider freight as benefits to freight users were extensively discussed throughout the Commission's Interim Report (Section 3) and formed part of the consideration of benefits, albeit these could not be specifically quantified (AC Interim Report, para. 3.100). The inclusion of air freight benefits as part of the Commission's Sift criteria is made clear at para. 3.7 of their Guidance Document 02: Long Term Capacity Options: Sift Criteria May 2013. Whilst there may have been further submissions on air freight by TfL on behalf of the Mayor of London (Ramboll/Oxford Economic Report Impacts on the Air Freight Industry, Customers and Associated Businesses 2013) later in the process, it is clear that the Airports Commission gave full consideration to the implications for the air freight sector in its shortlisting process.

The proposal that Manston could act as a major freight airport to relieve congestion at the other airports was not followed through/rejected by the

Airports Commission, which only mentioned Manston as a possible reliever airport for General Aviation (see our 2019 Update Report para. 2.21). RSP have added reference to passenger capacity in square brackets to quotation from Appendix 2 to the Airports Commission's Interim Report. This is not correct and seeks to mislead the reader. The quotation needs to be read in context of proposition submitted by the operator of Manston which put forward a major freight role."

3.2 Neither are the Applicants in a position to claim the support of local planning policy. The Thanet Local Plan is currently at examination and paragraph 1.41 of the Local Plan confirms that the Council is not proposing to allocate the airport site for any specific purpose in the draft Local Plan.

3.3 The current draft Local Plan confirms the existing use of the site for aviation (paragraph 1.43) but sets out clearly that the Council's evidence base has concluded that it is very unlikely to be financially viable in the long term and almost certainly not possible in the period to 2031 (paragraph 1.40).

3.4 The existing Thanet Local Plan 2006 is now so out of date that no significant weight could be attached to its policies. In this context, it is relevant to note:

3.4.1 the 2006 Local Plan only sets policies up to 2011 (paragraph 2.62);

3.4.2 the strategies on which the Local Plan is based derived from the now abolished RPG for the South-East and the Regional Economic Strategy 1999 (paragraph 2.19);

3.4.3 at the time the 2006 Local Plan was being prepared the airport had just been taken over by Infratil, leading the Council to express that there is an undoubted market opportunity and that *"the Council has every confidence the airport will be successful"* (paragraphs 2.47 and 2.61).

3.5 Given the age of the plan and the up to date evidence about viability, no significant weight should attach to the 2006 policies.

3.6 It is relevant to note that Policy EC4 from the 2006 Local Plan did identify the Northern Grass Area for development but specifically for "airside development", which has an operational requirement for direct access to aircraft, and for which such a location is essential. The Applicant's proposals for the Northern Grass are explained in the Planning Statement as a "business park" and were explained at the hearing to relate to uses "beyond the security fence", thereby failing the Local Plan test.

4. AGENDA ITEM 5 – FORECASTS AND FREIGHT TYPE PATTERNS

4.1 Whilst it is acknowledged that a large part of the Hearing was focussed on this topic, SHP wishes to record that there was insufficient time to explore and address many of the sub-topic areas set out in the agenda for the Hearing. Given that the forecast need is the foundation of RSP's case, this is a particularly significant concern.

4.2 It is understood that the Examining Authority will seek to test the Applicant's evidence further through written questions.

4.3 A high level summary of the key points made in SHP's oral submissions is provided below, with a more detailed summary attached as Appendices NOPS.5.1 and NOPS. 5.2 in the form of notes from SHP's aviation consultants, York Aviation and Altitude Aviation.

4.4 It is important to note that the oral submissions made on this topic area preceded the 15 minute period allowed for the cross-examination of Dr Dixon's evidence contained in the Azimuth Report. It emerged during the cross examination that Dr Dixon had not considered costs or viability in preparing the forecast, and as such, the freight forecasts and business plan were not integrated (and appeared to be directly contradictory). This is a critical shortfall, as one cannot be done independently of the other. Air traffic movement and freight tonnage forecasts are completely meaningless unless linked to a pricing strategy, especially for such a price sensitive market as air freight. Accordingly, the forecasts set out in the Azimuth Report should be considered as no more than theoretical guesstimates, rather than something on which any reliance could be placed.

Interpretation of York Aviation's work for TfL and FTA

4.5 York Aviation expressed its frustration and irritation that the Applicant continues to rely erroneously on its work for TfL and the FTA. As explained in York Aviation's report appended to SHP's Comments on the Applicants responses to Written Questions, York Aviation had made Dr Dixon of Azimuth Associates fully aware of the misinterpretation of this work in 2017 (see comments on ND.1.7 and correspondence attached at Appendix B to that submission). In view of the continued misrepresentation of the York Aviation work and selective quoting of that work during the hearing, paragraphs 2-17 of Appendix NOPS.5.1 provides a correct interpretation of York Aviation's work for the FTA and TfL.

Role of Trucking

4.6 During the Hearing, the Applicant cited unevidenced figures for the number of cross-Channel trucks carrying airfreight. The Applicant also noted that a high proportion of these operated on airline flight numbers. It is important to note that such movements are part of the system whereby airlines truck freight to and from their hubs to connect to bellyhold operations to maximise cost efficiency. Please see paragraphs 18-21 of Appendix NOPS.5.1 for a summary explanation on trucking of air freight between the UK and Europe, why these truck movements would not be divertible and the commercial reasons why trucking is common place and an integral part of the general and integrator sectors, rather than something to be remedied with freighter aircraft. Again, this fundamental misunderstanding of the market undermines an important foundation of RSP's case. (Apart from mis-reliance on the York Aviation reports, trucking was Dr Dixon's principal explanation for her 'need' case.)

Validity of Azimuth's "Forecasts"

4.7 In oral evidence, Dr Dixon conceded that the Azimuth Report that she prepared was not really a forecast of what would happen but an assessment of the 'potential' need

for a dedicated freight airport in the South East of England. She confirmed that she had taken no account of the viability of operating the services for the airlines or the viability of the operation of the Airport (despite the Azimuth Report being referenced as setting out the viability of and the Business Plan for the development in the ES, Planning Statement and Statement of Reasons - see para 2.5 of York Aviation 2019 Report).

4.8 At para. 2.2.10 of Vol III of the Azimuth Report, a number of key considerations are set out which would impact on the decisions of airlines as to whether to use Manston:

- *"The cost of physical relocation*
- *Cancellation of long-term contracts*
- *Loss of economies of scale, although if an entire operation is switched, economies of scale would be gained at the new airport*
- *Market effects such as marketing new routes and a potential loss of custom in the early years following the switch*
- *Network effects lost by switching to a smaller airport*
- *Capacity constraints at other airports, particularly in slot allocations*
- *Sunk costs such as an airline's investment in the airport from which they are switching"*

4.9 Although the Azimuth report claims that these factors have been taken into account in the 'forecasts', it is now clear from answers given in oral evidence that this was not the case and that Dr Dixon simply assumed that the costs would be "neutral". We take this to mean that her underpinning assumption was that the costs for an airline of operating from Manston would be the same as from other airports and/or that the costs to shippers for a tonne of air cargo would be the same to/from Manston as from alternatives, including bellyhold options. Without proper consideration of switching costs, the charges to be levied at Manston and the relative price of dedicated freighter operations v. bellyhold for the shipper, the so-called 'forecasts' can have no validity as they do not reflect market realities.

4.10 Furthermore, as pointed out in SHP's comments on the Applicant's answer to Written Question FD.1.15 [REP4-067], whilst it is claimed that RSP's Business Model is based on being able to offer airport users competitive terms, this is clearly not the case. As we know from the Business Model spreadsheet submitted at Deadline 3, the Applicant plans to charge airlines around four times the equivalent cost at East Midlands Airport and without any countervailing incentives (see separate papers prepared by Altitude Aviation Advisory). Hence, it is clear that, leaving aside its other manifest shortcomings, the Azimuth Report has not assessed the actual position proposed by RSP of charging a significant premium over other airports for dedicated freighter operations, which are already significantly more expensive than bellyhold alternatives.

4.11 The consequence of this is that on any reasonable assessment of the costs of using Manston and the costs to the shipper of using dedicated freighter aircraft, when coupled with the costs of switching and other costs identified by Azimuth, the share of the market that Manston might hope to attract will be severely reduced below the 'neutral' assessment made by Azimuth. York Aviation have set out its view of the maximum potential in Section 4 of our 2019 Report [REP3-025]. At the price RSP

propose to charge, demand would be significantly lower and the revenues that they assume within the Business Model would not be not attainable. Either way, proper analysis strongly suggests that there is no prospect of the proposed investment in the development of a dedicated freight airport at Manston being viable even on the basis of the latest estimate of construction costs, which we now understand from the oral evidence of George Yerrall are likely to be underestimated at this point in time.

4.12 Put simply, the oral evidence given by Azimuth Associates confirmed that the Report upon which the entirety of the Need Case for the development relies has no realistic foundation as a basis for predicting the extent to which Manston might actually be used.

Night Flying and the Integrators

4.13 We set out in our commentary on RSP's answers to Written Questions evidence as to the dependence of conventional integrators on night flights. Hence, leaving aside the locational reasons why Manston would not be a suitable base for a conventional integrator, the proposed night scheduling ban effectively removes any prospect of such operations, a point conceded by the Applicant when it says that an integrator base is not proposed for Manston (Written Answer to ND.1.16).

4.14 We are now asked to believe that the Azimuth did not mean conventional integrator operations when including them in the 'forecast' as set out at para. 3.2.3 of Volume III of the Azimuth Report [APP-085], despite DHL/Fedex being specifically identified as the operators of these flights at Appendix 3.3 of the ES [APP-044], which we were told in oral evidence was based on the Azimuth projections. We are now asked to believe that what was meant was a new form of integrator – Amazon or Alibaba-Cainiao - operating these flights. This is despite Amazon being separately identified in Appendix 3.3 of the ES in addition to the conventional integrator operations.

4.15 The Northpoint Report is used by RSP in an attempt to support this change of emphasis to 'New' integrators and the e-commerce model as the basis of justification for 48% of the aircraft movements claimed for Manston at Year 20 (more in the earlier years). This is no more than speculation as the extent to which the e-commerce operators will seek to operate their own aircraft within the European market and the nature of those operations is largely unknown. A short note on the Northpoint report is contained in paragraphs 28-38 of Appendix NOPS.5.1.

4.16 Paragraph 42 – 45 of Appendix NOPS.5.1 and paragraphs 15-21 of Appendix NOPS.5.2 provide a summary of our aviation consultants understanding of the current operations of Amazon, including details of Amazon's embryonic operations at East Midlands, how flight patterns are likely to be similar to conventional integrators (with a need for night flights) and why the location of Amazon's fulfilment centres across the UK demonstrates why Manston is unlikely to be an attractive location for Amazon Air.

4.17 In summary, there is no reason to assume that the choice of airports for the 'new' integrators would be based on different criteria to the existing integrators nor that they would be any less dependent on night operations. Hence, given the proposed night scheduling ban, the establishment of a 'New' integrator base at Manston with 2 aircraft in Year 2 and 4 aircraft in Year 4 is simply not credible. The relevant

paragraphs from Appendix NOPS.5.2 also question whether the growth of e—commerce represents and economically viable opportunity for cargo airports and notes that the Applicant appears to have ignored the requirement for significant incentives that would be sought by Amazon and its high level financial forecasts suggest the charges would actually be materially higher than comparable airports. This is not credible.

Consequences for the Environmental Assessment

4.18 Mr Hilton of Wood stated in oral evidence that environmental assessment relied on Appendix 3.3 of the ES [APP-044] and that it was derived based on the Azimuth 'forecasts'. However, as explained at the hearing and set out in Table 3.1 of York Aviation's 2019 Report [included in REP3-025], there are inconsistencies in the proportions of aircraft in each ICAO category between Appendix 3.3 and other parts of the ES and between the ES and the Azimuth Report. Dr Dixon said she was not responsible for producing Appendix 3.3 and Mr Hilton did not seem to know who was responsible either.

4.19 In the context that the information in Appendix 3.3 is claimed to be the basis upon which all of the environmental assessments have been carried out, it is important to note that Mr Hilton told the hearing that the assessments were based not only on the aircraft types named in Appendix 3.3 but also on the specific aircraft and engine types operated by the named airlines. Hence, to the extent that these airlines would not or could not operate to Manston (see para 3.10 of York Aviation's 2019 Report), particularly once the impact of the night scheduling ban is taken into account, this invalidates the specific environmental assessments made. The particular example referred to in oral evidence is the assumption that the ATR-72 turbo-prop aircraft would account for around 25% of all freighter aircraft movements, specifically operating for DHL or Fedex. The 'New' integrator, Amazon, is currently using Boeing B737 jet aircraft for its European operations so, even if it was right that DHL or Fedex would be substituted by Amazon or similar, it could not be relied on that these airlines would use so many turbo-prop aircraft. This means that the ES can no longer be deemed to have assessed the worst or most likely case effects, even if that was ever the case.

4.20 Paragraphs 49 – 50 of Appendix NOPS.5.1 explains a further consequence of the new noise mitigation plan is to condense all of the aircraft operations into the day-time period. The response given by Mr Hilton that movements that were otherwise assumed to operate in the night (14% of total movements) would simply switch to the 06.00-07.00 hour and so still be within the 8-hour night noise assessment period lacks credibility. Faced with a night scheduling ban, the airlines would need to re-programme their operations in their entirety to fit within a curfew and, to the extent that hypothetically they would still operate to Manston, this would result in proportionately more movements in the 16-hour day period used for daytime noise assessment resulting in an increase in contour area over that assessed and an increase in the areas eligible for compensation. The veracity of this can only be tested further when RSP produces the more detailed analysis of the profile of flights over the day related to the infrastructure requirements as promised at the Compulsory Acquisition Hearing.

4.21 It was noted that the effect of the night scheduling ban will also impact on the data used in the Transport Assessment as set out in Appendix E to the TA. First of all,

Table 1.1 shows freight related truck movements evenly distributed over the day. However, if, as we are now told, more than half of the movements at the Airport are going to be associated with a 'New' e-commerce integrator, it would be reasonable to expect that truck movements would be bunched around the arrival of these aircraft to ensure speed of delivery to the customer. On the basis of the proposed bunching of flights into the 06.00-07.00 hour, this would result in a significant number of trucks on the highway network in the 08.00-09.00 period to ensure deliveries of goods. Equally, for outbound flights before the night curfew, it would be expected that goods would need to be at the Airport 2-3 hours ahead of the last flight (23.00) so this too would require more movements in the day time. It would appear unlikely, therefore, that the TA has assessed the true impact on the highway network including in the morning and evening peak periods.

High Level Summary of Other Issues Raised in Oral Submissions

4.22 The average tonnage assumed in Azimuth's forecast of 17-20 tonnes is much lower than the airport's historic average of 63 tonnes, which was achieved despite a material bias towards imports (i.e. departing flights mostly departed empty). Azimuth's forecasts assume a similar level of exports to imports which makes the comparison to historic performance even more stark.

4.23 In the Examining Authority's questioning of the components of the forecast tonnage, Azimuth was unable to clearly state whether the forecast freight was new markets or displacement from other airports. The Applicant/Azimuth's understanding of the cargo market was shown to be severely lacking.

4.24 RSP asserted that combination carriers (i.e. airlines which operate both passenger flights and dedicated cargo flights) will play an important role at Manston. SHP commented that Air France/KLM – one of the airlines mentioned by RSP – had been shrinking its freighter operations. This is part of a general trend, summarised in the Altitude Aviation January 2018 report (Section 11.4, page 85 – Appendix 5 of SHP's Written Representations [REP3-025]).

4.25 RSP also asserted that newer passenger aircraft types have lower freight capacity than older aircraft. With the exception of the A380 (which is being discontinued by Airbus), this is not correct. See paragraphs 140-141 (page 28) in the Altitude Aviation January 2018 report.

4.26 In response to the Applicant's assertions that the historical performance was due to the lack of capacity and investment at the airport, SHP referred the Examining Authority to the 2018 Altitude Aviation report (paragraph 313) noting Wiggins statement regarding investment that increased the freight capacity to 200,000 tonnes during the period Mr Freudmann held a senior role at the Wiggins Role (Managing Director and Chairman of the airport from 1999-2005).

4.27 Whilst Mr Freudmann stated that it would be "simply ludicrous" to suggest the airport could handle 200,000 tonnes of freight, we would refer the Examining Authority to SHP's Comments on the Applicant's Comments on Written Representations, included in SHP's Deadline 5 submissions. SHP's comments on paragraph 2.9.4 sets out the nature of the information that was routinely being

shared with local authority stakeholders during the period Mr Freudmann was Chairman of the Airport. For example, at a meeting of the Kent International Airport Consultative Committee on 25 September 2003, the Chief Executive of the airport is noted as telling the attending local authorities that "*Wiggins' investment of £6m on new taxiway and aprons had increased cargo-handling capacity from 30,000 to over 250,000 tonnes p.a."*

Summary of Cross Examination by Counsel for SHP

4.28 SHP was afforded 15 minutes to cross-examine the Applicant, which it focused on evidence contained in the Azimuth Report [APP-085]. The Azimuth Report is the foundation stone on which the whole DCO Application is built – as explained in paragraph 4.11 of the Statement of Reasons [APP-012] and elsewhere in the application, the Azimuth Report provides *"[A] detailed explanation of the need for and the benefits of the Proposed Development".* As a result of the questioning, the Examination became aware of the following material facts;

4.28.1 Dr Dixon, the author of the Azimuth Report, disclosed that Azimuth Associates did not consider the issue of viability at all in preparing the forecasts contained in Volume III of its report. When challenged on this, Dr Dixon stated that she was not asked to consider viability by the Applicant, did not know where viability was considered in the Application documents and had not been involved at all in the preparation of any business plan. Dr Dixon did not even appear to understand the significance and consequences of this admission.

4.28.2 Dr Dixon confirmed that the Azimuth report did not consider costs when preparing her forecasts. When asked to explain how the numerous categories of "costs of switching airports have been taken into account" (as stated in paragraph 2.2.10 of Volume III), Dr Dixon suggested she had made an assessment that it was a neutral factor, but could give no explanation of what costs were considered and how it was determined to be cost neutral.

4.28.3 Dr Dixon also accepted under cross-examination that she/Azimuth has no relevant experience of air cargo forecasting.

4.28.4 The facts that emerged at the Hearing that freight forecasts and business plan were not integrated, is a critical shortfall, as one cannot be done without the other. Air traffic movement and freight tonnage forecasts are completely meaningless unless linked to a pricing strategy, especially for such a price sensitive market as air freight.

4.28.5 It is impossible to understate the significance of this point. As it is not an issue that is capable of being fixed after the event, there can be no basis on which the Applicant could meet the tests required for securing powers of Compulsory Acquisition over SHP's land with no credible business case or forecast – and no prospect of one being assembled post-hoc. The cross examination revealed a fundamental truth.

5. **AGENDA ITEM 6 – EXISTING AND FUTURE CAPACITY CONSTRAINTS IN THE SOUTH EAST AND WIDER AIRPORTS**

5.1 The detailed reports prepared by York Aviation and Altitude Aviation included as appendices 4 and 5 of SHP's Written Representations [REP3-025] provide detailed analyses on the demand and supply outlook for South East and wider UK airports, with clear explanation of how planned increases in capacity at existing airports will satisfy future demand. This is the type of detailed analysis that is conspicuous by its absence from the Azimuth Report.

5.2 Mr Rhodes from Quod explained that he acts for Heathrow as planning adviser on the third runway DCO proposals, which he said we scheduled for statutory consultation in June this year. He confirmed that Heathrow Airport Limited (Heathrow) is committed to the new runway opening in 2026 and that Heathrow is committed to expanding its cargo as well as its passenger operation. The forecast set out in the NPS that Heathrow's expansion will achieve capacity for 3m tonnes of freight was informed by Heathrow's own plan – its Blueprint for Freight published before the NPS. As Heathrow has already explained through its first round of DCO consultation, freight proposals are being worked up as part of its DCO masterplan to achieve capacity for the 3m tonne plan.

5.3 Mr Rhodes explained that Heathrow's DCO will propose a long term masterplan for the phased growth of the airport. In the early years post 2026 runway opening, there will be significant spare capacity for freight as well as passenger growth.

5.4 We set out the position in relation to the consented capacity at Stansted in SHP's comments on the Applicant's response to Written Question ND.1.18 [REP4-067]. In oral evidence, there appeared to be some confusion from the Applicant regarding the attitude of MAG (the Airport's owners) to cargo growth there.

5.5 The Aviation Forecasts underpinning the recent Stansted Planning Application to lift the cap on passengers are set out in Volume 4 of the ES (https://publicaccess.uttlesford.gov.uk/online-applications/files/2C9A5D09B9434B571771AF326D87A423/pdf/UTT_18_0460_FUL-ES_VOLUME_1_-_CHAPTER_4_AVIATION_FORECAST-2634298.pdf). The cargo forecasts to 2028 are set out at para. 4.59. These show the anticipated tonnage to grow to 376,000 tonnes a year by 2028, not far short of York Aviation's assumed capacity of 400,000 tonnes by 2040, suggesting that it may have understated the true capacity available at Stansted over the longer term. Indeed, the forecasts show slightly more cargo in the with development case than without development (Stansted Planning Statement, para. 6.28).

5.6 The Stansted Airport cargo forecasts assume 16,000 cargo ATMs a year and an increasing proportion of bellyhold capacity as long haul airlines, such as Emirates expand operations at the airport. We would expect the cargo capacity of Stansted to continue to increase beyond 2028 up to the envisaged capacity of 400,000 tonnes a year as more long haul services commence at the Airport, displacing more marginal short haul routes. The claims by RSP's experts that cargo capacity at Stansted is constrained is without foundation.

5.7 When requested by the Examining Authority to explain why Manston would secure business at the expense of other airports, Mr Cain for the Applicant stated it was

because Manston would be a dedicated freight facility serving the South East. Mr Cain then sought to compare Manston to Doncaster airport which served dedicated freight and was expanding. York Aviation pointed out that the CAA statistics shows cargo ATMs fell to 147 in 2018 from 340 in 2017. This is despite the airport heavily marketing itself as a specialist freight airport (see paragraph 12 of Appendix NOPS.5.2), illustrating the limited market size of specialist cargo market outside the main cargo hubs.

6. AGENDA ITEM 7 – LOCATIONAL FACTORS

6.1 SHP did not make any oral submissions on this Agenda Item, however we would refer the Examining Authority to the extensive analysis provided within the York Aviation and Altitude Aviation reports included as appendices 4 and 5 of SHP's Written Representations [REP3-025]. These reports explain the disadvantages of Manston's peripheral location being at the end of a peninsula, surrounded by sea on three sides and far away from the main distribution corridors (e.g. see paragraphs 150, 170 and 171 of the 2018 Altitude Report (Annex to Appendix 5 of the Written Representations).

6.2 Paragraph 67 of the same 2018 Altitude Report also notes the Airports Commission negatively assessed the freight potential of Gatwick due to its location. The Airports Commission stated, *"Gatwick's position to the south of London limits its effectiveness as a national freight hub."* This is consistent with our aviation consultants' views that locations which can be accessed from a wide national catchment (whether in the South East or not) are more advantageous than locations in less accessible parts of the South East. Gatwick is also considered to be a far more accessible location than Manston. Paragraphs 18-19 of Appendix NOPS.5.2 also demonstrates why Manston is an unlikely location for Amazon to base any operations given its lack of proximity to Amazon's UK fulfilment centres.

7. AGENDA ITEM 9 – SCALE AND CAPACITY

7.1 As a result of time constraints there was no opportunity for SHP to provide the full oral submissions it had prepared for the Hearing. The topic area was part covered under agenda item 5(e), and SHP's relevant submissions on this topic area are set out in paragraphs 57-74 of Appendix NOPS.5.1.

8. AGENDA ITEM 10 – AERODROME CERTIFICATE

8.1 The Examining Authority requested an update on the status of the certification process and long it would expect to take. Osprey (for the Applicant) confirmed that its experience of smaller scale projects that are further down the development process would take around 2 years, and that the Applicant had not entered formal discussions with the CAA yet. The Applicant advised that it had come to an agreement with the CAA to progress after a decision on the DCO is made as the CAA will not engage until there is "certainty".

8.2 The Examining Authority noted that a relevant consideration for compulsory acquisitions is any impediments and asked to what extent the CAA certification

process was an impediment. Osprey acknowledged there is a risk and Counsel for the Applicant confirmed that they "can't guarantee what the CAA will decide", but considered the risk would be minimised.

8.3 SHP then interjected to advise that the CAA guidance is clear that a certification process cannot begin until the Applicant is either the owner of the land at the airport site or has an agreement with the owner of the land to operate the airport. SHP further noted that it was not aware of any discretion the CAA had granted to the Applicant to progress the certification process, which did not reflect this guidance. The granting of the DCO in itself would not suffice.

8.4 In addition to the certification process being an impediment, SHP noted that the CAA guidance must be a relevant consideration for the period the Applicant is seeking under Article 21 of the draft Development Consent Order. In its summary of oral submissions to the Compulsory Acquisition Hearing, SHP has explained why the time period available to utilise compulsory acquisition powers must be much shorter (i.e. 1 year).

9. AGENDA ITEM 11 – AIRSPACE CHANGE PROCESS

9.1 The Applicant provided an update on the Airspace Change Process noting that it believed the process could be approved within a 2 year period, but that there was no certainty regarding this.

9.2 York Aviation for SHP made a number of comments that were consistent with the evidence it provided to support SHP's comments on the Applicant's responses to Examining Authorities Written Questions CA.1.15 and Ns.1.24 [REP4-067]. In summary, York advised that should all the airports consult simultaneously in 2022 (as the agreed process is understood to be), the airspace change process would only be expected to be implemented in 2024-2026. This is a significant impediment that requires to be fully considered.

9.3 The Examining Authority reference the "window of opportunity" referred to in the Northpoint report, and sought clarification of when the Applicant expected the airport to be operational. The Applicant confirmed that it anticipates this would be in Q1 2022.

9.4 SHP noted that this revised target date (compared to Q4 2020 in the ES) is highly unrealistic for the following reasons, and will have material consequences for the relevance of the assessments in the ES;

9.4.1 The Applicant acknowledged at the CA Hearing that it could not start any construction activity until 2021;

9.4.2 The scale of construction works itself is highly unlikely to be achievable in 12 months;

9.5 Note: SHP has appended (as Appendix NOPS.11.1) an indicative programme which shows that it is highly unlikely that an airport could be operational until 2024 at the earliest. It is SHP's view that the Applicant should be asked to provide a detailed programme that properly considers all the elements set out in this Appendix NOPS.11.1.

10. **AGENDA ITEM 12 - PUBLIC SAFETY ZONES**

10.1 The Examining Authority sought to understand when the threshold of 1,500 ATMs per month would be breached. It noted that the forecasts showed this being hit in years 8 or 9, but queried whether the forecast included General Aviation ("GA") ATMs. Osprey for the Applicant agreed that GA ATMs should be included, but suggested the inclusion would not have a material effect and further advised that assessment of the requirement for PSZs would form part of the CAA certification process.

10.2 SHP made a number of submissions as summarised below;

10.2.1 SHP referred to its comments on the Applicant's responses to Examining Authorities Written Questions OP.1.7 and OP.1.8 [REP4-067] which set out when PSZs would need to be implemented based on the Applicant's forecasts (inclusive of forecast GA ATMs of 16 per day) which show that an average of 1,500 ATMs per month would be exceeded in year 3 of operations;

10.2.2 the impact of freighter and GA movements (which have higher incidences of accidents) on the PSZ requirements;

10.2.3 the need for the requirement for PSZs to have been assessed in the ES, including from the perspective of any subsequent planning restrictions that would be placed on adjacent landowners;

10.2.4 The need for direct and indirect effects to have been properly assessed.

11. **AGENDA ITEM 13 - SAFEGUARDING**

11.1 The Examining Authority advised that it would cover some of the items listed in the agenda (e.g. bird strike) in written questions. SHP would refer the Examining Authority to its comments on the Applicant's response to written question OP.1.16 [REP4-067] in respect of the failure to assess bird strike.

APPENDICES

2.1	Summary note on procedural issues
NOPS.5.1	York Aviation Note on Hearings on Compulsory Acquisition and Need and Operations
NOPS.5.2	Altitude Aviation Advisory note on Need and Operations Hearing
NOPS.11.1	SHP note on realistic construction programme

APPENDIX 2.1

SHP would like to place on record again its fundamental concerns regarding the inadequacy of the hearing concerning compulsory acquisition of its property and the lack of sufficient time afforded to it to question the Applicant's case generally, and more specifically to carry out direct questioning of the Applicant and its witnesses in order to allow the Applicant's assertions regarding any compelling case in the public interest for compulsory acquisition (and indeed the need for a DCO generally) to be properly and fairly tested, whilst giving SHP a fair chance to put its case in response to the proposed compulsory acquisition and the DCO generally.

There can be no dispute that the proposed compulsory acquisition of SHP's land directly engages Article 1 of the First Protocol of the European Convention on Human Rights and Fundamental Freedoms ('the ECHR'), as now enshrined in the Schedule to the Human Rights Act 1998. It does so at the most extreme level, as the proposed compulsory acquisition would be of the entirety of SHP's landholding of Manston Airport in the most extraordinary circumstances. Any authorisation of such a radical expropriation of private property therefore requires the most careful scrutiny in principle. Those rights must then be seen in conjunction with the right to a fair hearing under Article 6 of the ECHR in the determination of SHP's property rights. In addition, the common law safeguards the basic property rights that SHP currently enjoys and requires an Applicant to demonstrate a compelling case in the public interest for such acquisition. Both of these principles are unaffected by the Planning Act 2008 and the procedures that the Examining Authority must also follow. It is relevant to note that here and in any other context, proposed compulsory acquisition of land gives rise to a right for an affected person to enjoy a hearing to test the case at which cross-examination and legal representation would occur.

SHP has a statutory right to a hearing in the case of a DCO proposing compulsory acquisition (as here). This is not a right at the discretion of the Applicant, the Examining Authority or the Secretary of State. As a matter of basic interpretation of that statutory right on the face of the statute alone, but in any event in light of the interpretative obligations that apply under section 3 of the Human Rights Act 1998, it cannot be seriously disputed that a right to a hearing must mean a right to a fair hearing. This right would be stripped of substance if, for example, the affected party did not know properly the case that was being advanced for compulsory acquisition in advance, or by the same token, had not been provided with the necessary evidence said to support the Applicant's case. The statutory right to a hearing is not fulfilled by providing a hearing at which the affected party does not have access to basic material said to underpin the Applicant's case, and consequently to exercise rights at the oral hearing to make representations about that case and, as necessary, to question the Applicant about that case whether directly, or even indirectly through submissions and questions to the Examining Authority.

In this case, the Examining Authority held a hearing to deal with compulsory acquisition at which SHP was able to attend. But as the Examining Authority knows from SHP's representations (and has long been known), the Applicant has failed to set out some of the most basic material and evidence in support of its case and this was exposed in more detail at the hearing. SHP does not set out an exhaustive list of the failures on the part of the Applicant in this respect, but by way of one basic example only - the Funding Statement.

The need for a Funding Statement as well as a Statement of Reasons to support a request for compulsory acquisition is a statutory requirement. It would, in any event, be a basic requirement of setting out a claimed case for compulsory acquisition. At the time of the hearing that the Examining Authority held for compulsory acquisition purposes, the Applicant had already declared in writing that the Funding Statement it had provided was to be superseded. Yet even by the time of the hearing itself, no replacement Funding Statement had been provided. As to the Funding Statement that was previously submitted, whilst this purports to be such a Statement, it cannot sensibly be described as

such both in terms of its content and because of the Applicant's own statements as to its contents. Furthermore, the Examining Authority itself has already identified basic deficiencies in the document and the need for more information (for example the claimed Joint Venture Agreement that is said to underpin it and basic information about funds themselves). This information was not available at the Hearing. The Applicant has said it is going to provide such information subsequently. But this example exposes a basic procedural problem that goes to the root of fairness and the right to a hearing. SHP has simply not had a fair hearing in relation to compulsory acquisition of its property in the absence of such basic information about the Applicant's case and the ability to test that information and the extent to which there is claimed to be any evidence to support it. Put simply, the hearing that occurred was incapable of constituting a fair hearing of the type that SHP is entitled to under the legislation. SHP made this point at the hearing itself, but wishes to place the point on record again. If the Applicant subsequently produces additional or different material relevant to its case on compulsory acquisition, then SHP will remain entitled to a hearing to test that case and evidence. It is now highly questionable whether there will in fact be sufficient time for such a hearing to take place within the examination period. SHP is entitled to a proper opportunity to test the case being made by the Applicant. That involves sufficient time to consider material that may subsequently be produced.

Quite apart from this basic principle about the hearing that has occurred not being capable of fulfilling the statutory entitlement, SHP turns to the question of the fairness of the hearing itself.

The Planning Act 2008 legislation does not provide for any express right of cross–examination. Section 94(7) starts with the presumption that any oral questioning at a hearing should be undertaken by the examining authority. However, that statutory provision relates to hearings generally through the examination. In the context of a compulsory acquisition hearing, it is necessary to approach it in light of the interpretative obligations under the Human Rights Act 1998 and the principles of the common law summarised above. Section 94(7) allows the Examining Authority to permit direct questioning where it thinks it is necessary in order to ensure adequate testing of any representations or that a person has a fair chance to put the person's case. Both limbs are highly relevant here where the Applicant's entire case depends upon a claimed assertion of need on which SHP has produced detailed technical expert evidence in response, and where compulsory acquisition is proposed of all SHP's landholding and where fairness requires it proper opportunity to question the Applicant and its witnesses.

In this case, the Examining Authority had already recognised this in advance of the hearing on compulsory acquisition and need (the two overlapping in any event).

This discretion was exercised in principle recognising the uniqueness of this DCO application.

In this respect, SHP was advised that it would be provided with the right to cross examine at the Compulsory Acquisition and Need and Operations hearings in emails dated 8th and 13th February respectively.

In light of this, SHP had invested significant sums in preparing for and attending the hearings with its full team, recognising it as an opportunity to properly test the Applicant's evidence and in doing so demonstrate a number of fatal flaws to what it considers to be an ill thought out, speculative DCO that relies on a wholly flawed need case.

In the result, however, SHP was restricted to only 15 minutes cross-examination at each hearing, and when combined with delays caused by the repeated reluctance of the Applicant's advisers to answer questions posed to them, SHP's Leading Counsel was only able to put a very limited number of questions to the Applicant's advisers before being stopped by the Examining Authority by the expiry

of the time limit (regardless of where the questions had got and the evasiveness of the answers received).

In these circumstances, SHP recorded at the time and places it on record again that this procedure did not give SHP a fair chance to put its case or test the Applicant's representations SHP has not had a fair chance to put its case. Whilst SHP was grateful in principle for the Examining Authority's exercise of discretion under section 94(7) of the Planning Act 2008 (although not surprised that the Examining Authority would recognise the need for the exercise of such discretion), the practical implementation of that decision by allowing only 15 mins of direct questioning, regardless of the practicalities of putting questions in that time period, made the exercise of discretion more theoretical than real. It was simply not possible to cover the necessary ground, particularly given the extent of the evidence and the complexity of the material and the inadequacies in the Applicant's written material, in anything like the time permitted.

In this respect, SHP notes that in a normal compulsory acquisition scenario, the landowner's would ordinarily enjoy the ability to cross-examine on key evidence and would not be constrained to 15 minutes. As there is no NPS that covers this application, the requirement to assess need is much more pronounced than in other DCOs where powers of compulsory acquisition are sought. This also then combines with the basic problems SHP has had in understanding the Applicant's case, the huge number of shifts and changes that have occurred through the written questioning process and the basic problems in understanding what is the Applicant's stated case. Indeed, at the compulsory acquisition hearing, the bulk of the 15 minutes expired in clarifying that what had been stated in respect of the Funding Statement was simply not correct (e.g. the claim that there was now no longer a Joint Venture Agreement); and at the need hearing, the same thing occurred in establishing that the Azimuth Report does not contain any purported business case / plan or assessment of viability, despite what is expressly stated in the Planning Statement and the Statement of Reasons. It is simply not fair that SHP has had to expose such basic deficiencies and contradictions in the Applicant's written statements on the record and, in doing so, then loses the opportunity to put further questions to the Applicant. SHP readily accepts that the Examining Authority (like any authority or tribunal) would wish to ensure that direct questioning remains relevant and progresses matters relevant to the basic issues and it is proportionate. It accepts that there may well be reasonable time limits imposed for questioning. However, in both cases the records of the hearing demonstrate that SHP used the limited time available to ask directly relevant questions, extracted directly relevant answers which had not been previously elicited and went to the heart of the written materials that had been provided, and therefore there was not any obvious basis for preventing SHP from continuing to ask direct questions on this basis.

As the first airport DCO, with a unique set of circumstances and only a very limited time for the Examining Authority to build an understanding of the complexities of the air freight market, SHP had suggested that a technical assessor be appointed to assist the examination. SHP consider that such an appointment would also have mitigated some of the significant costs SHP (supported by its vastly experienced aviation consultants, York Altitude and Altitude Aviation and legal and planning advisers) has been forced to incur to rebut the flawed evidence and submissions related to the Applicant's need case and forecasts.

In the two periods of 15 minutes permitted for cross examination, SHP was able to cover only a very small area of the necessary ground that it had diligently prepared for with its advisory team. Nevertheless, even in this short time, it was able to demonstrate a clear lack of veracity and competence of significant parts of the Applicant's evidence, as noted below;

1. The Examining Authority had been misled by the Applicant regarding the applicability of a Joint Venture agreement that purported to show how the funding set out in paragraph 19 of the Funding Statement was secured. The Examining Authority had requested a copy of this agreement in its first written question F.1.3. As SHP stated, if *"there is no longer a Joint Venture agreement"* that would allow the Applicant to draw down funding, as the Applicant claimed in its response to F.1.3, the Funding Statement could not be relied upon. The Applicant then changed its position and advised that the JV agreement was still in place. This was a material piece of information that the examination was not aware of and would not have been elicited without the opportunity for cross-examination.
2. In using the excuse of the *"restructuring"* for its refusal to provide the information requested in the Examining Authority's written question F.1.10 (iv) (which requested full details of the investors cited in paragraph 20 of the Funding Statement), the Applicant stated *"the identity of the investors mentioned in the Funding Statement is no longer relevant"*. By establishing through cross-examination that the JV agreement was in still in place and that the *"investors"* were still providing funding, it was clear that the Applicant had misled the examination for a second time, for reasons that cannot easily be explained away.
3. In rendering the excuse for the Applicant's failure to provide the Examining Authority with the information it had requested in written question F.1.10, the Applicant was then asked to identify its funders. Nick Rothwell (RSP director), claimed the PwC letter (which SHP considers does not even meet the standard of a letter of comfort) identified the funders, which it did not. A review of the letter provides no indication of who the funders are other than they are represented by Helix Fiduciary.
4. In further questioning, SHP was also able to establish that there is no document that contains any commitment to fund the amount set out in the Funding statement. This was confirmed by Nick Rothwell.
5. Azimuth Associate's report provides the air traffic movements forecast for the project and *"[A] detailed explanation of the need for and the benefits of the Proposed Development"* (paragraph 4.11 of the Statement of Reasons) and is the foundation stone of the whole DCO Application, yet Azimuth admitted under cross-examination that it <u>has no relevant experience of air cargo forecasting.</u>
6. In addition to the many repeated references of reliance on the Azimuth Associate's Report in the Statement of Reasons, paragraph 9.35 of the Applicant's Planning Statement claims in terms that the Azimuth Associates Report "considers whether reopening Manston Airport in the way intended by River Oak would be viable" and states this is "an important consideration." The Applicant has therefore put the viability of its proposal at the heart of its case and directed the public to the Azimuth Associates for where that viability is allegedly demonstrated. However, Dr Dixon also admitted, after a number of attempts to avoid doing so, that Azimuth Associates did not consider the issue of viability at all in preparing the forecasts contained in Volume III of its report. When challenged on this, Dr Dixon stated that she was not asked to consider viability by RSP, did not know where viability was considered in the Application documents and had not been involved at all in the preparation of any business plan. The Applicant is unaware of any document showing viability and therefore not only is the Planning Statement misleading, but there is no material to support what the Applicant itself identifies as an "important consideration" in respect of its whole case.
7. Dr Dixon did not consider costs in preparing her forecasts. When asked to explain how the numerous categories of "*costs of switching airports have been taken into account"* (as stated in paragraph 2.2.10 of Volume III), Dr Dixon asserted that it was cost neutral, but could give no explanation of what the costs were and how she determined it was cost neutral. In the Azimuth Report, there are a number of references regarding viability (e.g. paragraph 6.0.2 of Volume II, *"Manston is the only viable option in the South East"*). However, as a result of the cross-examination we now know that Dr Dixon's forecasts had no regard for viability and were not even

based on the most basic assessment of costs / charges for the airlines, freight forwarders and airport operators or benchmarked against other airports or modes of transport to even attempt to understand whether Manston could attract any business. In responding to one of Dr Dixon's questions asking it to rank issues that are important to its business, one interviewee responded, "Cost is always the most important" (paragraph 4.1.9 of Volume II), yet Dr Dixon's forecasts were prepared without consideration to the costs. In absence of the requisite detailed economic modelling, the Azimuth Report's forecasts are no more than theoretical guesswork and should carry no weight in this examination.

SHP's questioning only began to touch the surface of the areas it thought necessary, and had prepared, to cover. In view of the progress achieved during cross-examination, SHP consider that further time would have materially assisted the examination in further demonstrating the weakness, misrepresentations and contradictions in the Applicant's submissions. It would also have helped ensure adequate testing of RSP's evidence in a manner that written questions are not able to – this has been evidenced by the incomplete and muddled answers the Applicant provided to the Examining Authorities written questions on Need (as highlighted in SHP's detailed comments on these responses [REP4-067]). It would also have given SHP a fairer chance to present its case, and thereby mitigate the risk of challenge based upon Article 6 of the ECHR and Article 1 of the First Protocol of the ECHR.

To assist the examination, some examples of the areas of RSP's evidence that SHP had prepared to, and would have, probed further in cross-examination are given below;

Compulsory Acquisition Hearing:

- SHP would have explored whether the funding provided to date has all been provided by MIO Investments Limited or was from another source? In the course of the hearing the Applicant has mentioned different figures for the amount invested to date, with Mr Rothwell referring to £4.75m at one point and at other times Mr Freudmann referring to a number in excess of £14m. The Applicant would have been asked to clarify the amounts invested to date and whether any amounts are inclusive of any capital fees, interest or redemption premia on amounts invested.
- Freudmann Tipple undertakes banking services for the RSP group companies. This would appear irregular, therefore, the Applicant would have been asked to confirm which companies within the RSP group of companies have a UK bank account, thus demonstrating these companies have satisfied the Know Your Customer money laundering checks required to open a UK bank account.
- Mr Freudmann would have been asked to explain the offer RSP made for £20m to acquire SHP's land, when the offer was made, when it provided signed heads of terms to SHP, the target date for completion and confirm whether that offer still stands. The Examining Authority was unable to probe this in the hearing, as a result of the Applicant's claim that it could not do so due to a Confidentiality agreement. As explained in Appendix CA.5.1 to the Summary of Oral Submissions to the CA Hearing, this was not accurate, and SHP considers that the Applicant should be required to explain why it adopted this approach at the hearing.
- Mr Freudmann would have been asked to explain the nature of his role in relation to Manston Airport whilst at Wiggins and advise whether he, or any of his colleagues made any statements (in the period 2001 -2004) regarding the level of capacity being increased to c.200,000 + tonnes per year. (Note – SHP has submitted evidence as part of its other submissions that contradict the claims made by Mr Freudmann that he was only a "foot soldier" and that it would be *"simply ludicrous"* to suggest Manston had capacity of 200,000 tonnes).
- Mr Freudmann would have been asked to explain the level of annual losses experienced by Manston airport during the years of operation by Wiggins.
- The Applicant would have been asked to explain why it had missed Deadlines set by the Examining Authority to provide an explanation and justification of the works it claims is NSIP development and the works it claims to be associated development. The Applicant would then be asked to

explain and justify its claim that the airport related business space at East Midlands is c.8x the size of the comparable business space the Applicant is seeking on the Northern Grass (works 15-17).

- The Applicant's ES (paragraph 5.2.1) effectively assumes that construction work can commence immediately upon any decision by the Secretary of State to grant of a DCO. As this is completely unrealistic for a number of reasons, with 2024/2025 being a more appropriate, yet still optimistic, estimate, the Applicant would have been asked to provide a realistic timetable of the construction programme taking into account the following;
    - Time allowance for judicial review (and any subsequent appeal) of any decision by the SoS to grant the DCO;
    - period required to secure ownership of the land following end of any legal challenges to a decision to grant the DCO;
    - time required to undertake the ground surveys (e.g. archaeological surveys etc) and detailed design, consultation and planning and other requirements (e.g. mitigation) that would be set out in the DCO requirements;
    - Time required to finalise funding, noting George Yerrall's evidence that construction costs are uncertain and that the Applicant is not even able to advise the Examining Authority by how much these costs could vary until it has completed its ground surveys;
    - Completion of contractor appointments (post tendering process), and other licensing, permits etc.
    - Construction timetable of works recognising that the initial estimate of phase 1 costs is £186m (and is highly uncertain) and has increased by £86m for no apparent reason – how credible is it that the Applicant could raise funding when it is unable to quantify costs and how credible is it that there would be any effective plan to spend so much capital in such a short period of time;
    - Post practical completion testing, finalising CAA certification processes to ensure the airport would be safe for operations;
    - This would represent a base case timetable as it ignores any delays that would result from;
        - the Operation Stack arrangements being extended beyond the end of 2020;
        - the requirement to retain the existing HRDF beacon for 2 years after any new beacon is installed for technical/safety reasons;
        - delays in the estimated Airspace Change such that Manston's airspace change is aligned with the other changes in FASI south;
        - delays in CAA certification and / or delays to programme as a result of required changes to design to secure EASA certificate.
    - The Applicant would be asked how it intended to secure funding for its projects given the numerous impediments, including the risks associated with the Airspace Change Process and CAA certification that could result in the airport not being capable of operating until just prior to Heathrow Runway 3.

Need & Operations

- Dr Dixon would have been asked to list the clients worked for in air cargo forecasting in the last 15 years, the nature of the project and role in the project?
- Dr Dixon would have been probed on the forecasts submitted to the Change of Use Inquiry held in March 2017 – these included exactly the same air traffic projections as in the current report. In the course of Dr Dixon's questioning by counsel for RSP at this inquiry in March 2017, Dr Dixon was asked to explain the growth rates applied. In justifying the 4% per annum growth rate applied for years 11-20 of your forecast, Dr Dixon explained that the forecast <u>did not include any intra Europe flights</u> (where forecast growth rates were lower). This is consistent with the analysis contained in paragraphs 3.2.1 and 3.2.3 of Volume II of the Azimuth report, which suggests there are no flights to/or from EU countries. Dr Dixon would have been asked to confirm for the benefit

of the Examining Authority, whether the statement made at the planning inquiry is accurate and that the cargo ATMs forecast does not include any flights to / from European countries (other than Russia)?

- In view of the fundamentally inaccurate response provided by the Applicant to written question ND.1.41, Dr Dixon would have been asked to explain to the examination how many cargo ATMs there were to and from Non-EU international airports in 2018 based of the published CAA statistics. Dr Dixon would have been walked through SHP's response to the Applicant's comments on written question ND.1.41. The SHP response, as the Examining Authority will be aware, included a note (with supporting appendix ND.1.41) that included a detailed analysis of the cargo ATMs in the UK based on the published CAA statistics. Dr Dixon would have been asked whether she agreed with the analysis showing there were only c.34,000 non-domestic cargo ATMs in 2018 (and not *"almost all"* of the 53,628 cargo ATMs the Applicant referenced in its answer). Dr Dixon would be asked to confirm whether she agreed that the CAA statistics show the total number of cargo ATMs between UK and non-EU international airports in 2018 were less than 8,000 (including night flights)? As this is effectively RSP's target market, does this not demonstrate that its forecast of 9,700 cargo ATMs in the 3rd year of operation is literally incredible?
- Dr Dixon would have been probed on the extent to which traditional integrator and the new e-commerce integrator ATMs are included in the forecasts. In the hearing we heard that the forecast did not include traditional integrator ATMs, but did include a significant number of cargo ATMs (c.45%-50% of total based on Appendix 3.3. to the Environment Statement) from an, as yet, non-existent e-commerce market.
- Dr Dixon would have been asked to explain whether these new e-commerce integrators have been in the forecast from the start (rather than conventional integrators) or are they are a recent change. Dr Dixon would have been referred to the reference in para. 3.2.3 of Vol III of the Azimuth Report, and Appendix 3.3 of the ES which specifically identifies DHL/Fedex as the operators, alongside a smaller Amazon operation.
- Dr Dixon would have been asked to explain the model for these new e-commerce air freight business, the routes these aircraft would fly, and the type of aircraft that would fly the routes. The Applicant had previously stated that the forecasts assume either Amazon or a Chinese company would base aircraft at Manston to serve delivery of consumer goods to the south east of England market. Dr Dixon would have been asked if it was correct to assume that the freight carried on these flights would be predominantly imports? If this is the case, then why does paragraph 3.2.3 of Volume III of the report show that the dedicated integrator movements being 100% outbound with small backloads of c20%. This is wholly contradictory position and would suggest serious a material error in the split of import and exports assessed. Dr Dixon and the Applicant would have been asked to comment on this and explain the discrepancies and the impact on the validity of the assessments in the ES. Similarly, based on comments made by Chris Cain regarding the type of aircraft that would be flown by a new e-commerce integrator is the fleet mix to the now expected to be different from that which is assessed in the ES (see appendix 3.3), and what are the implications for the validity of the "worst case" environmental assessments, including noise, air quality etc.
- Dr Dixon would have asked if any of the indicative airlines listed in Appendix 3.3 of the ES are expected to come to a reopened Manston. If so, which ones? Whilst the airlines named in appendix 3.3 were presented as being indicative only, there is a close resemblance to the markets listed in Volume III of the forecast. Dr Dixon would be asked to explain how the interviews informed the assumptions made in the forecasts and would be presented with a number of apparent discrepancies between the comments from interviewees and the narrative relating to the "forecasts".
- Dr Dixon would have been asked to explain how, without any proper consideration of switching costs, the charges to be levied at Manston and the relative price of dedicated freighter operations

versus bellyhold and other market realities, can Azimuth's so-called 'forecasts' be considered anything other than a "guesstimate".

As can be demonstrated from the hearings held on 20 and 21 March 2019, the Applicant's case falls apart under direct questioning, contradictions become apparent and confidence is lost in the veracity of the Applicant's submissions. Almost every answer the Applicant gave to a probing question had the effect of highlighting a new, and material, discrepancy elsewhere in its application, such that the Applicant's only way to protect itself from proper scrutiny of its application was to resort to the safety of its *"commercial confidentiality"* defence.

Whilst written questions are invaluable, as were the well prepared direct questions from the Examining Authority, robust testing of this particular Applicant's submissions through direct questioning on the part of SHP (whom is able to call on the extensive specialist technical expertise from its highly experienced aviation consultants) is required to cut through the assertion and to establish if there is any actual evidence that supports the Applicant's proposals.

SHP was not in any way surprised at what emerged through the hearing processes, where the answers to each question generated greater uncertainty rather than less. Nor were SHP surprised by the Applicant's reluctance to let Azimuth explain their aviation case.

However, SHP were repeatedly surprised that the Applicant did not appear to understand the multiple inherent flaws and contradictions within their proposals.

York Aviation

Manston Airport

Supplementary Submission following Hearings into Compulsory Acquisition and Need held on 20th and 21st March 2019

1. This note expands on points made on behalf of SHP during the Hearings held on 20th and 21st March 2019 in the light of the very limited time afforded to SHP to present its case and test the case made on behalf of the Applicant. This note provides further evidence to assist the Examining Authority in considering the Need case presented by RSP and whether there is a compelling case in the public interest. This submission should be read alongside the Summary of Oral Evidence submitted by SHP.

Correct Interpretation of YAL's work for TfL and the FTA

2. In their comments on Written Representations (Deadline 4) and at the Need Hearing, RSP persisted in relying heavily on quotations from our work in 2013 and 2015 for TfL and for TfL and the FTA respectively. This is despite being told repeatedly that, when read in their entirety, neither of these two notes/reports supported the interpretation being made of them by RSP and its advisers in relation to the asserted need for a freight focussed airport in the South East of England.

3. At the outset, we would reiterate that we do not resile from either of these pieces of work and, as stated to RSP in 2016, the report for TfL and the FTA is in the public domain and, therefore, could be cited by them. The same is not true of the note for TfL, which was an initial informal briefing note intended for the client's internal use only. We have made clear to RSP since 2017 (see correspondence submitted as Appendix B to our comments on RSP's Responses to the ExA's first set of questions) that their interpretation of these two notes/reports was in error. We understand that TfL and the FTA similarly confirmed that the 2015 Report was in the public domain and that they had relied on the contents of the report in submissions to the Airports Commission and Government. However, it is our understanding that neither body has expressed any direct view on the use made by RSP of the note and report, contrary to the inference made by RSP at 4.18.3 of its commentary on Written Representations. RSP did not check directly with us whether its interpretation of our work was correct nor has it addressed the criticisms made of its interpretation in both our 2017 and 2019 reports.

4. To summarise the meaning of these documents:

TfL Note

5. This was an informal briefing note prepared by York Aviation for TfL relatively early in the process of the Airports Commission's work. It considered three scenarios, Max Use (i.e. no additional runway capacity at any of the London airports), 2x2x2 (i.e. additional runways at Gatwick and Stansted) or a New 4 Runway Hub (with the closure of Heathrow). It did not consider the Government's adopted strategy of the development of a new runway at Heathrow.

6. It is important to note that the market was considered in the first instance in terms of tonnage capacity expected to provided in the bellyhold of passenger aircraft as the primary requirement, with the need for additional capacity for air freight being expressed as a residual. The reference in the note to 14,000 freighter movements that might still use an airport, such as Manston, in the vicinity of London in the 'Max Use' case was a reference to the then existing 14,000 freighter movements operated at the London airports, which might need to be displaced by 2050 if no additional capacity was provided at any of the main London airports. To reiterate comments made in our 2017 and 2019 Reports, Manston was only referenced on the basis that it was, at the time, an airport handling a number of freighter movements and the context of the 'Max Use' scenario only, i.e. a heavily constrained case.

7. Table 4 presents the potential excess cargo tonnage, after considering bellyhold capacity, as 'freighter tonnage required' and converts this to an indicative number of freighters so as to consider whether, prima facie, there would be runway capacity available to accommodate additional freighter movements under each of the scenarios, to the extent there was any shortage of bellyhold capacity by 2050. Para. 24 makes clear that the only in the case of no new capacity being provided (Max Use) would there be an effective shortfall in capacity:

   "We estimate that the number of freighters required to accommodate projected air freight demand would rise from 14,000 in 2012 to around 41,000 in the New Hub case, 47,000 in the 2+2+2 case and 68,000 in the Max Use case. In both the New Hub case and 2+2+2 case, we estimate there will be sufficient runway capacity available to accommodate these movements at 2050, at the New Hub and/or Stansted respectively."

8. It is important to note that the number of international passenger ATMs expected to be provided with a 3rd runway at Heathrow lies between the 2x2x2 and New 4 Runway Hub cases. Given increasing tonnage capacities on new generation passenger aircraft coupled with an emphasis on maximising global connectivity from the new capacity at Heathrow, as set out in the Airports NPS paras 3.18 and 3.19, this means that the bellyhold capability from the new runway at Heathrow is likely to exceed that which we assumed in the case of the two expansion scenarios considered in our 2013 note. The effect of this will be to reduce further any residual element of air freight capacity required over and above bellyhold capacity to be provided. Furthermore, in the circumstances of a 3rd runway at Heathrow and in the light of the available capacity at Stansted (see below), we expect any required freighter movements to continue to operate from the existing airports.

9. Importantly, the note then goes no to explain how any shortfall in capacity would be met, noting in the first instance the clear opportunity for more freight to be handled at the main regional airports such as Manchester and Birmingham alongside East Midlands, citing in particular the benefits of reducing the amount of freight trucked from the regions for carriage from Heathrow (para. 26 of the note). Only in the case of no additional capacity being provided (Max Use) was it considered likely that more freight would need to be trucked to Europe. It is evident, nonetheless, that our note considered that the consequence of any constraint on capacity at the main London airports would be more trucking of freight to find cost efficient bellyhold capacity elsewhere rather than identifying a need for a dedicated freighter airport.

10. The note concludes, at para 29, that *"In the latter two cases, our assessment is that, across both bellyhold capacity and pure freighter activity, there would be sufficient capacity to meet expected demand for air freight to and from the UK"*, going on to conclude that "*The key difference between these two scenarios* (2x2x2 and New 4 Runway Hub) *would be in terms of the efficiencies and economies of scale gained by the industry arising from the concentration of freight activity at a single hub. In both cases, the overall volume of air freight to and from the UK is expected to be broadly the same, although the actual freight carried including transit freight would be higher in the hub case. However, under the new hub scenario, savings from greater efficiency may be passed onto users, so reducing shipping costs and facilitating trade leading to higher freight volumes"* (para. 30). These efficiency benefits will be delivered by facilitating further growth in cargo capacity at Heathrow with a 3rd runway exploiting the existing synergies of consolidation already present around Heathrow.

Report for TfL and the FTA

11. Our work for TfL and the FTA in 2015 adopted the same approach but was based on updated information from the Airports Commission as well as an updated assessment of the underlying growth of the air cargo market as a whole. Again, the excess tonnage expected at 2050 under each of the capacity scenarios under consideration by the Airports Commission was set out. This was again presented in terms of freighter movement equivalents on Page 19.

12. It is significant that the estimated cargo capability at Heathrow assumed in 2050 was 2.6 million tonnes a year with a third runway whereas, given increased bellyhold capacities on newer generation aircraft, the estimated tonnage capacity at Heathrow is now expected to exceed 3 million tonnes a year. This alone wipes out any excess demand that would need to be accommodated in dedicated freighter aircraft.

13. In any event, it is made clear that the actual requirement for dedicated freighter aircraft is limited and, over and above existing operations, a residual to the extent that bellyhold capacity is insufficient:

    "For the purposes of this analysis, we have assumed that freighter aircraft primarily act as a means to supplement bellyhold capacity where insufficient bellyhold capacity is available. This is simplification as there are items that cannot be transported on passenger aircraft or for which freighter transport is preferable and destinations that are not served by passenger aircraft. Consequently, we have further assumed that a residual number of freighter movements will still be accommodated in London in capacity constrained scenarios at 2050, i.e. all scenarios other than the 4 Runway Hub" (Page 20).

14. We then go on, on Pages 22ff titled *"How will the Freight Industry React"*, to explain how the excess tonnage would be accommodated in practice, i.e. not through additional movements by dedicated freight aircraft:

    "The options in relation to the excess demand that cannot be satisfied within the London system are subtly different. Again, some companies may simply choose to step back from the London market, either withdrawing or choosing not to seek to expand with demand. This may be particularly true for major global companies with the ability to shift the emphasis of their activity. However, this will ultimately leave unsatisfied demand in and around London and potentially market space for others to step in and seek to serve the market via a different business model. This is most likely to involve trucking freight from London to other airports either in the UK or on the continent that have the necessary capacity and/or long haul passenger networks to support the required levels of demand. This will, however, come at a cost in terms of both additional trucking costs and a loss of utility to users as these avenues will need more time to ship freight, which in an industry where speed is an essential feature is clearly potentially damaging. Again, there is also the potential for increased service failures and delays via this route."

15. We go on to set out a Gravity Model to examine how any excess demand would be expected to be handled (Appendix C to our comments on RSP's Written Answers) and the cost and time implications of the need for additional trucking. However, to the extent that air freight from the regions simply reverts to using available capacity in the regions, these costs will have been overstated and cost/time to shippers in this case could actually be reduced. Ultimately, any loss of utility/consumer benefit arising from increased costs/time for shippers has to be set against the increased costs implied by the use of more expensive dedicated freighter aircraft and the costs of establishing and operating an airport capable of handling such aircraft. Given our understanding of the cost of trucking compared to the costs involved in the operation of dedicated freighter aircraft, we would expect trucking to remain the most economically beneficial solution. Furthermore, when the increased bellyhold tonnage now expected to be available at Heathrow is taken into account, the issue simply disappears.

16. As made clear during the Hearing on Need, the demand and capacity assessments set out in Section 3 of our 2017 Report and Section 4 of our 2019 Report are an updating of the analysis carried out in 2015 for TfL and the FTA using the most up to date data. Hence, this analysis reflects the correct interpretation of our earlier work in the context of the current market situation and known airport plans for capacity expansion.

17. Correctly interpreted, our previous work explains how, to the extent that any shortfall in capacity exists, the need is likely to be met, i.e. through use of bellyhold capacity at regional airports and, to some degree, an increase in trucking to European hubs to avail of cost effective consolidation of freight loads to a wide range of global destinations. Operation of dedicated freighters on a limited range of routes would simply not provide a viable option for any freight displaced from Heathrow.

Role of Trucking

18. During the Hearing, the Applicant cited unevidenced figures for the number of cross-Channel trucks carrying airfreight. The Applicant also noted that a high proportion of these operated on airline flight numbers. It is important to note that such movements are part of the system of whereby airlines truck freight to and from their hubs to connect to bellyhold operations. By way of example, on 27th March 2019, the Official Airline Guide database (OAG) records a total of 635 truck movements on airline flight numbers to and from airports in the UK (evidence can be provided if required). Of these, 215 truck movements were scheduled from Heathrow, of which 65% were to UK domestic airports suggesting strongly that the primary purpose was the distribution of bellyhold imports. 197 truck movements were scheduled into Heathrow, of which 51% were from UK domestic points for consolidation of goods for onward transport. It is notable that trucking from Europe into Heathrow figures more strongly than trucking from Heathrow, suggesting that the primary purpose is to feed goods into the Heathrow hub for onward transport in the bellyhold of passenger aircraft. Similarly, to/from the UK regions, there were 10 trucks scheduled outbound to Europe but 51 trucks scheduled inbound indicating again a focus on imports. Excluding international trucking to the Republic of Ireland, there are of the order of 180 trucks a day operated across the Channel on airline flight numbers. This equates to of the order of 63,000 trucks a year (assuming not all trucks operate on 365 days a year). These truck movements would not be divertable to Manston as they are strictly related to the cargo hub at Heathrow and equivalent hubs in Europe. We would expect a similar number of truck movements connected with integrator operations also related to their patterns of hub and spoke operations but data is not systematically available.

19. Ultimately, the reason that trucking is common place within the general and integrator sectors relates to the price of aviation fuel, which changed the economic paradigm in terms of the optimum balance between use of dedicated freighters and trucking for part of the journey combined with the use of more economic bellyhold capacity. Since 2000, the price of aviation fuel has risen by 123% (https://www.spglobal.com/platts/en/oil/refined-products/jetfuel). This has impacted on the decision as to the balance between time and cost for shippers. This increase in the cost of air freight, and dedicated freighter operations in particular, is the primary reason why consideration of air freight trends prior to 2000 (which Northpoint seek to do (para. 8) in their report submitted at Deadline 4) is no longer relevant and slowdown in growth in air freight tonnage reflects a shift in the balance towards trucking and even towards shipping for some goods that might previously have used aviation. This is relevant to consideration of the appropriate rates of market growth to assume, as we discuss later in this note.

20. Understanding the economic drivers for shippers and the relationship to consolidation of loads at hub airports for bellyhold and general air cargo, and the hub network structures of the integrators, is vital to assessing the extent to which Manston could plausibly intercept or 'clawback' any part of the air freight currently being trucked across the Channel. In our assessment, the economics of dedicated freighter operations compared to the relative cost of trucking makes the interception of anything other than a small number of special loads highly unlikely. As Mr Cain said in oral evidence, shippers will trade off time and cost but as costs have risen, the balance has shifted and this, in large part, explains why bellyhold capacity is now clearly favoured for the majority of commodities. This would include fresh fish as cited by Dr Dixon in oral evidence (see Case Study on Page 16 of the Steer Report for Airlines UK referred to in our comments on the Applicant's responses to question ND.1.17 (http://airlinesuk.org/wp-content/uploads/2018/10/Assessment-of-the-value-of-air-freight-services-to-the-UK-economy-Final-Report-v22-Oct-2018-b-SENT.pdf). The global change in the price of aviation fuel is a key reason why bellyhold capacity is preferred and why use of dedicated freighters is declining in relative terms, particularly where there is good availability of bellyhold capacity, as is the case in the UK.

21. Furthermore, in the highly unlikely event that some airlines engaged in trucking of freight between hubs considered the use of Manston for dedicated freighter movements as a viable alternative option, this would imply a totally different fleet mix to that assessed in the ES (Appendix 3.3). We discuss issues related to the fleet mix further below.

The Validity of Azimuth's 'Forecasts'

22. In oral evidence, Dr Dixon conceded that the Azimuth Report, which she prepared, was not really a forecast of what would happen but an assessment of the 'potential' need for a dedicated freight airport in the South East of England. She confirmed that she had taken no account of the viability of operating the services for the airlines or the viability of the operation of the Airport (despite the Azimuth Report being referenced as setting out the viability of and the Business Plan for the development in the ES, Planning Statement and Statement of Reasons - see para 2.5 of York Aviation 2019 Report).

23. At para. 2.2.10 of Vol III of the Azimuth Report, a number of key considerations are set out which would impact on the decisions of airlines as to whether to use Manston:

- *"The cost of physical relocation*
- *Cancellation of long-term contracts*
- *Loss of economies of scale, although if an entire operation is switched, economies of scale would be gained at the new airport*
- *Market effects such as marketing new routes and a potential loss of custom in the early years following the switch*
- *Network effects lost by switching to a smaller airport*
- *Capacity constraints at other airports, particularly in slot allocations*
- *Sunk costs such as an airline's investment in the airport from which they are switching"*

24. Although the report claims that these factors have been taken into account in the 'forecasts', it is now clear from answers given in oral evidence that this was not the case and that Dr Dixon simply assumed that the costs would be "*neutral*". We take this to mean that her underpinning assumption was that the costs for an airline of operating from Manston would be the same as from other airports and/or that the costs to shippers for a tonne of air cargo would be the same to/from Manston as from alternatives, including bellyhold options. Without proper consideration of switching costs, the charges to be levied at Manston and the relative price of dedicated freighter operations v. bellyhold for the shipper, the so-called 'forecasts' can have no validity as they do not reflect market realities.

25. Furthermore, as pointed out in our comments on the Written Answer to question FD.1.15, whilst it is claimed that RSP's Business Model is based on being able to offer airport users competitive terms, this is clearly not the case. As we know from the Business Model spreadsheet submitted at Deadline 3, the Applicant plans to charge airlines around four times the equivalent cost at East Midlands Airport and without any countervailing incentives (see separate papers prepared by Altitude Aviation Advisory). Hence, it is clear that, leaving aside its other manifest shortcomings, the Azimuth Report has not assessed the actual position proposed by RSP of charging a significant premium over other airports for dedicated freighter operations, which are already significantly more expensive than bellyhold alternatives.

26. The consequence of this is that on any reasonable assessment of the costs of using Manston and the costs to the shipper of using dedicated freighter aircraft, when coupled with the costs of switching and other costs identified by Azimuth, the share of the market that Manston might hope to attract will be severely reduced below the 'neutral' assessment made by Azimuth. We have set out our view of the maximum potential in Section 4 of our 2019 Report. At the price RSP propose to charge, demand would be significantly lower and the revenues that they assume within the Business Model not attainable. We have already set out in Section 7 of our 2019 Report, the more likely financial position at competitive airport charges and, even then, this was based on the full Azimuth 'forecast' being attained, which is unlikely for the other reasons cited above. Either way, proper analysis strongly suggests that there is no prospect of the proposed investment in the development of a dedicated freight airport at Manston being viable even on the basis of the latest estimate of upfront construction costs, which we now understand from the oral evidence of George Yerrall are likely to be underestimated at this point in time.

27. Put simply, the oral evidence given by Azimuth Associates confirmed that the Report upon which the entirety of the Need Case for the development relies has no realistic foundation as a basis for predicting the extent to which Manston might actually be used.

Northpoint Report

28. The Northpoint Report submitted by the Applicant at Deadline 4 is a clear attempt by the Applicant to produce a post event corroboration of the Azimuth forecasts that are used to underpin the entirely of their case for the development. This attempt at a putting a 'sticking plaster' over the flaws in the Azimuth must also be dismissed as it self-confessedly has not yet taken into account the key variables which should inform a robust prediction of the actual potential usage of Manston as set out at para. 67 of the Report, namely the model (it):

- *"it does not use differential rates for bellyhold, express and ordinary freight – although the analysis is a level of aggregation where this is not a fundamental determining issue;*
- *it does not examine aircraft movements – we regard this primarily a function of tonnage volumes and airport location and runway length*
- *it does not look at the scope for migrating between type of carrier (e.g. bellyhold to freighter) and therefore between airports pairs; and*
- *it does not examine the impact of price because it is primarily interested in the issue of capacity."*

29. These factors are precisely the reasons why Manston would struggle to penetrate the market to any material extent. It is stated at para. 68. that these factors are taken into account in a more detailed model that is being developed/used to inform the funding process. However, this more detailed model has not been provided to the Examination and would need to be carefully scrutinised once produced.

30. As already pointed out, the thesis underpinning the Northpoint Report that somehow considering the performance of the airfreight market over the last decade is not relevant and that trends from the 1990s need to be included is exposed as flawed when the effect of fuel price rises since 2000 is taken into account.

31. Nor are the benchmark comparisons in terms of cargo tonnage growth set out at para 10, particularly persuasive. The only airport where there appears to be a major jump in tonnage compared to the UK as a whole is Paris and (as set out on page 21 of the Steer 2018 Report for AirlinesUK) data for Paris before 2014 was measured differently so the jump in tonnage shown is not a real jump but the result of changes in data collection. This would have to be corrected for if any comparisons are to be made. The outperformance at Frankfurt is more down to the consolidation in the sector and the use of Germany and the Low Countries as distribution hubs for Europe. However, since 2000, the performance of Frankfurt is not significantly different from the performance at the total UK level and, in any event, a shift from Heathrow to the regions is no bad thing in the context of the proportion of freight with regional origins that has historically been trucked to London. All in all, this pattern is simply reflective of the market working to reduce unnecessary road journeys within the UK.

32. We have already referred in our comments on the Applicant's Written Answers (ND.1.18, ND.1.13, ND.1.18, ND.1.20) on the capacities available at the other airports and will comment further below on specific points made by the Applicant in oral evidence regarding Stansted. Suffice it to say that Northpoint continue to understate the tonnage capabilities of these other airports in paras. 16 to 32.

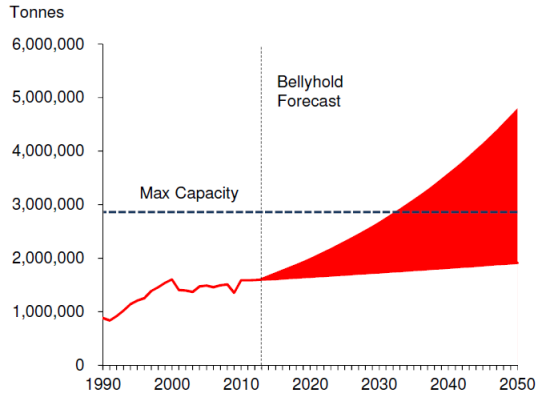
33. In terms of overall freight tonnage to and from the UK, notwithstanding our comments about the inherent invalidity of considering trends back to 1990, the actual freight tonnages projected for the UK and for the South East by Northpoint are not substantially different at 2040 from our own GDP based estimates (see Figures 4.7 and 4.8 of our 2019 Report) as far as the base case of 2.35% per annum growth is concerned (Table above para. 63). However, there is no foundation for the use of any higher underlying rate of growth in cargo tonnage.

34. The work used by Northpoint to corroborate its analysis is work carried out by Ramboll and Oxford Economics in 2014 (http://content.tfl.gov.uk/impacts-of-a-new-hub-airport-on-air-freight-industry.pdf). We note that the quotations from this work by Northpoint are selective and use graphs relating to the UK and London inconsistently. When read properly, this report explains precisely why fewer dedicated freighters are needed at London due to bellyhold capacity. This report also explains why the growth rate in cargo tonnage flown has slowed from the long term trend. Northpoint use Figures 3.7 and 3.8 from this report relating to the expected growth across the UK as a whole when the relevant ones for the South East are Figures 3.5 and 3.6, reproduced overleaf. The charts used by Northpoint illustrate the greater need for dedicated freighters in the rest of the UK on the basis of limited bellyhold growth other than at the London hub. The correct charts for the London airports show very limited need for dedicated freighter operations given bellyhold capacity expected to be available.

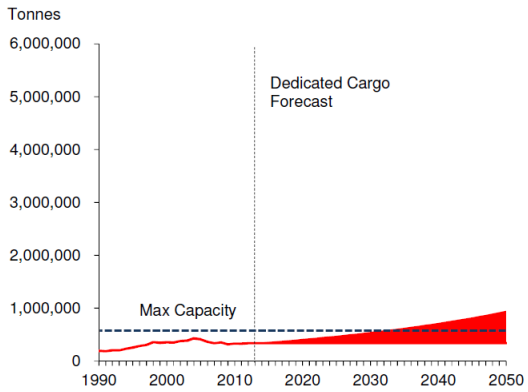
35. This report goes onto predict the extent of any shortage of freighter ATMS at the lower and upper bounds of the forecasts against DfT's capacity constrained forecasts. It shows that the maximum shortage of dedicated freighter capacity at 2040 is 4,000 movements (Table 4.3 reproduced overleaf) on the upper bound forecast. The big shortfall is in bellyhold ATMs. At the lower bound cargo forecast, there is no shortfall and spare capacity for 2,000 dedicated freighter movements (Table 4.2). This analysis confirms our assessment of the position, i.e. that there is limited, if any, need for additional capacity for dedicated freighter ATMs, even viewed from the position as at 2014.

There is a marked difference in the range of growth of dedicated cargo for London Area Airports, as compared to the UK-wide growth rate. This is likely due to the high number of passenger flights originating in London compared to the rest of the UK, which allows for more bellyhold cargo growth as opposed to dedicated cargo growth. As mentioned in Section 2.2, one of the reasons for the much slower growth rate of cargo after 2000 is likely the steep rise in the price of aviation fuel. The fan charts below (charts 3.5 to 3.8) show the range of Oxford Economics trend forecasts for the UK and London area airports[25]. The upper range of the forecast implies that after 2033, the higher range of cargo growth forecasts cannot even be met with a new hub airport. Therefore, the Oxford Economics upper bound forecast has been capped at the line shown in the charts at the capacity that can be built.

Charts 3.5 and 3.6: Actual and Forecast London Trend Bellyhold and Dedicated Freight Growth from 1990-2050

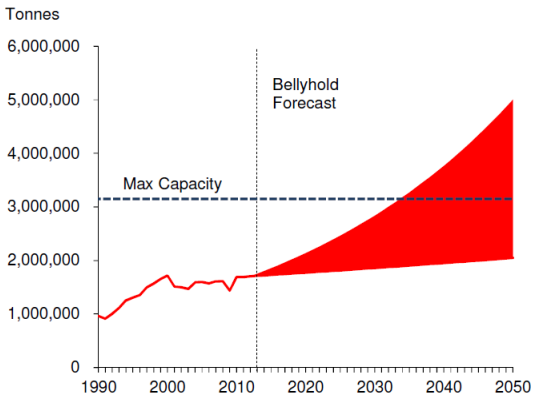


Source : CAA, Oxford Economics

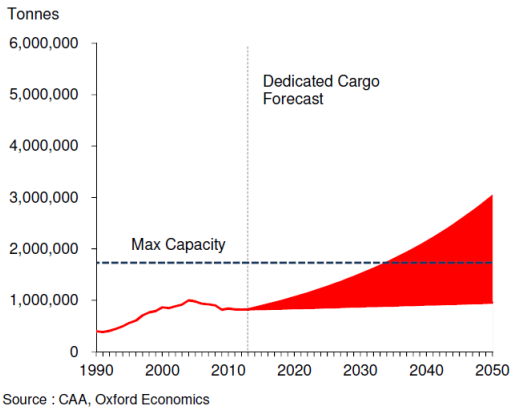


Source : CAA, Oxford Economics

Charts 3.7 and 3.8: Actual and Forecast UK Trend Bellyhold and Dedicated Freight Growth from 1990-2050



Source : CAA, Oxford Economics



Source : CAA, Oxford Economics

[~] Note that the Upper Bound ATM forecast has been capped from 2030 in order to match the ATM supply that could be delivered, using Atkins data.

Table 4.2: Predicted Annual Volumes of Constrained Air Cargo Using OE Lower Bound Trend Forecasts

Year	LAA Constrained Cargo (Thousand ATMs)	Belly Hold Cargo (000 ATMs)	Dedicated Cargo (000 ATMs)	Belly Hold Cargo (Kgs)	Dedicated Cargo (Kgs)
2020	-123	-122	-2	-199,007,217	-41,551,049
2030	-220	-217	-3	-354,390,025	-72,674,570
2040	-174	-172	-2	-281,370,352	-56,671,816
2050	-111	-110	-1	-179,940,132	-35,596,283

Source: DfT, Oxford Economics.

Table 4.3: Predicted Annual Volumes and Value of Constrained Air Cargo Using OE Upper Bound Trend Forecasts

Year	LAA Constrained Cargo (000 ATMs)	Belly Hold Cargo (000 ATMs)	Dedicated Cargo (000 ATMs)	Belly Hold Cargo (Kgs)	Dedicated Cargo (Kgs)	Projected Cargo Value (£/kg)	Belly Hold Cargo Value (£ m)	Dedicated Cargo Value (£m)	Total Cargo Value (£m)
2020	96	95	1	154,672,622	32,294,355	£110	£16,970	£3,543	£20,513
2030	70	69	1	112,960,704	23,164,790	£148	£16,679	£3,420	£20,099
2040	295	291	4	476,166,397	95,906,389	£199	£94,620	£19,058	£113,678
2050	522	515	7	842,454,190	166,656,750	£267	£225,297	£44,569	£269,866

Source: DfT, Oxford Economics.

36. The Northpoint Report then presents a simple spreadsheet model showing the tonnages that Manston might attain under a number of different scenarios. These scenarios are driven by:

- Different growth rate assumptions
- Different assumed capacities at the other airports
- Different assumptions about Manston's ability to clawback an element of the tonnage being trucked across the Channel

No probability is assigned to the achievability of any of these underpinning assumptions and results are simply presented in terms of whether the outcomes are higher or lower than Azimuth's forecasts. We would note that this is a tonnage spill model and does not, as pointed out above, consider how this tonnage would then travel. It is just assumed that in all cases it would choose a dedicated freighter service from Manston regardless of cost.

37. First of all, accepting at face value Northpoint's assertion that import/export tonnage leaked to European airports would amount to 1 million tonnes a year by 2050, the assumed claw back of this leakage is 25% in the base case (almost 20% in the first year of opening 2022 based on current leakage of 500,000 tonnes), 40% in the high case and 60% in the stepped up clawback case. For the reasons set out in paras. 18 to 20 above, this is patently absurd given the reasons for the trucking activity in the first place.

38. If you strip out the assumed clawback, 17 of the 24 Northpoint scenarios show negative demand for Manston at 2040 (with demand significantly less than Azimuth project in earlier years). The only remaining scenarios in which there would be any demand for Manston are those relying on unrealistically high market growth rates in cargo tonnage deriving from the analysis back to 1990 of 2.7% CAGR[1] and 3.0% CAGR and then only in the circumstances where the capacities attainable at the other airports have been understated in aggregate. Overall, the model provides no corroboration of there being material demand for Manston as a dedicated air freight airport. Rather the analysis contained in the report tends to confirm the reasons why the Airport could not succeed.

Night Flying and the Integrators

39. We set out in our commentary on RSP's Written Answers to Questions evidence as to the dependence of conventional integrators on night flights. Hence, leaving aside the locational reasons why Manston would not be a suitable base for an integrator, the proposed night scheduling ban effectively removes any prospect of such operations, a point effectively conceded by the Applicant when it says that an integrator base is not proposed for Manston (Written Answer to ND.1.16).

40. We are now asked to believe that the Azimuth did not mean conventional integrator operations when including them in the 'forecast' as set out at para. 3.2.3 of Vol III of the Azimuth Report, despite DHL/Fedex being specifically identified as the operators of these flights at Appendix 3.3. of the ES, which we were told in oral evidence was based on the Azimuth projections. We are now asked to believe that what was meant was a new form of integrator – Amazon or Alibaba- Cainiao - operating these flights. This is despite Amazon being separately identified in Appendix 3.3. of the ES in addition to the conventional integrator operations.

[1] Compound annual growth rate.

41. The Northpoint Report is used by RSP in an attempt to support this change of emphasis to 'New' integrators and the e-commerce model as the basis of justification for 48% of the aircraft movements claimed for Manston at Year 20 (more in the earlier years). This is no more than speculation as the extent to which the e-commerce operators will seek to operate their own aircraft within the European market and the nature of those operations is largely unknown. We set out below our understanding of the current operations.

Amazon

42. Amazon has set up its own airline operating within the USA so as to control its own supply chain rather than relying on the existing integrators. In essence, it is developing its own sorting facilities and replicating the type of hub and spoke systems used by the existing integrators. It is operating its own aircraft largely for the purpose of distributing goods between its main distribution centres, with onward transport to the customer locally by road (https://aircargoworld.com/allposts/amazon-to-move-prime-air-cargo-hub-to-cincinnati/). It is our understanding that the pattern of flying in terms of day/night operations follows closely that of a conventional integrator, positioning product between distribution centres overnight so as to be ready for delivery next day.

43. Amazon has an embryonic operation in the UK with a leased Boeing 737 freighter operating to East Midlands Airport (https://www.ch-aviation.com/portal/news/63035-amazon-air-boosts-fleet-to-32-b767s-eyes-more). Amazon is opening a 500,000 sq.ft. warehouse and sorting centre immediately adjacent to East Midlands Airport in April 2019 (https://www.leicestermercury.co.uk/news/business/east-midlands-gateway-amazon-nestle-1444182). This would strongly suggest that Amazon is likely to follow the lead of DHL and UPS and establish East Midlands as its UK air hub. Indeed, the two flights currently operated to Milan and Madrid appear to be joint operations with DHL. Like many DHL operations, these rely in part on night flights (based on Flight Radar data), with the departure to Milan at 06.00 and the arrival from Madrid at 02.40. This reinforces our view that, as operations to the UK expand, they would be expected to follow a similar pattern over the day as the conventional integrator operations at East Midlands.

Alibaba-Cainiao

44. Alibaba has committed to establishing its main European hub at Liege Airport (https://www.retaildetail.eu/en/news/general/li%C3%A8ge-officially-becomes-alibabas-first-european-hub). It is not yet clear whether it intends to commence direct operations or to contract with existing airlines at the Airport such as ASL Airlines, which operates for TNT/Fedex with its major hub at Liege and also provides the current Amazon service from East Midlands. Again, it seems most likely that any Alibaba operation in Europe will also mirror pre-existing patterns of integrator operation, using its main base as Liege, for the same reason as Amazon.

45. Overall, we see no reason to assume that the choice of airports for the 'new' integrators would be based on different criteria to the existing integrators nor that they would be any less dependent on night operations. Hence, given the proposed night scheduling ban, the establishment of a 'New' integrator base at Manston with 2 aircraft in Year 2 and 4 aircraft in Year 4 is simply not credible.

Consequences for the Environmental Assessment

46. Mr Hilton of Wood stated in oral evidence that environmental assessment relied on Appendix 3.3 of the ES and that it was derived based on the Azimuth 'forecasts'. However, as we have pointed out in Table 3.1 of our 2019 Report, there are inconsistencies in the proportions of aircraft in each ICAO category between Appendix 3.3 and other parts of the ES, and between the ES and the Azimuth Report. Dr Dixon said she was not responsible for producing Appendix 3.3 and Mr Hilton did not seem to know who was responsible either.

47. In the context that the information in Appendix 3.3 is claimed to be the basis upon which all of the environmental assessments have been carried out, it is important to note that Mr Hilton told the hearing that the assessments were based not only on the aircraft types named in Appendix 3.3 but also on the specific aircraft and engine types operated by the named airlines. Hence, to the extent that these airlines would not or could not operate to Manston (see para 3.10 of our 2019 Report), particularly once the impact of the night scheduling ban is taken into account, this invalidates the specific environmental assessments made. The particular example referred to in oral evidence is the assumption that the ATR-72 turbo-prop aircraft would account for around 25% of all freighter aircraft movements, specifically operating for DHL or Fedex. The 'New' integrator, Amazon, is currently using Boeing B737 jet aircraft for its European operations so, even if it was right that DHL or Fedex would be substituted by Amazon or similar, it could not be relied on that these airlines would use so many turbo-prop aircraft. This means that the ES can no longer be deemed to have assessed the worst or most likely case effects, even if that was ever the case.

48. Appendix 3.3 does not include any General Aviation movements, yet the Noise Mitigation Plan suggests that there could be up to 38,000 such movements a year or 104 a day on average. Elsewhere (para. 12.7.39), the ES states that 16 such movements a day have been included in the assessment. This is clearly inconsistent with the worst case for noise that would be permitted under the Noise Mitigation Plan.

49. As pointed out at the Noise Hearing, a further consequence of the night scheduling ban is to condense all of the aircraft operations into the day-time period. The response given by Mr Hilton that movements that were otherwise assumed to operate in the night (14% of total movements) would simply switch to the 06.00-07.00 hour, and so still be within the 8-hour night noise assessment period, lacks credibility. Faced with a night scheduling ban, the airlines would need to reprogramme their operations in their entirety to fit within a curfew and, to the extent that hypothetically they would still operate to Manston, this would result in proportionately more movements in the 16-hour day period used for daytime noise assessment, resulting in an increase in contour area over that assessed and an increase in the areas eligible for compensation. The veracity of this can only be tested further when RSP produces the more detailed analysis of the profile of flights over the day related to the infrastructure requirements as promised at the Compulsory Acquisition Hearing.

50. We note also that the effect of the night scheduling ban will also impact on the data used in the Transport Assessment as set out in Appendix E to the TA. First of all, Table 1.1 shows freight related truck movements evenly distributed over the day. However, if, as we are now told, more than half of the movements at the Airport are going to be associated with a 'New' e-commerce integrator, it would be reasonable to expect that truck movements would be bunched around the arrival of these aircraft to ensure speed of delivery to the customer. On the basis of the suggested bunching of flights into the 06.00-07.00 hour, this would result in a significant number of trucks on the highway network in the 08.00-09.00 period to ensure deliveries of goods. Equally, for outbound flights before the night curfew, it would be expected that goods would need to be at the Airport 2-3 hours ahead of the last flight (23.00) so this too would require more movements in the day time. It would appear unlikely, therefore, that the TA has assessed the true impact on the highway network including in the morning and evening peak periods.

Policy Tests

51. It was suggested by RSP that there is an overriding policy presumption in favour of more capacity for air freight stemming from the priority placed in this within the Airports NPS and more recent Aviation 2050 Green Paper and that there was an automatic presumption in favour of all airports making best use of existing runways.

52. As stated in our comments on the Applicant's Written Answers (ND.1.2 and ND.1.4), the Government makes clear that the principal means envisaged to ensure that the UK has sufficient air freight capacity is through the provision of a 3rd runway at Heathrow delivering, mainly, more bellyhold capacity. Growth at Stansted and East Midlands in also anticipated. The Government does not go onto identify any further anticipated shortfall in capacity for air freight that needs to be addressed before 2050.

53. In terms of the 'Best Use' policy, it is clear, as we set out at paras. 2.16 and 2.17 of our 2019 Report, that there is no automatic presumption that best use should be made of all runways as policy is clear that each case has to be tested on its merits, including whether there is a demonstrable need and benefits from the proposed use sufficient to outweigh any environmental or other negative impacts. The lack of a coherent Need Case for Manston strongly suggests that there is no presumption in favour of making best or other use of the runway in this instance.

Capacity Available at Stansted

54. We set out the position in relation to the consented capacity at Stansted in our comments on the Applicant's Written Answer to ND.1.18. In oral evidence, there appeared to be some confusion regarding the attitude of MAG (the Airport's owners) to cargo growth there.

55. The Aviation Forecasts underpinning the recent Stansted Planning Application to lift the cap on passengers are set out in Volume 4 of the ES (https://publicaccess.uttlesford.gov.uk/online-applications/files/2C9A5D09B9434B571771AF326D87A423/pdf/UTT_18_0460_FUL-ES_VOLUME_1_-_CHAPTER_4_AVIATION_FORECAST-2634298.pdf). The cargo forecasts to 2028 are set out at para. 4.59. These show the anticipated tonnage to grow to 376,000 tonnes a year by 2028, not far short of our assumed capacity of 400,000 tonnes by 2040, suggesting that we may have understated the true capacity available at Stansted over the longer term. Indeed, the forecasts show slightly more cargo in the with development case than without development (Stansted Planning Statement, para. 6.28).

56. The Stansted Airport cargo forecasts assume 16,000 cargo ATMs a year and an increasing proportion of bellyhold capacity as long haul airlines, such as Emirates expand operations at the airport. We would expect the cargo capacity of Stansted to continue to increase beyond 2028 up to the envisaged capacity of 400,000 tonnes a year as more long haul services commence at the Airport, displacing more marginal short haul routes. The claims by RSP's experts that cargo capacity at Stansted is constrained is without foundation.

Capability of the Proposed Infrastructure

57. We now set out some observations on the capability of the existing and proposed infrastructure that we were prevented, by time constraints, from making at the Compulsory Acquisition hearing.

58. As Mr Rhodes of Quod for SHP made clear, the site has an established lawful use as an airport. Having examined the site in detail and spoken with those who previously managed operations on the ground, it is clear that the facilities, if reinstated, would have a capability of handling of the order of 21,000 freighter aircraft movements a year as set out in Section 4 of our 2017 Report. This assessment is consistent with the basis upon which RSP has calculated a theoretical capability of over 83,000 freighter aircraft movements a year from its proposed infrastructure.

59. Whilst the basis of this theoretical 'capability' assessment is set out by RSP in various documents, it has provided no explanation of how it has assessed that 19 freighter aircraft stands, all of the maximum Code E size, are required to handle the projected 17,170 annual freighter aircraft movements, which is equivalent to 23.5 freighter aircraft (half the number of aircraft movements) being handled each day on average, i.e. most stands would only be used once each day, suggesting an even heavier bunching of movements with consequential implications for vehicular traffic bunching on the highway network. Indeed, the concept that vehicle activity associated with air freight will be spread over the day, as set out in Appendix E to the TA, is inconsistent with the implied need for virtually all freighter aircraft to occupy stands simultaneously. Furthermore, many of the movements in the fleet mix assessed in the ES are shown to be using much smaller aircraft (such as the ATR72 turboprop) for which each Code E stand could easily accommodate two aircraft at a time, reducing the number of Code E stands required in total.

60. Overall, the proposed scale of infrastructure provision is completely inconsistent with claimed cost efficiency of the development (as required by the Airports NPS) nor likely to facilitate RSP being able to offer operators competitive terms as claimed by them, given the scale and cost of the infrastructure it proposes to provide and the consequent implications for the level of charges that it would have to levy to cover the costs of investment as set out in Section 7 of our 2019 Report. In effect, the Business Model spreadsheet corroborates the intention to charge at this level.

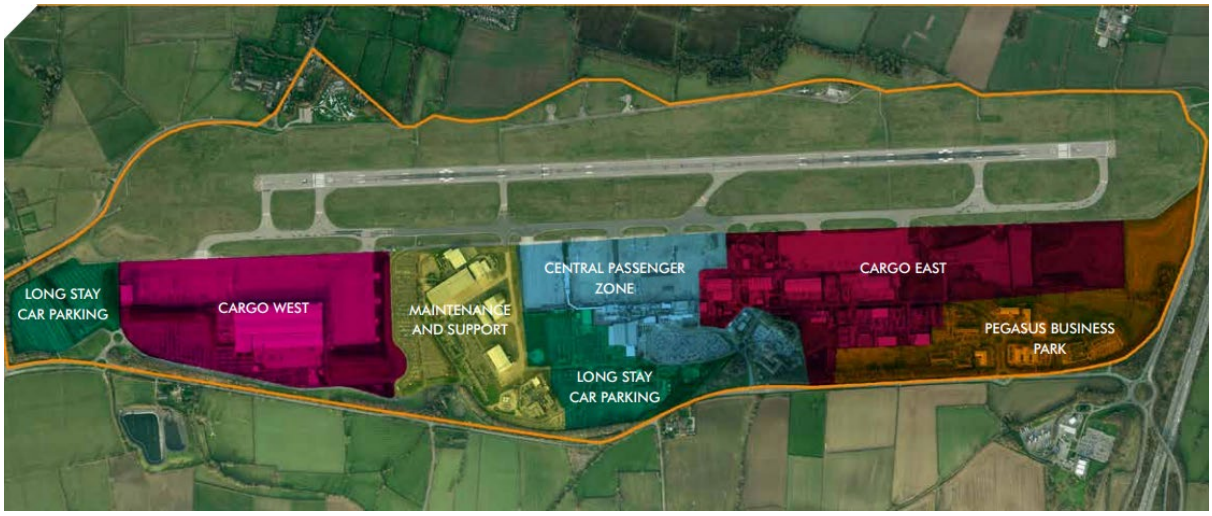
61. At the very least, the ExA needs to investigate further the requirement for the scale of infrastructure proposed to ensure that it is not excessive, particularly in relation to the compulsory acquisition of land. To assist, we have set out a detailed assessment, missing from the Applicant's documents, of the infrastructure required to support RSP's projected freighter airline operations at the times they would want to fly (which must necessarily include an allowance for night operations without which the airlines will be unlikely to operate or base aircraft so reducing the required infrastructure still further). Indeed, the concept that vehicle activity associated with air freight will be spread over the day, as set out in Appendix E to the TA, is inconsistent with the implied need for virtually all freighter aircraft to occupy stands simultaneously. We have explained the basis of our assumptions at paras 3.43 and 3.44 of our 2019 Update Report, with a fuller explanation of the infrastructure required at Section 6. This shows that, even allowing for resilience and flight delays using normal industry standards, the required infrastructure would be less than half of that proposed by RSP – 10 stands and 1/3 of the cargo sheds assuming efficient automated operations as stated by RSP - even if its projections of usage were attainable.

62. The scale of infrastructure proposed on the airfield is simply unjustified.

Airport Related Business Parks

63. There is then the matter of the Northern Grass. RSP's recent comments on the Written Representations suggest that is it confused itself as to its own proposals. The developable area of the Northern Grass, after allowing for the area around the radar and the museum zone is of the order of 83.5 acres, broadly equivalent to the area of the Pegasus Business Park at East Midlands Airport at 70 acres. The 26 acres referred to by RSP in its recent submission (para. 2.9.17) in response to SHP's Written Representation appears to be the footprint of the buildings proposed, which is not, of course, the same thing as the area available for development.

64. We recognise that MAGProperty cite 218 acres of business property space as being available at EMA (https://www.eastmidlandsairport.com/about-us/business/) as referred to in RSP's comments on Written Representations (para. 2.9.16). It is not entirely clear to us which areas are included within this 218 acres, which may include airside as well as landside development zones. Further information on the development zones at EMA was included in our comments on RSP's Written Answer ND.1.15, with its development plan included and reproduced below.



65. Key metrics for the overall plan are:

- *The entire airport covers an area of approximately 900 acres;*
- *Total area of development (coloured areas) approximately 460 acres;*
- *Much of the development area comprises passenger facilities, airside cargo facilities and passenger car parking*
- *Area designated as the landside 'Pegasus Business Park' (commercial development) totals 70 acres, of which 28 acres has been developed[2];*
- *60% of Orange hatched area has yet to be developed for any uses despite the tonnage throughput attained by EMA.*

66. This plan makes it evident that the total business development area cited for the EMA site is in no way equivalent to the Northern Grass with the more relevant direct comparison being with the 70 acres of landside 'Pegasus' business park at East Midlands and the proposed Manston Northern Grass development zone of 83.5 acres, at least on the basis of RSP's original proposals for B1/B8 development for businesses seeking an airport location as both of these zones are entirely landside areas with no direct airfield access.

67. However, the revised NSIP Justification Statement states that it is now intended that the uses on the Northern Grass be limited strictly to those which are 'airport related', presumably to be consistent with the 2006 Local Plan policy which requires the whole of the site, including the Northern Grass, to be used for airside uses. 'Airport related' is normally taken to be those uses required to directly support the operation of an airport, and this would exclude more general business park uses which would simply prefer a location on or adjacent to an airport that formed the basis for the Application. Such a general business park appears to be no longer what is proposed for Manston, particularly given the limitation to airport related uses now contained in the draft DCO, and, indeed, would not constitute Associated Development to the NSIP even if it was.

68. The list of 'airport related' facilities provided as part of the revised NSIP Justification comprises mainly operational facilities, such as crew report offices, offices for Border Force, airside transport offices which would need to be located with direct airside access, i.e. not on the Northern Grass as crossing Manston Road would be unacceptable (See Section 6 of our 2019 Report). Other uses proposed include facilities related to the ground transportation of passengers, which would not be compliant with the local plan policy. In any event, these facilities would be very small in scale using only a fraction of the site and not directly related to the NSIP facilities themselves so as to constitute Associated Development.

[2] This is developed area not building footprint.

69. The proposed restriction of uses to those strictly airport related is significant as the evidence from East Midlands (see our comments RSP's Written Answer to question CA.1.4) is that there is little or no requirement for landside airport related accommodation adjacent to the UK's main air freight hub and EMA is actively seeking to relax the usage constraint on such buildings to non-aviation related uses. Pegasus Business Park is, in practice, a general business park attracting businesses seeking a central location within the East Midlands, close to the M1. Even so, the full 70 acre site area has not yet been developed out, with currently only around 28 acres containing any buildings, car parks or road infrastructure at all.

70. In the absence of the promised (Deadline 3) benchmarking of land areas required for Associated Development, during the Compulsory Acquisition Hearing, the Applicant referenced other airport business parks with airport associated development. Two of those examples were Newquay Aerohub and Prestwick Aerospace Enterprise Zone. As is described below, neither of these examples supports the Applicant's case for the area of development land proposed for the Northern Grass area on the basis of airport related uses.

71. Newquay Airport Aerohub is an Enterprise Zone of that includes both airside development land (231 acres), a landside business park covering 87 acres of land and a further 45 acres of land defined as economic zones related, inter alia, to passenger terminal operations (https://www.aerohub.co.uk/our-offer/development-opportunity). In relation to the landside business park, which is the relevant comparison to the Northern Grass, *"53.5 acres are now serviced and build-ready"* amounting to 115,000 square metres of floor space, and is described by the EZ as being *"Open to businesses from all sectors"* with the caveat that they give priority to aerospace and aerospace supply chain companies (https://www.aerohub.co.uk/business-park/the-development). However, it understood that only 2 businesses currently occupy space within the landside development and that neither of them are 'airport related' businesses or even aero sector related, with one being a manufacturer or prefabricated houses. As the Aerohub was established in 2012, with business park plots serviced and available for development in 2015, it is clear there is very little demand currently for this type of development. There is also limited take up of the airside development area but this is not relevant to the Northern Grass comparison.

72. Prestwick Aerospace is another Enterprise Zone established in 2011 covering 34 acres which includes existing airside and landside developments (hangars, warehouses and offices) plus a number of as yet undeveloped plots. Most of the current occupants are aerospace sector companies, such as BAE Systems and Spirit Aerosystems, but these companies are not airport related nor making extensive use of the airport as parts and supplies are trucked in rather than needed access to the runway[3].

73. It would appear that the benchmark examples being relied on by RSP are general business parks that happen to be located on land holdings adjacent to operational airports. Even on this basis, the take up of these sites does not suggest that a general landside business park site of the scale of the Northern Grass could be justified.

74. Given the requirement for the development to be strictly related to the NSIP Project and with the restriction to strictly airport related uses, as defined in the Amended NSIP Justification Statement, the requirement for land for landside development is even more limited. Such uses as might locate on the Northern Grass are likely to be confined to passenger related car parking and surface transport related activities, which would occupy only a small part of the area at the throughput proposed.

27th March 2019

[3] York Aviation has done a number of studies in relation to Prestwick Airport for Scottish Enterprise and are familiar with the site but the reports remain commercially confidential.

APPENDIX NOPS.5.2: Altitude Aviation Advisory Key Points on Azimuth Freight Projections

Agenda Item 5: Forecasts and freight types / patterns.

Manston Cargo Flight Forecasts

1. PINS questioned RSP in relation to the number of cargo flights forecast for Manston. SHP highlighted how, even if the Manston tonnage forecasts are achieved, the average cargo load per flight assumed was very low, suggesting that the number of flights being forecast was excessive.

2. Expanding on the oral points made:

3. Section 8.7 of the Altitude Aviation January 2018 report (included with Appendix 5 of SHP's Written Representations [REP3-025]) highlights how the assumed average tonnes per flight of 17-20 tonnes was much lower than the airport's historic average of ca. 63 tonnes (see paragraph 364).

    - The 63 tonnes per flight was achieved despite the historic bias towards imports (we understand departing flights from Manston were often largely empty).
    - However, this average disguises a material asymmetry between imports and exports Specifically, in 2013, the last full year of operations at Manston the CAA recorded 511 cargo ATMs carrying 29,297 tonnes of freight on cargo aircraft.
    - Of this, ca. 90% of the tonnage was imports [Manston Airport traffic statistics].
    - Thus, the average load per inbound ATM was over 100 tonnes whereas the average load per outbound ATM was ca. 10 tonnes.
    - Azimuth's forecasts anticipate a similar level of exports to imports at Manston in the future [Azimuth Volume III July 2018, Executive Summary, Table 1].
    - In this light, the difference in average loads between the historic levels and the forecasts are even more stark.

4. The same section of the Altitude report (see paragraph 367-368 and Figure 27) highlighted how the average tonnage per flight was much lower than benchmarks. This analysis has subsequently been updated for 2017 data and expanded to the top 20 EU airports.

    - East Midlands is the only airport in the EU top 20 (by tonnage) with a lower ratio of freight tonnes per freighter flight than the average projections for Manston. The low figure is driven by the extensive integrator operations at East Midlands Airport.
    - Airports without integrator operations (or with a more balanced mix of bellyhold, general freighters and integrator operations) tend to achieve significantly higher freight tonnes per freighter flight.

5. The subsequent discussion on e-commerce airlines (replacing previous assumptions relating to integrators) at Manston further undermines the credibility of the cargo flight forecasts. Amazon Air – the most developed e-commerce airline – uses a mix of B767 and B737 aircraft – which are much larger than the ATR72 aircraft assumed in the Azimuth modelling. This should be a material consideration, when considering whether the environmental effects have been properly assessed by the Applicant.

Components of Azimuth Forecasts

6. PINS questioned RSP in relation to the components of the forecast tonnage. RSP referred to fish/shellfish, luxury cars and racehorses. RSP was unable to state clearly whether the forecast freight was new markets or displacement from other airports (and if so, which airports).

7. RSP's understanding of how the cargo market operates was very limited. Reference was made to a weekly service (for 26 weeks) of a B777 carrying fish exports. Fish is consolidated from a range of different points in the UK (especially Scotland) and then sent to a range of different international destinations. A weekly service from Manston to a single destination seems an unlikely way to serve this market.

8. The Scottish salmon industry was the subject of a case study in a Steer report. The case study stated that "the vast majority (91%) of UK salmon is shipped internationally from Heathrow".

    - Page 16, http://airlinesuk.org/wp-content/uploads/2018/10/Assessment-of-the-value-of-air-freight-services-to-the-UK-economy-Final-Report-v22-Oct-2018-b-SENT.pdf

9. A more detailed review of the shipping of salmon was provided in a published interview with DB Schenker (a global logistics provider):

    - "A considerable percentage of shipments are flown to and from the United States, but also an increasing number of consignments for European and Asian destinations are going via Heathrow."
    - "Heathrow is the largest airport in Europe and has enormous capacity. Due to this high capacity we have to – in order to compete – offer lower freight rates, than for example Oslo, Stockholm, Copenhagen and Amsterdam."
    - "Salmon, in itself has high value, but the industry's slim profit margins rule out paying high airfare rates," explained Kuo. "They pay only 30-40 percent of what other industries pay per kilo of freight. This means the airlines don't make much money on shipping fish, despite the necessary urgency to dispatch the fish to the markets."
    - https://salmonbusiness.com/heathrow-leads-in-salmon-air-freight/

10. It is not disputed that Manston could play a role in the specialist/niche cargo market e.g. racehorses, luxury cars. However, the cargo volumes associated with this activity are minor. Other airports which already serve this market record a low number of cargo flights and tonnage.

11. For example, Bournemouth Airport markets itself as follows:

    - "Bournemouth Airport has a growing number of destinations served by ad hoc carriers, dedicated freighters and passenger airlines. With ample room to grow, our thriving cargo facility is expanding to meet the demands of importers and exporters from across the UK. Accommodating a huge variety of freight and passenger aircraft, Bournemouth supports cargo logistics round the clock, with the following benefits:
        - 2271m / 7451ft runway
        - Excellent good weather record
        - Congestion free, with no slot restrictions
        - Experienced in handling many cargo aircraft including the AN-124 Ruslan
        - 'Freighter friendly' airport management."

- https://www.bournemouthairport.com/doing-business-together/

12. Similarly, Doncaster Sheffield Airport also highlights:

- "First-class cargo facilities for scheduled services and ad-hoc movement of goods."
- "The airport's 2,893m runway is longer and wider than most other airports in the north of England. With CAT III ILS, 24/7 ops and a 55,000 sq. ft. on site transit shed, Doncaster Sheffield Airport can comfortably handle all aircraft up to and including fully loaded B747's, AN-124's and the AN-225."
- "We're a safe pair of hands for specialist handling. As well as being able to handle all types of general airfreight, we have specialist capabilities in areas including:
  - Dangerous goods - We have one of the UK's largest NEQ capabilities for Class 1 Dangerous Goods and Section 5 approved.
  - Heavy lift - We have access to a range of specialist equipment and cranes to handle the largest aircraft and loads.
  - Just in time or automotive - We offer a fully flexible handling service for time critical loads, including on site trucking and direct ramp access for on and offload."
- "If you're looking for somewhere to build your cargo business, we have a wide range of office space, hangars and warehousing. Flexible, central and accessible, there are lots of reasons why basing your operations here makes robust business sense."
- http://dsa.aero/cargo, http://dsa.aero/cargo/why-dsa, http://dsa.aero/cargo/specialist-handling

13. However, in 2018, despite the Applicant making reference to it increasing cargo activity during the hearing, Doncaster Sheffield only managed to achieve 147 cargo flights, while there were no cargo flights at Bournemouth at all.

- https://www.caa.co.uk/uploadedFiles/CAA/Content/Standard_Content/Data_and_analysis/Datasets/Airport_stats/Airport_data_2018_annual/Table_06_Air_Transport_Movements_Comparison.pdf

14. This illustrates the limited market size of specialist cargo market outside the main cargo hubs.

E-Commerce Airline

15. RSP acknowledged that it was no longer forecasting integrator flights at Manston. Instead, an e-commerce airline (such as Amazon or Alibaba) was assumed from Year 2, with 4 base aircraft. It was stated that these flights would not need to take place during night hours.

16. During the hearing, SHP made the following points:

- There is considerable doubt in the freight industry whether the growth of e-commerce represents an economically viable opportunity for cargo airports. Reference was made to a published cargo industry news article where the following observations were made:
  - "*If you had to do a cost analysis to build a cargo airport to accommodate Amazon, you wouldn't do it…. the growth of e-commerce may open opportunities for some airports with existing infrastructure, but would not usher in a renaissance for cargo airports, because the industry was unlikely to see a proliferation of e-tailers with dedicated airfreight operations… Whether an operation would translate into profits for airports which landed a chunk of this business is another question. Few cargo*

airports have managed to produce black figures…… cargo is an unlikely avenue to profitability."

- See paragraphs 138-140 (page 27) of Altitude Aviation February 2019 report [included with Appendix 5 of SHP's Written Representations [REP3-025]).

- An e-commerce airline considering a base at Manston would be likely to seek significant incentives. It has been reported that Amazon has been granted $40m of tax breaks to develop its air operations hub at Cincinnati.
  - As highlighted in the Hearing on the previous day (in relation to funding), the RSP plans do not appear to include any allowances for incentives to airline operators. In contrast. the implied airport charge is much higher than comparable airports.
  - https://aircargoworld.com/allposts/amazon-adds-210-acres-to-future-cincinnati-airport-hub/

17. We wish to add the following observations:

- Growth in e-commerce has displaced high street sales. Similarly, growth in e-commerce airlines is already starting to impact existing air cargo operators. Air freight carried on new e-commerce airlines will be primarily displacing air freight carried on more traditional air cargo operators.
- Even if e-commerce airlines will develop their own air services in Europe, the competitive disadvantages of Manston would make it unlikely to be a preferred option for a base.
  - See Amazon case study below.

Amazon Case Study

18. We consider it unlikely that Manston would be an attractive location for Amazon Air (as a proxy for a new e-commerce airline). Amazon's fulfilment centres in the UK are outlined below. It can be seen that airports such as East Midlands or Manchester would be much better located to act as a UK base for Amazon.

Existing and Projected New Amazon Fulfilment Centres in the United Kingdom.

Source: http://www.mwpvl.com/html/amazon_com.html

19. It is also noted that Amazon Air already has activity at Manchester Airport and we understand already operates flights from East Midlands to Milan and Madrid (https://www.ch-aviation.com/portal/news/63035-amazon-air-boosts-fleet-to-32-b767s-eyes-more).

20. Furthermore, RSP asserted that night flights were not a consideration for e-commerce airlines, due to their different business model. It can be seen from the snapshot of Amazon Air flight activity in the USA that night flights are a key part of the business model.

21. The table below lists all flights for the first 3 Amazon Air aircraft registrations (as listed alphabetically) for the week 15-21 March 2019. The highlighted rows are flights where the arrival and/or departure is between 2300 and 0600, the period of the proposed Manston night flight ban.

Amazon Air Activity 15-21 March 2018, three selected aircraft

DATE	FROM	TO	FLIGHT	Scheduled Time of Departure	Scheduled Time of Arrival
N1013A					
21/03/2019	Ontario (ONT)	San Antonio (SKF)	5Y3507	11:02	15:33
20/03/2019	Honolulu (HNL)	Ontario (ONT)	5Y3599	22:20	06:24
20/03/2019	Riverside (RIV)	Honolulu (HNL)	5Y3598	11:07	12:43
20/03/2019	Chicago (RFD)	Riverside (RIV)	5Y3580	04:55	06:54
19/03/2019	Cincinnati (CVG)	Chicago (RFD)	5Y3063	15:05	15:01
19/03/2019	San Antonio (SKF)	Cincinnati (CVG)	5Y3066	03:15	05:58
18/03/2019	Ontario (ONT)	San Antonio (SKF)	5Y3507	14:20	18:04
17/03/2019	Honolulu (HNL)	Ontario (ONT)	5Y3599	15:15	22:52
17/03/2019	Riverside (RIV)	Honolulu (HNL)	5Y3598	10:04	13:54
17/03/2019	Chicago (RFD)	Riverside (RIV)	5Y3580	05:15	06:52
16/03/2019	Cincinnati (CVG)	Chicago (RFD)	5Y3063	15:05	15:24
16/03/2019	Houston (IAH)	Cincinnati (CVG)	5Y3048	03:45	06:21
15/03/2019	Riverside (RIV)	Houston (IAH)	5Y3602	19:15	23:58
N1049A					
18/03/2019	Cincinnati (CVG)	Miami (MIA)	5Y3163	14:45	17:11
18/03/2019	Portland (PDX)	Cincinnati (CVG)	5Y3013	00:45	07:36
17/03/2019	Cincinnati (CVG)	Portland (PDX)	5Y3159	15:20	16:50
17/03/2019	Minneapolis (MSP)	Cincinnati (CVG)	5Y3000	05:50	08:01
17/03/2019	Baltimore (BWI)	Minneapolis (MSP)	5Y3500	01:34	03:01
16/03/2019	Tampa (TPA)	Baltimore (BWI)	5Y3533	21:15	23:38
16/03/2019	Cincinnati (CVG)	Tampa (TPA)	5Y3067	12:45	14:57
16/03/2019	Stockton (SCK)	Cincinnati (CVG)	5Y3050	01:30	08:16
15/03/2019	Cincinnati (CVG)	Stockton (SCK)	5Y3049	14:55	16:15
15/03/2019	Stockton (SCK)	Cincinnati (CVG)	5Y3050	01:30	08:29
N1093A					
21/03/2019	Cincinnati (CVG)	Portland (PDX)	5Y3159	15:20	16:32
21/03/2019	Minneapolis (MSP)	Cincinnati (CVG)	5Y3000	05:50	07:44
21/03/2019	Baltimore (BWI)	Minneapolis (MSP)	5Y3500	01:20	03:11
20/03/2019	Tampa (TPA)	Baltimore (BWI)	5Y3533	20:45	23:53
20/03/2019	Cincinnati (CVG)	Ontario (ONT)	5Y3066	—	—
20/03/2019	San Antonio (SKF)	Cincinnati (CVG)	5Y3066	03:15	06:25
19/03/2019	Ontario (ONT)	San Antonio (SKF)	5Y3507	15:00	19:28
19/03/2019	Honolulu (HNL)	Ontario (ONT)	5Y3599	05:00	13:05
18/03/2019	Riverside (RIV)	Honolulu (HNL)	5Y3598	09:49	13:08
17/03/2019	Houston (IAH)	Riverside (RIV)	5Y3659	—	—
17/03/2019	Houston (IAH)	Riverside (RIV)	5Y3659	15:16	16:30
17/03/2019	Miami (MIA)	Houston (IAH)	5Y3518	11:14	13:15
17/03/2019	Ontario (ONT)	Miami (MIA)	5Y3504	01:25	08:30
16/03/2019	Honolulu (HNL)	Ontario (ONT)	5Y3599	14:50	22:46
16/03/2019	Riverside (RIV)	Honolulu (HNL)	5Y3598	09:49	12:57
15/03/2019	Baltimore (BWI)	Riverside (RIV)	5Y3563	04:39	07:56

Source: FlightRadar24, Altitude Aviation Advisory analysis

Trucking / Alternative Airports

22. RSP asserted that the level of trucking activity in the UK was as a result of lack of airport capacity for freighters. PINS challenged RSP on a few occasions as to why alternative airports such as East Midlands were not being utilised, given the trucking distances from the South East to East Midlands are much shorter than cross-channel trucking. No explanation was provided by RSP.

23. The reduction in freighter activity has been a clear trend across the UK, with the exception of the centrally located Midlands region.

    - See Figure 10 (page 25) of the Altitude Aviation January 2018 report (see reference in para 3).

Air Cargo Segments

24. RSP asserted that combination carriers (i.e. airlines which operate both passenger flights and dedicated cargo flights) will play an important role at Manston. SHP commented that Air France/KLM – one of the airlines mentioned by RSP – had been shrinking its freighter operations.

    - This is part of a general trend, summarised in the Altitude Aviation January 2018 report (Section 11.4, page 85, see reference in para 3).

25. RSP also asserted that newer passenger aircraft types have lower freight capacity than older aircraft. With the exception of the A380 (which is being discontinued by Airbus), this is not correct.

    - See paragraphs 140-141 (page 28) in the Altitude Aviation January 2018 report (see reference in para 3).

26. Finally, one of the key factors in the growth in bellyhold is simply that passenger demand is growing more quickly than cargo demand. Therefore, cargo demand is not keeping up with growth in capacity in the bellyhold of passenger aircraft (which is linked to passenger demand rates of growth).

    - See Section 11.3 (page 84) in the Altitude Aviation January 2018 report (reference in para 3).

Previous Manston Track Record

27. RSP asserted that the previous failures at Manston were related to lack of capacity, facilities and investment. SHP highlighted that Wiggins had invested £7m on new aprons and taxiways, increasing the freight capacity to 200,000 tonnes per annum.

    - See paragraphs 313 (page 59) in the Altitude Aviation January 2018 report (ref in para 3).

Agenda Item 6: Existing and future capacity and constraints in the South East and wider UK Airports

Heathrow

28. SHP highlighted that cargo ATMs have been growing at Heathrow in recent years and promised to include the appropriate reference in the written submission. This is provided below.

    - Cargo flights at Heathrow in 2018 were the highest value since 2004.
    - 625 cargo flights added in the last 5 years (2013-18), representing 27% growth (with growth in 4 of those 5 years).

- https://www.caa.co.uk/Data-and-analysis/UK-aviation-market/Airports/Datasets/UK-airport-data/

29. Note. It is not disputed that freighter flights are currently constrained at Heathrow and more freighter operators would, if allowed their preference, operate out Heathrow to benefit from its inherent aviation hub capacity, its existing freight forwarding infrastructure and the large volumes of low cost belly hold connectivity for transhipment. However, there may still be some scope for limited growth before the opening of the third runway, in addition to the trends for increasing average cargo loads per flight.

    - See Figure 13 (page 29) in the Altitude Aviation January 2018 report (ref in para 3).

Summary: Overview of RSP Forecasts

30. Following the Hearing, we put forward the following overarching points in relation to the RSP forecasts.

    Forecast Credentials

    - Azimuth, by their own admission, has almost negligible relevant air freight forecast experience. Given the criticality of these forecasts to the RSP case, it is extremely surprising a more experienced forecaster was not retained.
    - Northpoint Aviation Services has provided peer reviewing to the forecasts. Its aviation experience seems to be focussed on peripheral regions and public sector airports rather than the core freight issue being considered. It is not clear whether the company has direct experience of airport traffic/freight forecasts for commercial clients.
    - In contrast, the Altitude Aviation team has undertaken traffic forecasts covering well over 100 different airports worldwide.

Link to Business Plan

31. It emerged during the Hearing that RSP's business plan and traffic forecasts were not integrated. This is a critical shortfall. The volume forecasts are meaningless unless linked to a pricing strategy - especially for such a price sensitive market as air cargo.

32. As summarised elsewhere (in the oral submissions from Seamus Kealey (Altitude Aviation) at the Compulsory Acquisition hearing), the average aeronautical revenue per work load unit is very high compared to peer airports. Altitude Aviation consider RSP's volume forecasts to be unrealistic even if zero airport charges were applied (i.e. operators were not charged to use the airport). However, their forecasts are even less credible in the light of what are apparent high airport charges with no identified allowances for start-up incentives being paid to attract and retain operators.

33. There is also an underlying logical flaw in RSP's reasoning. RSP/Azimuth assert on many occasions that cargo is less valuable to airports than passenger services, and therefore airports prioritise passenger flights (even low-cost carrier flights) in preference.

    - For example, "…cargo flight timings are likely to be impacted severely since the airport [Stansted] will prioritise servicing Ryanair."

- See paragraph 5.1.7 (page 25) of Azimuth Volume I, July 2018 (reference in para 3).

34. However, the limited "business plan" forecasts for Manston show aeronautical revenue and EBITDA levels much higher (on a unit basis) than airports with more focus on passenger operations (i.e. RSP are showing Manston as being more profitable that passenger focussed airports). This further undermines the credibility of the RSP projections.

    - See Appendix CA.10.1 to Written summary of SHP's oral submissions put at the CA hearing.

Consistency of Forecasts

35. The introduction of a hypothetical new e-commerce airline into the forecasts (and the removal of a traditional integrator operating night flights) is a fundamental change. It is very surprising that this has not led to any changes in tonnage, movements, fleet mix, environmental statement etc. compared to the original forecasts in Azimuth's work from 2017 when e-commerce airlines were not included.

36. For example, the integrator movements assumed in the Azimuth report are in no way compatible with an import-based e-commerce airline model. Azimuth assumes:

    - "Integrator movements – 100% outbound with a backload (import) calculation of 20% included in Years 2 and 3, rising by an additional 5% every two years."
    - "Integrator feeders – 100% inbound (import) traffic with 10% backload possibility added to Year 5, 15% to Year 9, and 20% thereafter."
    - See paragraph 3.2.3 (page 14) of Azimuth Volume III, July 2018 (ref in para 3).

37. This implies that local feeder services will transport freight to Manston for consolidation onto an outbound flight. In contrast, an e-commerce airline would be likely to fly imports into the UK airport before distributing them on local feeder flights. As previously discussed, a more central UK location is much more credible as a potential base for such flights.

38. The indicative aircraft fleet developed by Azimuth (and any environmental assessment of its impact) is meaningless unless it is properly based on realistic airline assumptions, and the aircraft which are operated by (or likely to be operated by) airlines assumed.

Review of Manston Forecasts in Context of Achieved Traffic at Other Airports

39. As context to the freight forecasts at Manston, overall tonnage at UK airports has grown by less than CAGR 1% since 2000. While there was relatively strong growth in 2017, tonnage declined slightly in 2018.

40. Freighter flights at UK airports have fallen by ca. 56,000 movements since 2000 (approximately halving). The overall trend has stabilised in the last 5 years (reduction of ca. 2,600), but nevertheless only 3 airports have added 500+ flights in this time (Birmingham, East Midlands and Heathrow). Most have continued to shrink despite available and used airport capacity.

41. Some of the key aspects of the RSP forecasts are summarised below:

    - 1st year of reopening: ca. 96,500 tonnes.
        - More than twice Manston previous peak volume in period 1990 to its closure in 2014.

- Year 20: ca. 341,000 tonnes.
    - Higher than 2018 throughput at UK's largest dedicated freighter hub (East Midlands, 334.5k tonnes).
    - Only 13 EU airports with higher tonnages in 2017, all but one of which are either major passenger or integrator hubs (Luxembourg being the exception, which is the operating base of Cargolux and enjoys central location in Europe).
    - Forecast tonnage at Manston in Year 20 is more than entire growth of UK freight from 2000 to 2018 (ca. 305,000 tonnes).
- Year 20: ca. 17,000 cargo flights.
    - Only 6 EU airports with higher cargo ATMs in 2017, all of which are either a major passenger hub (Paris CDG, Frankfurt) or integrator hub with 24-hour operations (Leipzig, Cologne, East Midlands, Liege).

42. The RSP forecasts would require remarkable levels of growth from a standing start in what has been a largely flat market, and would be in complete contrast to historic track record. The airport RSP envisage Manston would become would be totally unique in Europe in achieving these levels of cargo flights without being either a major passenger hub or an integrator hub with 24 hour operations.

43. Note. Sources for analysis above are the Azimuth forecasts, UK CAA statistics and Eurostat statistics.

<u>Review of Manston Prospects</u>

44. For the following reasons, there is no realistic prospect of significant cargo activity at a reopened Manston Airport:

- Supply Side (capacity at UK airports)
    - There is no shortage of airport capacity for freight in the UK currently, or envisaged to be over the next 20-30 years with planned expansions.
    - It is very important not to conflate lack of freighter capacity at a single established national hub airport (Heathrow) with the general UK situation.
    - Similarly, it is very important to distinguish between freighter capacity provided by cargo airlines (depends on routes and frequencies that are economically viable to operate) and airport capacity for freighter flights.
    - The vast majority of airports in the UK have the capability to handle more freighter flights than currently - if the demand was there. The suggestion that lack of airport capacity is reason for decline in freighter activity ignores evidence that freighter activity has fallen across a wide range of unconstrained UK airports.
- Demand side – location
    - To maximise the size of the potential market, major freight airports are positioned in the centre of a wide catchment, with truck feeder services arriving from all directions (spokes to the hub).
    - Freight is less time sensitive than passengers, and truck feeder routes of up to 10 hours are not uncommon.
    - Due to its island status, the UK is not a suitable location for a pan-European freighter hub.

- Manston in particular has a poor location within the UK. It is on a peninsula, with no catchment to the East or North and isolated from much of the South East due to the need to circumnavigate London.
- In contrast, airports such as East Midlands are more centrally located to serve the whole of the England and Wales. East Midlands is integrated into the national motorway network, and in close proximity to much of the UK's distribution centre warehousing.

- Demand side – night flight ban
  - Lack of night flight capability is a major competitive disadvantage for general cargo (as well as for integrator operations).
  - It constrains flexibility of airlines (e.g. slot times at other end of route, efficient aircraft utilisation i.e. planes would have to sit idle overnight before they could come back into service). For example, 60% of scheduled cargo flights (i.e. not integrator) at Leipzig are between the hours of 2300 and 0600, whereas the figure for Liege is 40%.
  - There are very few examples of significant cargo focussed airports in Europe without 24-hour operations.

45. SHP's aviation advisers conclude there is no role for Manston as an overflow or reliever airport, while the airport has some fatal structural disadvantages that will limit its role to that of a niche cargo operator. In other words, it will not be able to play a larger role than it did when previously open, and as before will not be financially viable as a result.

APPENDIX NOPS.11.1

REALISTIC CONSTRUCTION PROGRAMME

The Construction programme set out in paragraph 5.2.1 of Volume 1 of the ES, assumed construction starts in Q3 2019 with the airport being operational in Q4 2020.

At the ISH on Need and Operations the Applicant confirmed the programme had slipped but that it still expected to commence construction in Q1 2021 and open in Q1 2022. A more realistic indicative programme is set out below, however as this ignores delays caused in relation to finalising funding and other material risks and impediments, it is unclear how any realistic programme could envisage at an opening date ahead of 2024/25.

There could be an opportunity to progress some of the detailed design and other works that are not reliant on surveys being undertaken, however the scope for accelerating the opening would appear limited. Indeed, the greater risk would appear to be on the downside. For example, how could the Applicant have any certainty over the viability and deliverability of its projects when it is unable to even put a range on what the phase 1 construction costs would be. Whilst a figure of £186m has been put forward by the Applicant in its Deadline 3 submission. This is a dramatic increase on the £100m referred to in the Funding Statement, and must have an impact on the construction timetable. RSP director George Yerrall confirmed at the ISH on CA that the £186m was not even a firm estimate and that the costs could change materially once ground surveys are undertaken. When asked by the EXA to give an indication of how much the costs could deviate, George Yerrall replied that he could not. It is unclear how the Applicant could secure funding commitments until the costs are known.

Based on the programme in the ES, the Applicant appears to believe that the grant of a DCO would allow them to immediately commence construction works. No allowance has been provided in the programme for any of the pre-construction matters outlined in the indicative programme below, none of which can be avoided.

This is consistent with the Applicant's approach to the DCO, where it appears to have done as little as it thinks it can get away with, whilst continually glossing over any issues or impediments to its project. For the sake of fairness to the Examining Authority and the interested parties, including SHP, we consider it essential that the Applicant is requested to provide a realistic programme from grant of DCO through to delivery of an operational airport.

Start	End	Phase	Comments
09/01/2019	09/01/2020	DCO Decision	In line with recent precedent, any decision by the SoS to grant the DCO would be unlikely to occur before January 2020.
09/01/2020	31/12/2020	JR Period	Where judicial review of a decision has been sought, recent cases have taken c.9 months (without appeals). However, given complexity and number of matters on which SHP would reasonably be able to seek a JR, this is unlikely to be settled within 12 months. (There would be scope for appeal beyond that, which could add significant time period of another 12 months, however this has been ignored). This would also coincide with the end of the current Special Development Order at the end of 2020.

			However, given the Brexit situation and general need for the site even before the Brexit referendum (for transport resilience purposes), there could be no certainty that the Operation Stack arrangements would not be extended beyond the end of 2020, as it has been on 3 separate occasions since 2015. The Manston site is considered by Government to be the only current option of its sort.
01/01/2021	30/06/2021	Land acquisition	RSP would need to follow the process for land acquisition, which would take at least 6 months.
01/07/2021	30/06/2022	Pre-construction phase 1	Prior to commencement of the development, RSP would need to undertake the surveys (e.g. archaeological surveys etc) and detailed design and planning and other requirements that would be set out in the DCO requirements. In view of the need for surveys, detailed planning, consultation with numerous statutory bodies, mitigation and complex traffic works, this overall phase realistically would take a minimum of c.12 months, even for an experienced, well-resourced firm (something that cannot be said for RSP). As Gorge Yerrall noted in his evidence, costs could not be determined until this stage.
01/07/2022	30/09/2022	Contracting	Completion of contractor appointments (post tendering process), and other licensing, permits etc.
31/09/2022	30/06/2024	Construction Phase	The 15 month forecast by the Applicant would appear optimistic for an infrastructure project of this scale. A further 6 months has been allowed, which is still considered optimistic.
01/07/2024	30/09/2024		Post practical completion testing, finalising CAA certification processes to ensure the airport would be safe for operations.
Q4 2024			Best case opening day. This programme assumes there are no delays caused by funding, additional groundworks and /or replanning as a result of survey work, planning, construction issues or other impediments such as CAA Airspace Change or Certification processes and /or other material issues such as DIO HRDF Beacon relocation.