

# Manston Airport Air Freight Hub

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

Applicant's Redetermination Submission as requested by the Secretary of State

Appendix 3

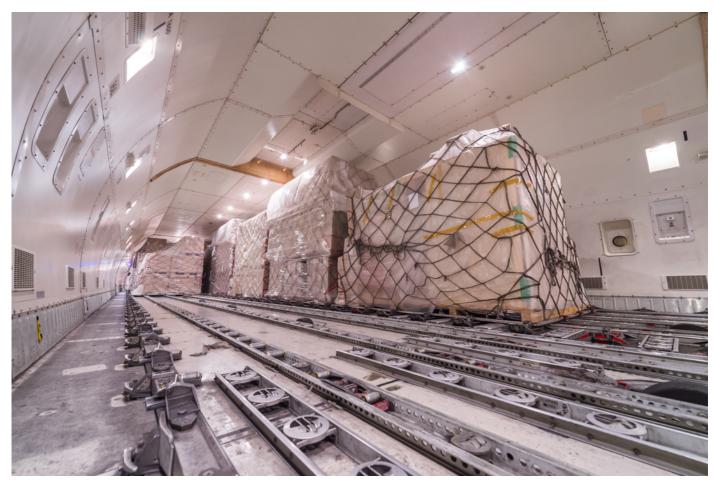
**Project:** Manston Airport Development Consent Order **Document Ref:** TR020002/RED2/SoSReq/APP3

Redetermination Deadline Date: 3 December 2021

#### Putzger perspective: Freighter options

30 / 07 / 2021

By Damian Brett



Credit: Shutterstock

Shippers are desperate for capacity to make sure their goods get to market. Disruptions and equipment shortages have resulted in billions of dollars in lost business.

In the US a growing number of shippers are considering a return to proprietary truck fleets.

DIY equipment and materials retail giant Home Depot has even contracted its dedicated container ship to ensure it has sufficient capacity.

Vietnamese retail firm Imex Pan Pacific Group is bent on going even further. It aims to have its own cargo airline next year

The plan calls for a fleet of five planes in the first year, growing to seven and ten over the following two years.

Freighter conversion outfits are running flat out and still have to turn business away. The head of sales of one of them was already halfway through his 2022 sales target this past June.

Airlines that had zero interest in all-cargo operations now see a case for running freighters.

Canadian low-cost passenger airline WestJet revealed in late June that it decided to acquire four converted B737-800 freighters to feast on e-commerce business beginning in the second quarter of next year.

It joins a lengthening list of unlikely freighter operators, such as leisure airline Sun Country, which has been flying B737-800s for Amazon, and regional carrier Mesa Airlines, which flies B737-400Fs for DHL.

These developments indicate a frothy exuberance about the air cargo business. At this point it seems that anything capable of flying cargo would fill up in no time, and this is not going to change this year.

The recovery of passenger flying has been slower than hoped for, and the lag has been especially pronounced in international widebody flights, which have accounted for the lion's share of the belly cargo that traditionally made up close to 50% of overall capacity.

According to McKinsey, global cargo capacity will remain maxed out through next year. Meanwhile, demand is expected to remain voracious.

E-commerce continues to expand, gobbling up plenty of space in cargo holds, and the worsening problems in container shipping — with congestion spilling from ports to inland rail hubs, playing out at eye-watering rate levels — make airfreight attractive, if not an outright necessity for many shippers.

In this cyclical business, the next downturn will come, but investment in some older converted freighters looks tempting. Buying new widebody freighters requires a different outlook, though.

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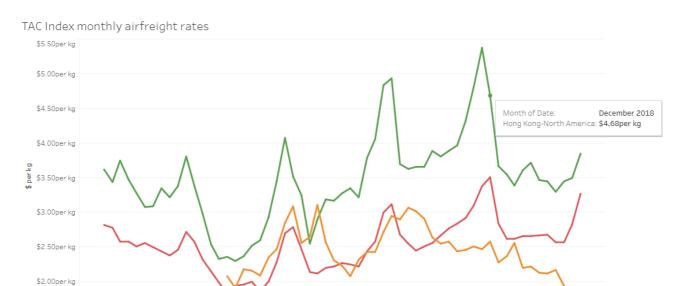


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Air cargo routes
Frankfurt-North America
Hong Kong-Europe
Hong Kong-North America

2016

\$1.50per kg

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2019

2018

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2020

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2017



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#### Rates stable in July but elevated prices expected into 2022

30 / 07 / 2021

By Damian Brett



Image: Shutterstock

Airfreight prices on major east-west trade lanes remained stable in July — albeit at a high level — and expectations are that pricing will remain elevated this year.

The latest figures from the Baltic Exchange Air Freight Index (BAI) show that in July average airfreight rates from Hong Kong to North America were static compared with a month earlier at \$7.90 per kg and up 59.3% year on year.

From Hong Kong to Europe there was a small \$0.24 increase on June to \$4.58 per kg, while compared with a year ago prices are up 44.5%.

And from Frankfurt to North America average prices in July were flat compared with the previous month at \$4.10 per kg but they increased 9.9% compared with last year.

The settling of prices over the summer months is to be expected as demand tends to slow ahead of the third-quarter peak season.

However, prices remain far above pre-pandemic levels: In July 2019 average Hong Kong to North America prices stood at \$3.44 per kg and from Hong Kong to Europe the average price two years ago stood at \$2.67 per kg.

And expectations are that a return to pre-covid pricing levels is not likely this year as it seems increasingly unlikely that belly capacity will return to previous levels any time soon.

Writing in the Baltic Exchange monthly market summary, Bruce Chan, vice president of global logistics at investment bank Stifel, said that as well as a lack of belly capacity, ocean shipping supply chain disruption and heightened air cargo demand would also help push up prices.

He said: "Does a protracted return of long-haul belly capacity mean that rates will stay high until next year? We think yes.

"And we think rates have another leg up as we move into back-to-school season. Recall that there was no back-to-school season in 2020; retailer inventories remain near historic lows, ocean capacity remains under pressure, and port terminal bottlenecks and trucking shortages are increasing hinterland lead times.

"These factors will be slow to unwind, in our view, and leave precious few alternatives to airfreight for shippers in need, especially if we see a quarter four peak."

After announcing its latest quarterly results, Kuehne+Nagel (K+N) said that it also expects airfreight capacity shortages to last into next year.

The forwarder's chief executive Detlef Trefzger said that Asian exports continued to grow strongly while passenger belly capacity was short of previous levels.

He doesn't expect a return of belly capacity to previous levels globally until 2023 or 2024.

K+N would therefore utilise charters and block space to meet demand.

FedEx also indicated it is not expecting a full recovery in air cargo capacity until 2024

The express giant said that trade volumes have surpassed pre-pandemic levels and are on course for the fastest year of growth in over a decade.

It said that global air cargo capacity remained down 10% year-on-year in April as a result of lower bellyhold capacity.

FedEx expects air cargo capacity to remain constrained at least in the first half year and capacity recovery to be slow and possibly episodic. A full recovery is not anticipated until 2024.

The company also believes that "favourable" pricing internationally should continue through fiscal year 2022.

Peter Stallion, head of air and containers, Freight Investor Services, added that the return of belly capacity could also result in rates see-sawing.

"As rates come off – and passenger-freighters become less viable – we may also see another rebound in rates as capacity goes offline, and then comes back online, as demand and prices recover," he explained.

Frankfurt-N America

Baltic Exchange Air Freight Index (BAI) powered by TAC Data

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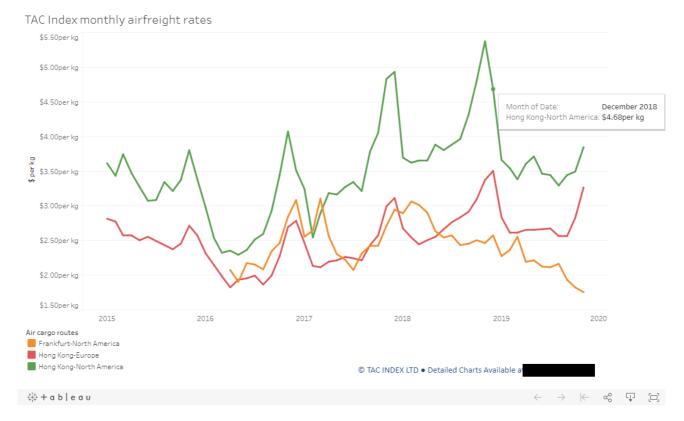


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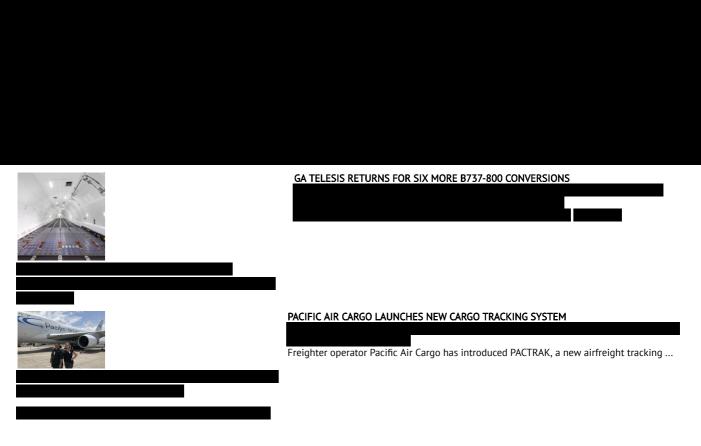


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# How E-Commerce Is Fueling Air Cargo Growth

August 03, 2021



EFW, based in Dresden, Germany, is expanding its conversion capacity. Credit: Elbe Flugzeugwerke

This is an abbreviated version of the AW&ST article - <u>E-Commerce Fuels Air Cargo Growth</u>

While the aviation industry is still struggling with the fallout from the COVID-19 pandemic, the air cargo sector is benefiting from strong demand, in particular from the e-commerce segment.

An online shopping boom—already underway before the pandemic—is still fueling demand for air cargo. Operators are taking steps to ensure they can make the most of that demand, even as they face the ongoing obstacle of limited capacity. Many passenger flights (and therefore much belly capacity) are still out of action.

#### Read the full article to learn more about the 25.7% surge in 2020 to \$4.213 trillion

Highlighting the importance of the e-commerce sector, DHL recently launched a new brand campaign aiming to highlight its expertise in that segment. "E-commerce trade has become increasingly established and an important area of economic growth over the last decades," DHL says. "This development has been greatly amplified by the pandemic and companies of all shapes and sizes need to be able to cope with the ever-growing digitally driven demand." The company notes that its logistics processes would help customers "keep up with the clicks."

Deutsche Post DHL Group released preliminary second-quarter results July 7 that show an increase in earnings and also raise its earnings outlook. "The second quarter proved once again that global trade volume continues to recover, and the e-commerce boom is sustainable—and we benefit strongly from both," Frank Appel, CEO of the group, said.

#### Read more about Lufthansa Cargo and its commitment to making the most of the e-commerce boom

Lufthansa Cargo itself is adapting to growth through fleet adjustments. Citing growth in cross-border e-commerce shipments at around 20% per year for the next five years, the airline said July 7 that it plans to operate two Airbus A321 aircraft permanently converted into freighters to allow for the use of standardized cargo pallets on the main deck starting in early 2022. The two aircraft will be operated on Lufthansa Cargo's behalf by Lufthansa CityLine and will be based in Frankfurt.

Dresden, Germany-based Airbus conversion specialist Elbe Flugzeug-werke (EFW), which counts DHL among its customers for the Airbus A330P2F, is experiencing high demand for conversion slots, driven in large part by e-commerce. That demand is outstripping supply capacity.

"Even before COVID, the growth outlook for air cargo was 4-5%, and a big part of that was driven by e-commerce," says Gilbert Birke, vice president of Airbus freighter conversion sales at EFW. "Due to COVID, this has been strengthened, and even if COVID is over, people will continue to buy online."

#### Find out why the A320P2F and A321P2F programs in particular are likely to be popular with operators

Boeing, for its part, expects a 60% increase in the world freighter fleet over the next 20 years, driven by the rise in e-commerce demand for consumer goods as well as general freight needs.

The aircraft-maker announced a firm order for 12 additional 737-800 Boeing Converted Freighters (BCF) from lessor BBAM Aircraft Leasing & Management July 12.

#### Read the full article to discover Boeing's forecast for freighter conversions

Data for June released by the International Air Transport Association (IATA) show that global air cargo demand measured in cargo ton kilometers (CTK) continued its strong growth trend with a 9.9% improvement on pre-COVID-19 performance in June 2019. Air cargo growth reached 8% in the first half of the year, its strongest first-half performance since 2017, when the industry grew by 10.2% year--over-year.

Overall capacity, measured in available cargo ton kilometers (ACTK), remained constrained at 10.8% below June 2019 levels due to the ongoing grounding of passenger aircraft. Belly capacity was down 38.9% compared with June 2019 levels, partially offset by a 29.7% increase in dedicated freighter capacity, IATA says.

Read the full AW&ST article by Helen Massy-Beresford - E-Commerce Fuels Air Cargo Growth

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28 / 07 / 2021

By Damian Brett



Credit: Shutterstock

Congestion and capacity shortages in air cargo are expected to continue as the industry deals with the impact of ocean shipping chaos, heightened demand and lost belly capacity, according to Expeditors senior vice president of global air Kelly Blacker.

Speaking on a company podcast, Blacker described the freight market as an eco-system with issues in one mode of transport having a knock-on effect in other modes.

The ongoing issues in ocean shipping — with container shortages, port congestion, delays and record prices — was pushing demand over to airfreight.

"The bulk of our consumers goods move ocean," said Blacker. "So when you have the capacity situation that we have and demand that we're seeing in ocean, the ocean market is not having the containers in the right place, not being able to get loaded, not being able to get your containers, then all of those other industries shift over into air as well.

"Your general goods, whatever it might be. Automotive, home goods, everything might shift over into air so we see that conversion. The challenge is very small amount of ocean has a big impact on air in terms of total capacity."

She said that higher prices in ocean shipping were also helping make air a more attractive option.

According to IATA, the average cost of air cargo in May was six times more expensive than seafreight, compared with 12 times more expensive pre-crisis

Figures from Freightos show that ocean rates from China to the US west coast in the first week of July stood at \$6,533 per 40ft unit, a 151% increase on a year ago. From China to the US east coast prices were up 209% at \$10,30 per 40ft unit.

Blacker said that another issues faced by air cargo is airports suffering with congestion as airlines consolidate services at the main hubs, which in turn concentrates cargo volumes at these locations.

"We're seeing some significant congestion in the US traditional gateway locations," she said. "There's just too much cargo. It starts with the airline ground handlers and trying to unload the aircraft and get that turned around and make it available for us.

"They can't handle it as well, they don't have the capacity, warehouse capacity to turn it quickly. Labor is also an issue. Equipment is also an issue in terms of forklifts and things like that to get the cargo mode. Then it compounds into the container freight station operations, same issue, lack of warehouse capacity and labor and just being able to do that throughput."

On the return of bellyhold capacity, expectations are that it will not return to pre-pandemic levels until 2024, which means constrained cargo capacity until then, she said.

And demand levels are expected to remain high: "People are ordering, demand is not going down, inventory to sales ratios are historic lows. [The Purchasing Managers Index] is still very high.

"There's all these indicators that show that that demand is going to continue and [shippers] are under a lot of pressure to get the goods in and try to get them back on the shelf."

Blacker is not the only person to predict ongoing capacity constraints in air cargo.

After announcing its latest quarterly results, Kuehne+Nagel (K+N) said that it also expects airfreight capacity shortages to last into next year.

The forwarder's chief executive Detlef Trefzger said that Asian exports continued to grow strongly while passenger belly capacity was short of previous levels.

He doesn't expect a return of belly capacity to previous levels globally until 2023 or 2024.

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FedEx also indicated it is not expecting a full recovery in air cargo capacity until 2024

The express giant said that trade volumes have surpassed pre-pandemic levels and are on course for the fastest year of growth in over a decade.

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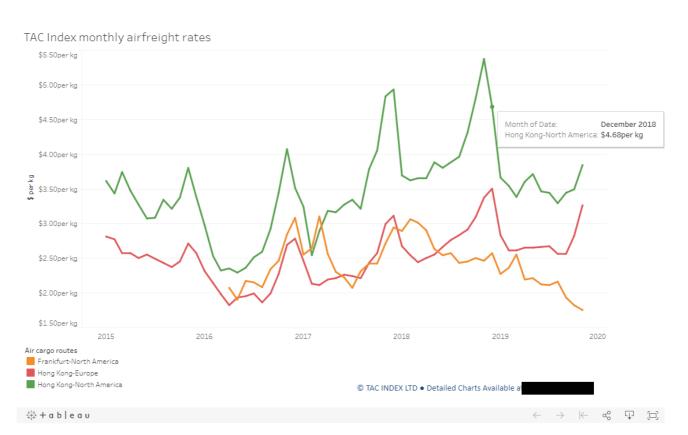


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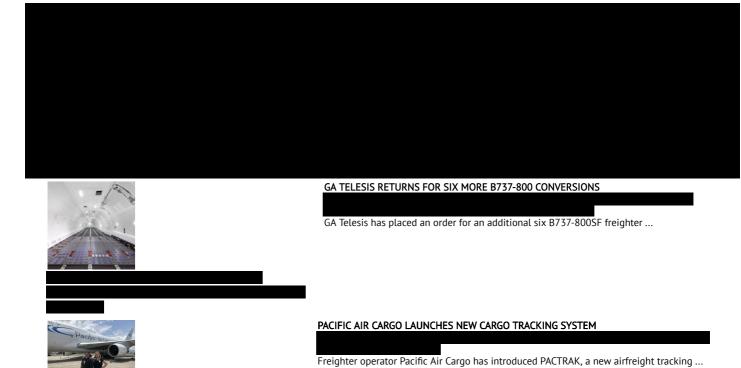


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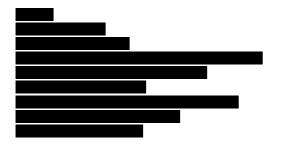
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#### UK's Southend Airport reduces night-time cargo flights

09/06/2020

By Damian Brett



Southend Airport in the UK has reduced the number of cargo flights it handles each night following a campaign from the local community concerned about noise levels.

Until now, the airport had been handling two freighter arrivals and one freighter departure each night, which were believed to be carried out on behalf of Amazon.

However, councillor Daniel Cowan said that after an agreement was reached between campaigners, the airport and its "logistics partner" would no longer fly between 12.30am and 06.30am.

"This is a real victory for all concerned as it supports the airport's commercial partnership whilst also offering a longer period of uninterrupted sleep for those residents who have long been disturbed," Cowan said.

"It is important to note that this is a voluntary agreement between the airport and their commercial partner and the Section 106 agreement has not been changed."

According to Flight Radar, an ASL Airlines Ireland B737-400 freighter has been making regular calls at Southend Airport over the past week, operating between the UK airport and Rome, Madrid and Milan.

The flights started on October 11 as part of a two-year contract and have been operating seven days per week. To cater for the cargo, an existing hangar has been converted for the new logistics operator on the north of the airfield.

When the deal was first announced, Stobart Group, which operates the airport, said: "Stobart Group, the aviation, energy and civil engineering group, is pleased to announce it has signed an agreement with a global logistics customer to provide facilities and expertise to support the import and export of goods at London Southend Airport.

"The initial two-year agreement will see Stobart Group provide runway access and import/export facilities by converting existing hangarage on the north side of the runway, away from the south side based commercial passenger operations."

Reports suggest the parcels are taken from the airport to Amazon distribution hubs in Basildon and Tilbury.

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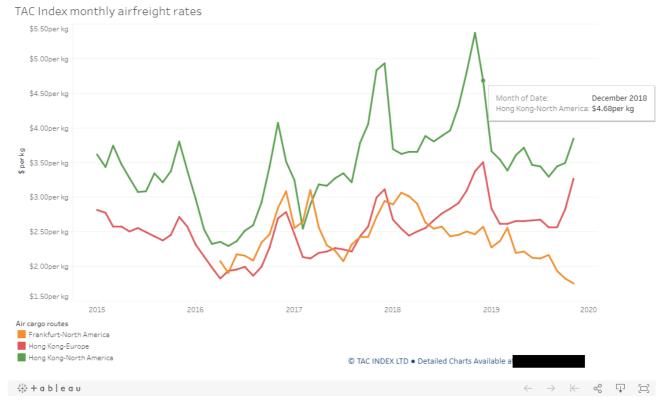


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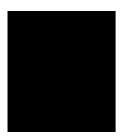


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