Department for Transport

Manston Airport Assessor's Report

31 May 2022

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Abbreviation	Definition
ANPS	Airports National Policy Statement, *New runway capacity and infrastructure at airports in the South East of England*
ASA	Alan Stratford and Associates Limited
ATM	Air Transport Movements
CAA	Civil Aviation Authority
CATM	Cargo Air Transport Movements
CAGR	Compound annual growth rate
CCC	Climate Change Committee
CFC	Customer Fulfilment Centres
CILT	Chartered Institute of Logistics and Transport
CO_2	Carbon Dioxide
CTK	Cargo Tonne Kilometres
DCO	Development Consent Order
DfT	Department for Transport
EMA	East Midlands Airport
E.R.	Reference to text copied from the Examining Authority's Report of Findings and Conclusions and Recommendation to the Secretary of State for Transport (18 October 2019)
ExA	Examining Authority
ExA Report	Examining Authority's Report of Findings and Conclusions and Recommendation to the Secretary of State for Transport (18 October 2019)
GDP	Gross Domestic Product
HGV	Heavy Goods Vehicle
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
IP's	Interested Parties
MAG	Manchester Airports Group
NOx	Nitrogen Oxide
NDC	National Distribution Centres
OECD	Organisation for Economic Co-operation and Development
SAATM	Single African Air Transport Market
SMA	Save Manston Airport
SoM	Statement of Matters
TDC	Thanet District Council

1 Introduction

1.1 Introduction to the Application

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

1.2 Application Process

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

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

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

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

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

Following this an appeal to the High Court was lodged against the decision to approve the Application by local resident Jennifer Dawes. The DfT consented to judgment on the basis that the decision letter did not give adequate reasons to enable the reader to understand why the Secretary of State disagreed with the ExA's Report on the issue of need for the Proposed Development. Following an Order of the High Court made on 15 February 2021 the decision of the Secretary of State dated 9 July 2020 to grant the application for the Proposed Development was quashed.

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

The Secretary of State's decision was quashed and as such the contents of the decision notice, which has been rescinded and removed from the Planning Inspectorate's website, are not considered or referenced in this report.

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

1.3 Scope of this report

The scope of this Assessor's Report is confined to the *need case* which relates to the aviation demand for the services which the Proposed Development would provide.

Other factors will be important considerations for the Secretary of State in weighing up the benefits and adverse impacts of the Proposed Development. Several representations received in both rounds of consultation have provided information on such considerations. These are outside the scope of this report and will be for the Secretary of State to consider.

The Examination included an assessment of the need case for the Proposed Development, and this is reported in the ExA Report. Having reviewed the relevant submissions to the Examination, including those from the Applicant and other interested parties, along with the ExA's Report to the Secretary of State, the Independent Assessor agrees with the conclusions reached by the ExA with respect to the need for the Proposed Development based on the information available at the time of Examination. The purpose of this assessment is therefore to test whether there have been any material changes since the publication of the ExA Report which would affect its conclusions in respect of the need case, including in particular policy, demand and/or capacity.

1.4 Structure of this report

The remainder of this report is structured as follows:

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

2 Redetermination Process

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

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

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

In summary, the Azimuth Report set out the vision for the re-opened Manston Airport as a specialist airport hub handling dedicated freighter[4] air freight services and associated land-based logistics activities. The rationale for this vision, as set out in the Azimuth Report, is summarised as follows:

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

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

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

[2] Department for Transport, (June 2018). Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England.
[3] RiverOak Strategic Partners (July 2018). 7.4 Azimuth Report (TR020002/APP/7.4).
[4] Large aircraft designed primarily to carry cargo, though some sections of the aircraft may also include passenger accommodation.

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

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

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

2.2 First Round of Consultation

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

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

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

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

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

2.3 Second Round of Consultation

The Independent Assessor carefully considered all relevant representations received during the First Round of Consultation and drafted a report on the need case based on this information. The Draft Assessor's Report was published for six weeks consultation from 21 October 2021 to 3 December 2021 ("the Second Round of Consultation"). As part of this Second Round of Consultation the Secretary of State invited the Applicant and any interested party to submit further representations on the following:

- The Draft Assessor's Report;
- In response to the representations received during the First Round of Consultation; and

- Whether the publication of the *"Decarbonising transport: a better, greener Britain"* and the "*Jet Zero consultation: a consultation in our strategy for net zero aviation"* results in any change in whether the Development would be consistent with the requirements of national policies.

All relevant information submitted during the Second Round of Consultation in response to these points has been considered in the drafting of this report.

In addition, the Secretary of State made specific requests to the Applicant for information related to the representations submitted during the First Round of Consultation by Network Rail, the Ministry of Defence, Natural England and Kent County Council. The Secretary of State also requested an updated Book of Reference. These matters are not considered to be of relevance to the need case.

2.4 Approach to this Independent Assessment

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

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

3 The Proposed Development and the Site

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

In summary the Proposed Development includes:

- The upgrade of Runway 10/28 and re-alignment of the parallel taxiway to provide European Aviation Safety Agency compliant clearances for runway operations;
- Construction of 19 European Aviation Safety Agency compliant Code E stands for air freight aircraft with markings capable of handling Code D and F aircraft in different configurations;
- Installation of new high mast lighting for aprons and stands;
- Construction of 6,500m² of cargo facilities;
- Construction of a new air traffic control tower;
- Construction of a new airport fuel farm;
- Construction of a new airport rescue and firefighting service station;
- Development of the Northern Grass Area for airport-related businesses;
- Highway improvement works;
- Extension of passenger service facilities including an apron extension to accommodate an additional aircraft stand and increasing the current terminal size;
- An aircraft maintenance, repair and overhaul facility and end-of-life recycling facilities;
- A flight training school;
- A fixed base operation for executive travel; and
- Business facilities for aviation-related organisations.

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

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

The Application proposed that the DCO might be granted in Quarter 3 of 2019, with opening of the airport in Quarter 4 of 2020. The determination period is roughly three years behind that anticipated at the time of submission, and the full reopening date is therefore assumed to be delayed by approximately three years.

4 Policy

4.1 Introduction

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

4.2 National Policy

Airports National Policy Statement

At the time of the Examination and the publication of the ExA Report, the ANPS was in effect. However as covered in Section 2.1.1 the ANPS does not provide the primary basis for the determination of the application to reopen and develop Manston Airport. The ANPS states at that: *"The Airports NPS provides the primary basis for decision making on development consent applications for a Northwest Runway at Heathrow Airport, and will be an important and relevant consideration in respect of applications for new runway capacity and other airport infrastructure in London and the South East of England."* (p*aragraph 1.12)*

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

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

Since the Examination the DfT has received a number of requests to review the ANPS, in 2021 the SoS published a letter indicating that the ANPS would not be reviewed at this time[5].

Aviation Strategy

The Government's Aviation Strategy comprises several documents which were considered during the Examination, these included:

- Aviation 2050 — the future of UK aviation: A Consultation[6];

[5] Department for Transport, (6 September 2021). Letter: Decision on requests to review the Airports National Policy Statement under the Planning Act 2008.
[6] HM Government, (December 2018). Aviation 2050 — the future of UK aviation: A Consultation (and supplementary reports).

- Beyond the horizon. The future of UK aviation - Making best use of existing runways (MBU)[7]; and
- Beyond the horizon, the future of UK aviation[8].

There has been no change to the status of these documents since the Examination, however the MBU document in particular has been used in the decision on Stansted Airport, and the extent to which that affects the Manston need case is considered below.

As part of the Second Round of Consultation the Applicant[9] and Save Manston Airport (SMA)[10] reference MBU to suggest there is no requirement to consider the need case in the redetermination of the Manston application because making best use of runways in the South East remains Government policy. The Appeal Decision on Stansted Airport is put forward as evidence of this view.

In referencing why the need case does not need to be demonstrated for Stansted Airport, the Stansted Appeal Decision includes a footnote setting out why this is not the case for Manston. The relevant paragraph from the Appeal Decision reads:

There is no requirement flowing from national aviation policy for individual planning applications for development at MBU airports, such as Stansted, to demonstrate need[6] for their proposed development or for associated additional flights and passenger movements. (Paragraph 17, Planning Inspectorate Appeal Decision, London Stansted Airport, APP/C1570/W/20/3256619)

Footnote 6 of the Appeal Decision reads: *Notwithstanding conclusions in relation to Manston Airport, which is not comparable to the current proposal (being a Development Consent Order scheme, involved an unused airfield and was a cargo-led proposal rather than passenger).* (Footnote 6, Planning Inspectorate Appeal Decision, London Stansted Airport, APP/C1570/W/20/3256619)

The Stansted appeal decision does not alter the requirement for the need case for Manston to be demonstrated. Furthermore, there is no evidence to suggest that the Aviation Strategy was incorrectly considered by the ExA at the time of the Examination.

General Aviation Roadmap

The General Aviation Roadmap, published Spring 2021[11], sets out the Government's vision for the General Aviation sector to *"Make the UK seen to be the best place in the world for General Aviation"*. The road map sets out high

[7] HM Government, (June 2018). Aviation Strategy: Making best use of existing runways,
[8] HM Government, (April 2018). Aviation Strategy. Beyond the Horizon: The future of UK aviation. Next steps towards an Aviation Strategy.
[9] Microsoft Word - Collated Arup Report response - 02.12.21.DOCX (planninginspectorate.gov.uk)
[10] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-006094-219%20-%20SMAa.pdf and other submissions
[11] Department for Transport, (Spring 2021), General Aviation Roadmap.

level aims in respect of policy and governance, regulation and safety, airfield protection, airspace reform and skills and STEM. The document does not comment on the expansion of infrastructure for general aviation, although it does include a future activity to develop planning guidance to protect airfields. At a strategic level the Proposed Development could be considered to support the achievement of the vision the be the best place in the world for aviation, although the document does not contain policies of direct relevance to the redetermination of the Application.

Transport Decarbonisation Plan and Jet Zero Consultation

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

- Decarbonising Transport – A Better, Greener Britain[12]; and
- Jet Zero Consultation – A consultation on our Strategy for net zero aviation[13]

Compliance with policy and environmental considerations, such as potential climate change impact, are outside the scope of this report. However the Jet Zero consultation has the potential to moderate growth and is therefore considered in respect of its potential impact on the need case.

Transport Decarbonisation Plan

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

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

There are no commitments specific to air freight.

Jet Zero Consultation

The Jet Zero consultation period ran from 14 July until 8 September 2021. The overall carbon target for aviation expressed in the Jet Zero consultation document remains the 2050 net zero target, however the document sets out an interim trajectory for gross carbon emissions from aviation (based on a 'high ambition' scenario). Since these targets are expressed at the sector level, the policy position if the Strategy is confirmed would appear likely to remain broadly as it was at the

[12] Department for Transport, (2021). Decarbonising Transport A Better, Greener Britain.
[13] Department for Transport, (2021). Jet Zero Consultation, A consultation on our strategy for net zero aviation.

time of the Examination in relation to carbon emissions from airport expansion proposals, with individual promoters needing to demonstrate that their proposal would not jeopardise the achievement of the sector-wide goal.

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

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

There is one direct reference to expansion plans as follows:

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

The representation from Jennifer Dawes[14] received during the Second Round of Consultation states that the Transport Decarbonisation Plan and Jet Zero will have a material impact on the need case for Manston Airport because expansion at Manston will likely require capacity constraints elsewhere in order to meet the carbon targets in the plan. The Jet Zero consultation document states:

We expect the approach set out in this draft strategy could impact demand for aviation indirectly. Where new fuels and technologies are more expensive than their fossil-fuel equivalents, and where the cost of CO2 emissions are correctly priced into business models, we expect, as with any price rise, a moderation of demand growth (Paragraph 3.44).

It is acknowledged that the granting of consent for Manston could contribute to a moderation of demand growth at other airports and conversely any price rise could moderate demand at Manston. Any potential impact this would have on demand at Manston or other airports is uncertain and cannot be quantified; it is therefore not possible to conclude that this would have any material impact on the need case.

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

[14] TR020002-006230-335 - Jennifer Dawes.pdf (planninginspectorate.gov.uk)

4.3 Local Policy

Thanet Local Plan

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

The Thanet Local Plan[15] was adopted on 9 July 2020. All relevant policies in the Plan should carry more weight in the redetermination of the Application than given in the Examination because the Plan is now adopted.

The adopted Local Plan includes the following Policy:

Policy SP07 – Manston Airport

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

The position of the Local Plan in respect of the Application Site has changed since the Examination. The emerging Local Plan[16] took a neutral stance, not allocating the site for aviation use, but not allocating the site for any other use, whereas the adopted plan safeguards the site for aviation use. The adopted policy also makes clear that the policy, and other related policies, will be subject to review when the outcome of the Application is known.

The ExA anticipated that the approach to the Application Site may change in the adopted version of the Plan. During the Examination the ExA noted that an updated policy could "*potentially safeguard the site for aviation use and would allow other uses to be considered if development consent was refused"* (E.R 4.5.5). The ExA report states that if the Plan were to be changed in this way *"the ExA does not believe it would result in any conflict with the Proposed Development"* (E.R 4.5.5). Policy SP07 (Manston Airport) as adopted is consistent with that anticipated by the ExA at the time of the Examination.

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

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

[15] Thanet District Council, (July 2020) Local Plan.
[16] Thanet District Council, (July 2018). Draft Local Plan to 203, Pre-submission publication version, Regulation 19.

meaning that the outcome of the decision on the Application can be taken into account.

Jennifer Dawes, in her representation to the Second Round of Consultation, suggests that the Independent Assessor has placed undue importance on the Local Plan. The representation notes correctly that the Local Plan is not a statutory consideration under Section 105 of the Planning Act 2008, however, as noted by the ExA, the policies in the Local Plan (which was only emerging at that time) *"are important and relevant"* (E.R 3.10.2). The fact that the Plan has since been adopted increases its importance and relevance.

In the Appendix to Jennifer Dawes second submission, York Aviation considers that there has been no change to the policy position in respect of the Thanet Local Plan because at the time of the Examination the site had an existing aviation use and that changes to Policy SP07 were already being made. This is not accepted by the Independent Assessor, there has clearly been a change in status of the Local Plan since the Examination and the adopted policy which safeguards the site for airport related use reduces the uncertainty related to the intended allocation of the site by the local authority.

Jennifer Dawes also states that the term *"airport related uses"* in Policy SP07 is broad in scope and could support a range of other uses other than the Application. It is necessary to consider how the Proposed Development complies with Policy SP07; reopening and developing Manston Airport into a dedicated air freight facility clearly fits within the term *"airport related uses"*.

Jennifer Dawes Second Round representation also considers that the Proposed Development conflicts with other policies in the Local Plan. Whilst it is beyond the scope of this report to consider the compliance of the Proposed Development against all policies in the Local Plan, it is concluded that Policy SP07 is supportive of the proposal, subject to it being acceptable in other regards.

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

The report by York Aviation on behalf of Jennifer Dawes[17] submitted during the First Round of Consultation considers other policies in the Plan, such as SP04, are aimed at creating 5,000 jobs in the local areas on identified employment sites, which do not include Manston Airport. The Application Site is not identified as an employment site, however SP04 is supportive of all new job creation both within and outside identified employment sites.

It is concluded that the principle of the Proposed Development is supported by the adopted Local Plan, subject to it being acceptable in other regards. The adopted

[17] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005743-Jenny%20Dawes.pdf

Local Plan does not advance the need case for the development from that presented at Examination.

5 Quantitative Need for Development

5.1 Structure of this section

The Independent Assessor has reviewed the representations received during the First and Second Rounds of Consultation to identify any relevant changes since July 2019 with respect to demand for air freight, capacity at other airports, and locational factors. The Independent Assessor has also drawn on available data published since the Examination, but has not undertaken primary research to generate new data to be considered. Some of the issues raised in representations have the potential to lead to different conclusions being reached on the overall need for the development and they are considered in this section.

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

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

5.2 Changes in Demand for Air Freight

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

Annex 3 of the Applicant's First Round representation[18] states that the current growth in on-line retail sales has '*helped create a shift in transportation modes to favour air cargo'* (paragraph 13) and that the Covid-19 pandemic has driven, and will continue to drive, a sustained increase in online shopping. It indicates that

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

this is expected to generate air freight demand from e-commerce integrators that the Proposed Development is hoping to target as outlined in the Examination.

The Applicant's First Round representation states:

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

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

Trends in e-commerce

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

This data is consistent with ONS data[20] which records retail sector market share for e-commerce and traditional 'bricks and mortar' retailing over the same time period. ONS data shows that, measured by the value of sales, e-commerce retail's market share increased from 6.2% of all retail sales in 2009 to 19.2% by 2019. This then increased to 28% of all retail sales in 2020 as many non-essential retail outlets were forced to close due to the Covid-19 pandemic shutdown (it actually reached around 33% of all sales during the lockdown but declined slightly when outlets were allowed to re-open). This has further grown to nearly 31% in 2021. The total value of retail sales grew by 47.7% between 2009 and 2021, however e-commerce sales grew by 628% over the same period. Traditional 'bricks and mortar' retail sales by value only grew by 9.2% over the same period. This marks a significant shift in shopping habits since 2009; e-commerce has gained market share over the past decade but at the expense of a declining share of sales in the traditional bricks and mortar retail sector.

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

[19] Smart Insights, Dave Chaffey, (6 April 2021). Forecast e-commerce growth in percentage of online retail / e-commerce sales 2017 to 2023.
[20] ONS, Internet sales as a percentage of total retail sales, source dataset: Retail Sales Index time series (DRSI).

No forecasts of future e-commerce volume or market share were put forward through the First Round of Consultation. In their Second Round representation, the Applicant[21] (paragraph 56) refers to the real estate firm CBRE's Global E-Commerce Outlook[22] which explores the drivers of e-commerce growth during the pandemic for a selection of countries and provides forecasts for 2025. In the UK, e-commerce sales as a percentage of total retail sales grew from just under 15% in 2015 to nearly 25% in 2020, and are forecast to grow further, to over 30% in 2025. The Independent Assessor acknowledges that e-commerce is likely to continue to account for a significant proportion of sales in the future, and that this proportion may grow further. How this trend is likely to affect the demand for air freight is considered below.

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

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

Analysis of e-commerce and Air Freight Data

Kent Needs Manston Airport's (KNMA) First Round representation at section 2.4 quotes May 2021 Civil Aviation Authority (CAA) airport data which reports that the London area airports cargo volumes using cargo aircraft was 16% higher than the equivalent month in 2020, and that EMA cargo volumes were 24% higher. These figures quoted for London Airports are incorrect, with the 16% actually referring to all UK reporting airports[23] (London Airports were 9.9% higher in May 2021 compared with May 2020). The Independent Assessor notes that May 2020 was a particularly low month due to the fall in international trade due to the Covid-19 pandemic. KNMA's First Round representation also states that the requirement for just-in-time deliveries since Brexit and the Covid-19 pandemic is now 'greater' than before July 2019.

In their First Round representations the Applicant, KNMA and SMA[24] cite International Air Transport Association (IATA) data from April 2021 (see Figures 2 and 3 in the Applicant's representation) showing that air freight, globally and measured in tonne-km, has recovered to pre-Covid-19 levels (following the typical V-shaped recovery). The Applicant also presents air freight tonnage regionally in Figure 4 of their representation, this illustrates that Europe has also recovered to pre-Covid-19 levels. Inventory re-stocking and intensified growth in e-commerce retail are noted as key factors driving the recovery. In contrast, passenger volumes are still a fraction of their pre-Covid-19 levels (see Figure 1 in the Applicant's representation).

[21] Microsoft Word - Collated Arup Report response - 02.12.21.DOCX (planninginspectorate.gov.uk)
[22] CBRE, (June 2021) Global E-commerce Outlook, What is Driving E-Commerce Growth in Different Markets, available on CBRE website.
[23] CAA, (May 2021) Freight by Aircraft Configuration May 2021 (a) Comparison with Previous Year Tonnes.
[24] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005824-SMAa%20matter%202%20part%201%20and%20part%202.pdf

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

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

In their Second Round response, the Applicant (paragraphs 53-75) addresses the growth in e-commerce sales, both globally and in the UK, and the Independent Assessor agrees with the data presented in this respect. However, no robust data or evidence is subsequently provided to demonstrate that this is driving a growth in air freight volumes.

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

Data from the CAA[25] shows total air freight volumes grew from 2 million tonnes in 2009 to just over 2.5 million tonnes by 2019, a total growth of 24% or 2.2% per annum on a compound annual growth (CAGR) basis. For reference, volumes declined to 2 million tonnes in 2020 before growing moderately to 2.3 million tonnes in 2021 (i.e. still below the 2019 peak). Note that bellyhold also gained market share between 2009 and 2019, as illustrated in Table 1 below.

Table 1: Total Tonnes lifted by Cargo Aircraft and Bellyhold[26]

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

[25] CAA, UK airport data.
[26] Ibid. Figures for 2020 and 2021 are available but have not been included in Table 1 because they reflect the exceptional changes in bellyhold due to the Covid-19 pandemic and therefore do not give an accurate picture of the market.

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

When air freight volumes are compared to the increase in e-commerce there does not appear to be a correlation. Figure 1 below illustrates the percentage change in internet retail sales (£ millions, all sectors) between 2009 and 2021, alongside the percentage change in air freight volumes (total tonnes from all reporting UK airports) over the same time period.

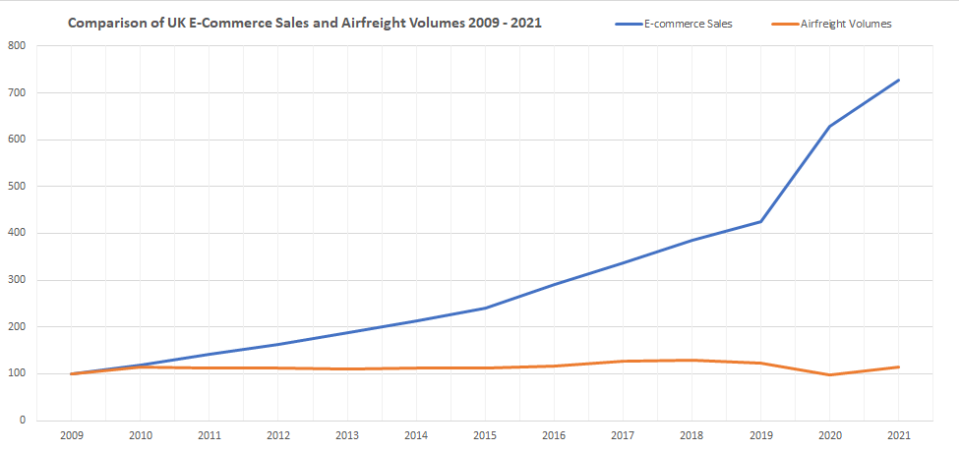

Figure 1: Change in Internet Retail Sales and Air Freight Volumes indexed from 2009[27] [28]

Combining these air freight volumes with data from DfT Port Statistics[29] for unit load cargo passing via sea ports in the same years (cargo in maritime containers, accompanied Heavy Goods Vehicle (HGVs) and unaccompanied trailers) shows that air freight's market share has effectively remained unchanged over the period 2009 to 2020, at around 1.5% (falling marginally to 1.3% at the start of the Covid-19 pandemic in 2020). As illustrated by Table 2 below. Overall, sea freight is by far the dominant mode, conveying around 65-times the volumes of cargo moved by air freight. These modes of shipping are effectively air freight's 'competitor' in the movement of finished consumer cargoes.

[27] CAA, UK airport data, Table 13
[28] ONS, Retail industry statistics.
[29] Department for Transport (12 August 2020). Port freight annual statistics: 2019. Table PORT0202

Table 2: Tonnes-lifted and Percentage Market Share of Unitised Shipping and Air Freight[30]

	000s Tonnes-lifted				Market Share			
	2009	**2014**	**2019**	**2020**	**2009**	**2014**	**2019**	**2020**
Unitised shipping	140,920	153,650	164,645	156,432	98.6%	98.5%	98.5%	98.7%
Air freight	2,048	2,304	2,535	2,002	1.4%	1.5%	1.5%	1.3%

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

In their Second Round representation the Applicant notes (paragraph 57) that *"What Arup's figures show (Table 1 and Figure 1) is that UK airports have been unable to accommodate cargo for some time."* This interpretation is based on there being a relationship between e-commerce and air freight demand (and dedicated freight capacity in particular). However Table 1 and Figure 1 show that whilst dramatic growth has occurred in e-commerce this has not been matched by growth in air freight. Capacity is considered further in Section 5.3.

In their Second Round submission, SMA[31] contends that the draft Independent Assessor's report *"reaches erroneous conclusions, on pages 16 and 19, based on their strangely January 2020 truncated Figure 1"*. The following points are made in response:

- Figure 1 was not truncated at January 2020 but showed annual data for years from 2009 to 2020 (now updated to show 2021 in full as well). Therefore, the dramatic increase in Internet sales that occurred in 2020 as a result of Covid-19 is captured. This data suggests levels have remained broadly similar to those of 2020[32]; and
- Figure 1 demonstrates that e-commerce has grown dramatically without corresponding growth in air freight volumes. The strong correlation between e-commerce and freighter cargo from early 2020 (as shown in SMA's figure 'Percentage change UK Air Cargo (Tonnage) and Internet Sales (GBP)') does not override this. Rather, growth in both internet sales

[30] Ibid and CAA, UK airport data.
[31] TR020002-006094-219 - SMAa.pdf (planninginspectorate.gov.uk)
[32] ONS data, Internet sales as a percentage of total retail sales (ratio) (%). Source data ser: Retail Sales Index time series (DRSI). Release date 17 December 2021.

and freighter cargo were driven by a third factor – Covid-19. SMA's figure shows a switch from bellyhold to freighter cargo, discussed further in the following section.

In their Second Round response, the Applicant (paragraph 54) also highlights two recent reports produced by Cebr related to e-commerce and digital transformation[33]. Neither of these reports considers the question of how sustained or continued growth in e-commerce will affect demand for air freight, or provides a formal forecast of e-commerce growth.

Supply Chain Organisation

The Applicant proposes that by using air freight, e-commerce retailers are now able to move smaller but more frequent shipments from factories to fulfilment centres, providing quicker responses to consumer preferences and fluctuating demand. Similar points are made in the KNMA First Round representation[34].

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

Representations in both Rounds of Consultation[35] [36] from Cllr Rev Stuart Piper reference an article from Alex Veitch of Logistics UK which refers to the increase in online shopping activity and says that *"To support this demand, express freight airlines operate a significant number of services. (...) Logistics UK is calling on government to facilitate the movement of airfreight throughout the day and, where possible, at night to keep goods moving and reaching their end customers in good time"* (page 5). The article does not provide any specifics on the increase in express freight services, for instance the extent to which they were a substitute for bellyhold capacity rather than 'new' demand. The article references the movement of freight at night where possible, the proposed night flight restrictions at Manston may limit its ability to serve the e-commerce market. In their Second Round submission, the Applicant disputes this: *"in the US, around 70% of Amazon's departures are between 06.00 and 22.00, a less nocturnal operation than FedEx Express or UPS"* [29, paragraph 48].

York Aviation on behalf of Jennifer Dawes also considers this point in a Second Round submission[37], providing a breakdown of air freight tonnes at UK airports

[33] These were a July 2020 report for Adyen called Moving forward The next chapter (available on the Ayden website) and an August 2021 report for Virgin Media Business called How Covid-driven digital change is transforming the way we work and live for the better (available on the Virgin Media Business website).
[34] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005587-Kent%20Needs%20Manston%20Airport%20Group.pdf
[35] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005389-Stuart%20Piper.pdf
[36] TR020002-005905-37 - Cllr Rev Stuart Piper.pdf (planninginspectorate.gov.uk)
[37] TR020002-006230-335 - Jennifer Dawes.pdf (planninginspectorate.gov.uk)

by general and express freight, arrivals and departures, and hour of the day (Figure 4.3). This data is taken from York Aviation's report for Airlines UK, 'The Economic Impact of Night Flying in the UK' (July 2021) with the original data having been sourced from the airports involved in that study. This is reproduced as Figure 2 below. Express flights (the relevant category for e-commerce) appear to make use of night-time flying which would not be possible at Manston. There is a pronounced peak in express departures ahead of the 23:30 - 05:59 Night Quota Period (during which limits on aircraft movements and noise apply); this may partly be a function of restrictions in place at other airports leading to 'bunching' of departures shortly ahead of restriction periods, but does reinforce the point that express operators seek to arrange their flights in the late evening and night periods.

Figure 4.3: Air Freight Tonnes in Dedicated Freighters Arriving and Departing at UK Airports per Hour in 2019[24]

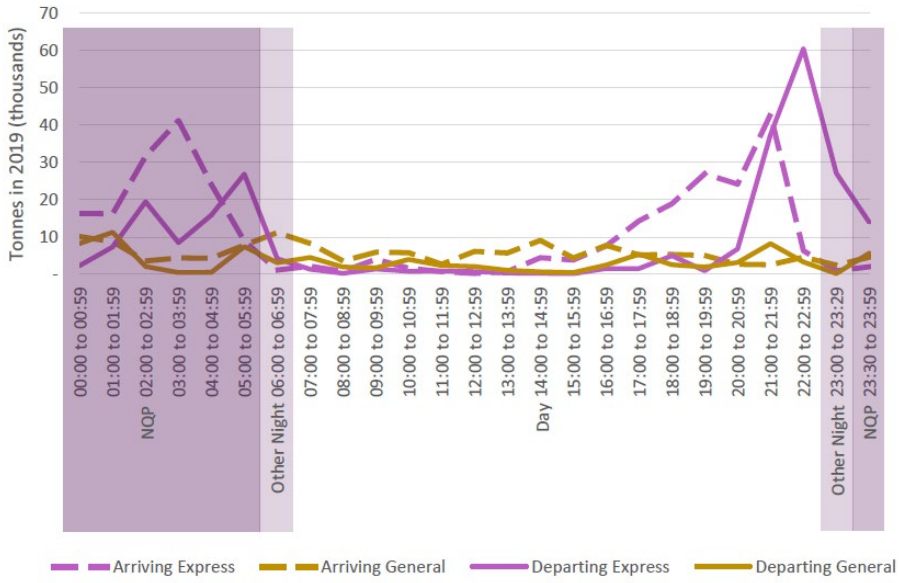

Figure 2: Air Freight Tonnes in Dedicated Freighters extracted from Jennifer Dawes Second Round Representation

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

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

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

The Applicant's and SMA's First Round representations note that Amazon has located a new CFC in Dartford, suggesting that this demonstrates the dominance of the South East for e-commerce retail (which would subsequently be served via Manston). This new CFC is part of a network of large facilities which have been developed nationally by Amazon over recent years, including at East Midlands Gateway logistics park, Doncaster iPort logistics park, Rugeley, Manchester and Deeside (North Wales). The Applicant restates in their Second Round submission that *"shippers have moved to smaller warehouses and distribution locations that are located close to large numbers of customers."* (paragraph 64) - it is not, however, evident that they expect to supply these smaller warehouses and distribution locations by air rather than via their larger national hubs. In many cases, these smaller regionally based facilities are supplied from larger CFCs (as described), with their primary function being to 'cross dock' cargo from HGVs to vans for final mile deliveries.

The Applicant's Second Round representation (paragraph 56) refers to a report by real estate firm CBRE which states *"Over the next five years, 138 million sq. m. of additional e-commerce-dedicated logistics space will be required worldwide to support the growth of internet sales"*. This echoes CBRE's forecasts of e-commerce growth in several economies. The Applicant states that *"Such a huge growth in logistics space will demand an increase in air cargo services"*. This does not necessarily follow – a positive link between e-commerce and air cargo demand has not been established and logistics space would be required for freight transported by road, rail, or sea as well. Moreover, it is not clear to what degree this prediction reflects a net increase in logistics space, 'e-commerce dedicated logistics space' will, at least to some extent, replace logistics space for bricks-and-mortar retail.

In their Second Round response, the Applicant (paragraphs 47-52) reiterates the role of the so-called 'new integrators' (i.e. an e-commerce retailer's own in-house air transport operation) and the difference between them and that of the traditional

air freight 'integrators'. While the Independent Assessor is aware of these operators and has previously considered them, it remains their view that their large-scale use in the UK is not consistent with how the e-commerce retailers have organised their supply chains (as described above, with stock held at domestic CFCs and other facilities, primarily served by sea from overseas producers). Essentially the domestic distances over which e-commerce goods are moved are too short, and as such extensive use is made of over-night trucking using double-deck HGVs in order to meet next-day delivery timescales. It is worth re-iterating that in the USA, China and (to a lesser extent) Europe, the much greater distances involved necessitates the use of air in order to achieve next-day deliveries (via the new integrators).

Alan Stratford Associates, in their Second Round response on behalf of the Nethercourt Action Group[38] note on page 6 (2nd paragraph) that next-day deliveries are maintained by holding stock at CFCs and that this stock is more cost effectively supplied by sea rather than air. They consider that any short-term rise in air cargo volumes is therefore reflecting the current global supply chain constraints rather than a shift to air; this is likely to be eliminated over the medium-long-term once supply chains have re-adjusted.

SMA in their Second Round response[39] provided a graph showing some correlation between the growth in e-commerce sales and dedicated freighter volumes since 2019, the implication being that the growth in e-commerce sales has been driven by a corresponding growth in dedicated cargo aircraft volumes. The Independent Assessor questions the conclusions drawn by SMA (from the graph) for the following reasons:

- The recent growth in dedicated freighter volumes has been driven by other short-term factors, as described in Section 5.2.2 below, rather than e-commerce; and
- The timescale considered by SMA (18 months to two years) is too short to derive any robust or meaningful conclusions. As described above, taking a longer-term trend (since 2009) suggests no link between growing e-commerce sales and air freight demand.

Summary

Overall, the data trends outlined above illustrate that since 2009 air freight has maintained a broadly constant market share against a background of rapidly growing e-commerce sales. There is no clear evidence that the recent growth in e-commerce sales has created a shift in transportation modes to favour air cargo which is consequently driving a demand for additional runway capacity (for dedicated freighters in the South East).

[38] TR020002-006034-159 - Ian Scott on behalf of Nethercourt Action Group.pdf (planninginspectorate.gov.uk)
[39] TR020002-006054-179 - SMAa.pdf (planninginspectorate.gov.uk)

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

Change in bellyhold capacity

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

Ramsgate Town Council commissioned aviation consultants Alan Stratford Associates (ASA) to support their First Round representation[40]. Their submission provides a summary analysis of UK air freight market volumes 2018 to 2020 and for 2021 up to May 2021 (latest available CAA data when the First Round of Consultation was undertaken). It notes that there was a significant fall in air freight volumes between 2019 and 2020 (-21%), though the number of CATMs increased as passenger flights (bellyhold capacity) declined due to the Covid-19 pandemic. However, it notes that recently the number of freight flights has started to decline as passenger flights have been reintroduced.

The Chartered Institute of Logistics and Transport's (CILT) First Round representation[41] also notes that the anticipated recovery in passenger demand post-Covid-19 will result in the return of passenger aircraft able to carry cargo and so the recent trend to utilise dedicated cargo aircraft will reduce to a degree. However, they consider that the recovery in passenger demand, and therefore bellyhold capacity, could take three to five years, with long haul, on which most air cargo is carried, being the slowest to recover.

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

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

Nick and Philippa Toy's First Round representation[42] states that: *"…Covid19 is unlikely to go away completely and its shadow will remain over us with regional*

[40] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005680-Ramsgate%20Town%20Council.pdf
[41] See CILT representation on the Planning Inspectorate website or: https://tinyurl.com/5x88pf8s
[42] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005411-Nick%20Toy%20-%20stitched.pdf

outbreaks of variants for some time. This may well cause a longer term slow-down of airline business and thus less airliner belly-freight. The need therefore for more dedicated freight aviation will increase" (page 1).

York Aviation on behalf of Jennifer Dawes concurs that since the start of 2020, there has been a shift to moving air freight cargo on dedicated freighters rather than bellyhold. However, they note, in their First Round submission, that this is principally due to the collapse of the passenger market and the (temporary) suspension of many long-haul flights. They consider that air freight capacity needed to be maintained, resulting in the introduction of dedicated freighters on key routes. The lower air freight volumes through 2020 and into 2021 overall are, according to their representation, due to lower economic growth. The report concludes that "*the temporary increase in freighter ATMs recorded at Heathrow should not be used as an indication of latent pent-up demand for freighter movements but as temporary direct replacement of lost bellyhold capacity"* (paragraph 4.18).

York Aviation on behalf of Jennifer Dawes in their First Round representation states: *"Although full reinstatement of services is not expected in 2022, most commentators expect, with effective vaccines as we are now seeing, demand and service levels could be reinstated to 2019 values by 2024, accepting that some markets may be slower to recover than others dependent on the success of the vaccine roll out country by country. However, it is clear that any effect that Covid-19 may have had on the availability of bellyhold capacity is expected to have been unwound by the mid-2020s meaning that Manston could not realistically deliver a material uplift in available capacity in time to make any contribution…" (paragraph 4.11)*

Use of freighters to replace bellyhold capacity

The 2018 Steer report is cited by SMA in support of the argument that more dedicated freight capacity is needed; this report was produced prior to the ExA Report and considered as part of the Examination. Therefore the key question is whether or not Covid-19 has altered the validity of those findings.

While the number of passenger flights reduced dramatically during the Covid-19 pandemic, the freight market responded through the greater use of dedicated freighter services in order to keep cargo moving in the absence of hitherto available bellyhold capacity. This position is reflected in the noticeable increase at Heathrow, from 2,700 cargo ATMs in 2019 to 24,700 cargo ATMs in 2020[43]. Several submissions also reference these developments:

- Ramsgate Coastal Community Team & Ramsgate Neighbourhood Plan Group's First Round representation[44] states that of the increase in cargo flights, including 'preighter' operations, *"Covid has demonstrated the resilience of the aviation sector and its ability to make best use of its existing capacity"* (paragraph 2.5).

[43] CAA, UK airport data.

[44] See Ramsgate Coastal Community Team & Ramsgate Neighbourhood Plan Group's representation on the Planning Inspectorate website or: https://tinyurl.com/3azhnm9j

- Ramsgate Society Manston's First Round representation[45] tabulates CAA statistics on freight tonnage and ATMs in 2019 and 2020, and conclude: *"EMA and Stansted each increased the weight of cargo aircraft freight year on year. Heathrow achieved a remarkable switch by upping cargo aircraft ATMs by over 800% and in doing so to carry over four and a half time the weight of cargo compared to 2019. Overall air cargo capacity was sustained despite the almost total loss of bellyhold during 2020. This remarkable ability to respond so rapidly was only possible because there is the capacity at the airports to deal with the flights, the shift in carrier types as well as handle and despatch the freight on the ground"* (page 9).
- York Aviation on behalf of Jennifer Dawes provides CAA data illustrating that total freight tonnage to/from UK airports fell sharply in April 2020, but quickly recovered to levels somewhat below what was seen prior to Covid-19, though with relatively higher proportions of freight carried by freighter aircraft rather than bellyhold. They also note that the lower level of air freight since May 2020 largely corresponds to the lower level of monthly GDP since, suggesting that the decline in overall air freight is explained by the level of economic activity rather than a lack of bellyhold or specialised capacity.

CAA data[46] to the end of 2021 shows that UK air freight volumes have yet to fully recover to pre-Covid-19 levels; this is contrary to the picture presented by the Applicant and others, though as noted their data referred to the global market rather than the UK specifically.

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

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

Secondly, this suggestion does not accurately reflect the air freight market in the UK and its economics. Dedicated freighters are only economic when they can operate fully laden. Otherwise, it is more economic to move cargo in the bellyholds of passenger services on a marginal cost basis. Dedicated freighters are therefore primarily deployed on (and limited to) trade routes where the aircraft can operate fully laden most of the time (certainly on routes between the Far East

[45] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005750-The%20Ramsgate%20Society.pdf
[46] CAA, UK airport data.

and Europe or North America). As runway capacity is available at EMA and Stansted Airports (as concluded previously by the ExA for example at E.R 5.7.28), it is reasonable to expect that dedicated freighters (in the manner proposed for Manston) would already be operating if sufficient cargo was available. It is also the case that EMA (and to a lesser extent Stansted) are better located in relation to the main origins and destinations of cargo in the UK (also previously concluded by the ExA for example at E.R 5.6.26 and E.R 5.6.33). It may therefore be because of insufficient 'critical mass' rather than capacity constraints at the airports which (partly) explains the dominance of bellyhold operations into UK airports.

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

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

Forecasts of freighter use

No forecasts of dedicated freighter use in the UK were put forward through the First Round of Consultation. In a Second Round submission, SMA[47] submitted projections for UK freighter air cargo based on CAA data. Drawing on data from July 2019 to August 2021, these show that:

- The ratio of monthly bellyhold to freighter tonnages reversed from 2.3 in favour of the former to 2.4 in favour of the latter – though this is based on averages over timeframes chosen by SMA (spot assessments for July 2019 and August 2021 produce ratios of 2.3 in favour of bellyhold and 1.6 in favour of freighter respectively); and
- Over 2021, monthly freighter tonnage increased by 28,000 tonnes on average whilst bellyhold has remained static.

In a graph from their First Round submission, a linear extrapolation of recent growth in freighter tonnage is illustrated – this shows UK air freight carried by freighters growing from a little over 50,000 tonnes per month in 2019 and early 2020, to over 200,000 tonnes per month by 2025 – this is roughly equivalent to total air freight (bellyhold and freighter) carried prior to the pandemic. By 2040, SMA's extrapolation shows air freight volumes carried by freighters at over 600,000 tonnes per month, an approximate tripling of current total volumes.

[47] TR020002-006053-178 - SMAa.pdf (planninginspectorate.gov.uk)

It is unclear whether or not these are intended as forecasts, but there is no basis for such dramatic growth other than the continuation of a linear trend from an exceptional year. Even allowing for the strong assumption that bellyhold cargo volumes remain significantly subdued for decades to come, these figures imply incredible growth in total air freight volumes. This growth in air freight volumes would most likely need to be supported by similarly remarkable economic growth. Cebr's most recent long-term forecasts for UK growth say: *"We expect the UK to see a trend rate of growth of 2.4% annually from 2022-26, with a slowdown to 1.8% annually from 2027-36."*[48], this moderate growth would not support such an increase in air freight volumes.

The question SMA set out to answer was, *"Do we have a new air cargo regime, post Covid, that Manston Airport could help facilitate?"* Even the most up-to-date data used cannot be said to reflect a fully post-Covid world, although travel restrictions are being relaxed, some remain in force, for example for unvaccinated passengers, and supply chain disruption continues to have impacts. For example, in the ONS daily UK flight data (experimental statistics), the most recent figures for number of flights to, from and within the UK are for 1 May 2022, and the seven-day average is 4,910. This is still significantly lower than the seven-day average of 5,950 for 1 May 2019 (albeit well above the 549 and 1,132 for 2020 and 2021 respectively)[49]. Therefore, the Independent Assessor is not of the view that this constitutes evidence that demand for dedicated air freight services will either remain at current levels or continue to increase in the coming years.

In their Second Round consultation response, the Applicant disputes conclusions reached by the Independent Assessor in respect of bellyhold capacity compared to freighter capacity. The Applicant concludes at paragraph 76 and 77 of their submission that the significant increase in freighter cargo volumes during 2020 and 2021 (at the expense of bellyhold cargo) is due to a *"fundamental structural change to logistics"* resulting from Covid-19 pandemic and Brexit.

CAA air freight data is now available up to the end of March 2022 and a clearer picture is beginning to emerge concerning this issue[50]. Figure 3 below shows air freight volumes by aircraft type on a monthly basis from the start of 2019 through to March 2022.

[48] Cebr, (December 2021) World Economic League Table 2022.
[49] ONS. Daily UK flights Available on ONS website. Release date 5 May 2022.
[50] At the time of writing, data up to and including February 2022 includes all reporting UK airports. March 2022 does not currently include Stansted, meaning the cargo figure is likely to be around 15-18,000 higher (based on previous months) once Stansted report. However, this missing data does not significantly affect the chart or the conclusions drawn.

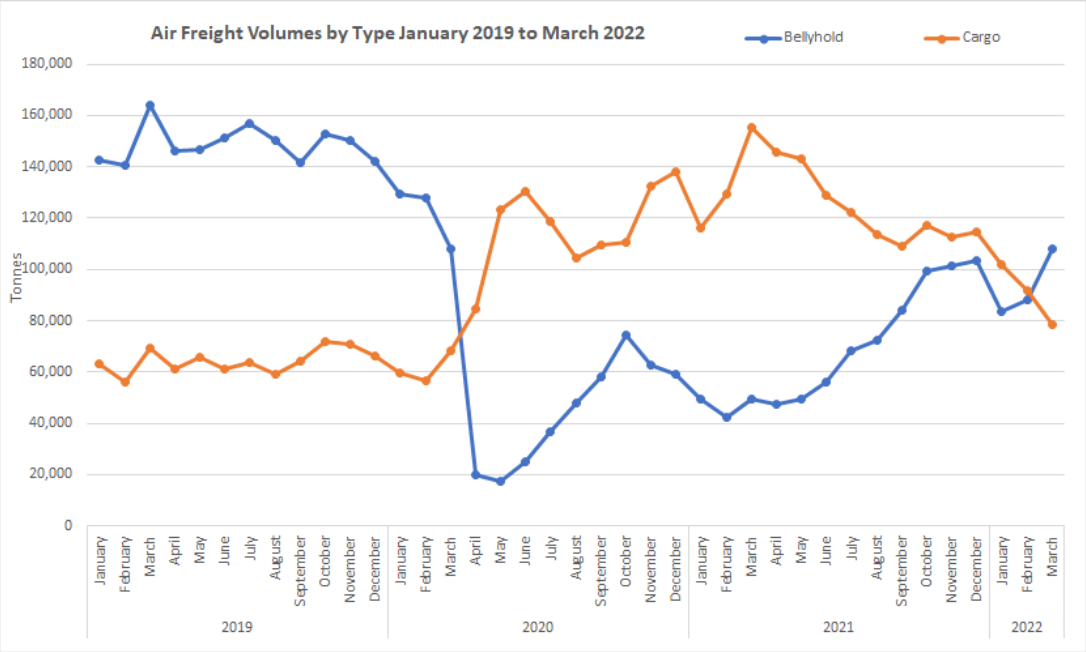

Figure 3: Air Freight Volumes by Aircraft Type January 2019 to March 2022[51]

Figure 3 illustrates that:

- Bellyhold traffic declines sharply at the start of the Covid-19 pandemic, due to the temporary removal of long-haul passenger flights from the market. This is compensated for by an increase in dedicated freighter operations (as described above);
- Bellyhold volumes recovered slightly towards the end of 2020 (reflecting a partial restoration of long-haul passenger flights), but declined again as the second/third waves of Covid-19 infections resulted in the secondary suspension of many long-haul passenger flights; and
- There was a gradual recovery in bellyhold volumes during 2021 and into 2022 at the expense of cargo aircraft as the passenger market began to recover. It would appear from March 2022 data that bellyhold volumes have now moved ahead of cargo aircraft.

Overall, this most recent data strengthens the conclusions reached above that the increase in freighter cargo was a temporary direct replacement of the lost bellyhold capacity and that once the long-haul passenger market starts to recover it is expected that the market will revert to the use of bellyhold freight capacity for air cargo movements.

Alan Stratford Associates in their Second Round consultation response on behalf of the Nethercourt Action Group conclude that bellyhold traffic will recover once the long-haul passenger market resumes operating fully as it offers a more cost effective way of shipping cargo by air freight when compared with the use of dedicated freighters (page 7).

[51] CAA Data

In a similar manner, SMA in their Second Round consultation response present a graph showing both bellyhold and freighter aircraft volumes from January 2019 to May 2021 (similar to the graph above but only to May 2021). Similar to Figure 3, SMA's graph shows a fall in bellyhold volumes from early 2020 (due to the Covid-19 pandemic) alongside a growth in air freight conveyed by cargo aircraft. A second graph is also presented by SMA in the same response, this time projecting the identified short-term growth in freighter cargo volumes (for the reasons given) from the first graph since the start of 2020 forward to 2040. According to SMA, this second graph demonstrates that freighter demand will continue to grow strongly, and as such there is a need for the development of Manston Airport. Assuming that the long-term trend will continue that of a short-term trend is not considered to be a robust approach to forecasting, and as such these predictions should be used cautiously.

Summary

The shift to freighter aircraft (including the use of converted passenger planes) is considered to be a short-term trend seen during the exceptional conditions of the Covid-19 pandemic that will 'correct itself' as long-haul passenger flights resume as pandemic restrictions are lifted.

5.2.3 Shift to Narrow Bodied Aircraft

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

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

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

SMA in their Second Round response (Response to Arup Report Part 1 – Section 5)[52] acknowledge that the A350-9 and B787 Dreamliner aircraft have only a marginally lower bellyhold capacity when compared with retiring B747s.

[52] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-006051-176 - SMAa.pdf

However, they claim that such aircraft will undertake two journeys per day on long-haul routes (and multiplying this by an estimated tonnage reduction) and therefore they subsequently over-estimate what the annual loss in capacity would be. The Independent Assessor's view is that aircraft on long-haul routes would typically only undertake one journey in a 24 hour period (given the distances involved and the need to 'service' the cabin areas between trips). There is also downtime for maintenance to account for (meaning they might not operate 350 days per year as implied by SMA).

SMA also repeats the Applicant's previous suggestion that Airbus A321s (with very little bellyhold capacity) are likely to replace B747s on long-haul routes where bellyhold freight is predominantly carried. The A321 aircraft is typically deployed on intra-continental services (i.e. within Europe or North America) and on shorter inter-continental routes where air freight is not generally conveyed. It is the A350-9 and B787 Dreamliner size aircraft that are effectively the main replacements on long-haul inter-continental routes formerly operated by B747s where air freight is conveyed. SMA quote orders for 450 A321s, albeit they omit to note that there are also currently firm orders for around 850 A350s currently placed with Airbus[53].

Summary

Overall, while there is a marginal reduction in bellyhold capacity, the Independent Assessor does not consider it to be that significant. The A350-9 and B787 Dreamliner, effectively the main replacement aircraft on long-haul inter-continental routes formerly operated by B747s, only have two fewer LD3[54] container slots when compared with a B747[55]. It is these routes where air cargo is typically conveyed in bellyholds. The example of the A321 aircraft, cited by the Applicant and SMA, is typically not deployed on routes where air freight is generally conveyed.

5.2.4 Post-Brexit trade

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

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

[53] Data from the Airbus website, Orders and Deliveries, Commercial Aircraft, accessed December 2021.
[54] LD – unit loading device. LD3s are the standard size air freight container into which cargo is secured and sealed prior to loading to aircraft.
[55] Data from the Lufthansa-cargo.com website.

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

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

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

- SMA: "*By leaving the EU, the UK is now free to make trade deals with countries outside the UK and recently they have done trade deals with Japan and Australia. Clearly trade flowing to and from these countries outside the EU will require an increase in air freight capacity, both belly hold and dedicated freighters, and as such increases the quantitative need for Manston*" (page 9).
- KNMA: *"with new trading partners joining the UK, the latest being Australia and Japan, the NEED for a dedicated air cargo hub is essential"* (paragraph 2.2). This submission also refers to exporters in the South East which could benefit, but does not provide examples.
- Cllr Ash Ashbee[56]: *"trade barriers being opened more freely following Brexit which brings with it the need for additional cargo capacity, surely it is an essential requirement for the UK to accommodate such trade to enable fast growth in its economic recovery" (*page 1).
- CILT: *"It is becoming clearly apparent from changes to post-Brexit trading arrangements that long haul freight is going to experience considerable increases and on longer journeys where maritime transit times can be very long, the benefits of air freight will be most keenly felt."* (paragraph 2.2).

The full impact of these new trade deals is yet to be seen and it is unclear how many such deals will be made, with which countries or blocs, and the extent to which they will liberalise trade in goods. Government modelling carried out ahead of the completion of the Free Trade Agreement with Australia estimated that under the deeper liberalisation scenario (Scenario 2), UK GDP could increase by 0.02% (within a range of 0.02% and 0.03%) or £500 million in the long run. UK exports to Australia could increase by 7.3% (a 0.3% increase in total exports) and imports from Australia could increase by 83.2% (a 0.1% increase in total

[56] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005449-Cllr%20Ash%20Ashbee.pdf

imports)[57]. This modelling does not include impacts on trade in goods or air freight requirements. The Independent Assessor is not aware of any forecasts of the trade or air freight impact of post-Brexit trade deals more generally – which is unsurprising given the uncertainties outlined above.

In their Second Round response, the Applicant suggests that the Australia trade deal *"removes tariffs on £4.3 billion of exports, many of which will require air freight transportation, and so its logistics and benefits will be concentrated in that area"* (paragraph 99). Evidence that benefits of the Australian trade deal will be concentrated in air freight is not provided. Given that much more of the UK's existing trade in goods is carried by sea rather than air, this is where most of the growth in trade could be seen. Even if most or all of the increase in trade went by air freight, however, the impact on overall air freight volumes would be marginal and it seems likely that this could be accommodated by spare bellyhold capacity.

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

The launch of the SAATM predated, but was not referenced in, the ExA's Report. A review of the evidence suggests this was justified as the likely impact on UK air freight demand appears to be small. The stated aim of the SAATM is to *"strengthen intra-regional connectivity between the capital cities of African countries and ensure the availability of a single unified air transport market in Africa*"[58]. Therefore the focus is on air connections *within* Africa, rather than beyond it. The November 2021 study on the benefits of the SAATM completed by InterVISTAS and IATA[59] reflects this, citing the limited or non-existent Bilateral Air Service Agreements (BASAs) between many African countries as a barrier to intra-Africa connectivity. The impacts of successfully implementing the SAATM (which is yet to happen) are estimated in this report. The IATA evidence cited by the Applicant[60] shows strong growth in Cargo Tonne Kilometres (CTKs) flown by African airlines relative to 2019, but notes that, *"This is mostly driven by CTKs flown on routes between Asia and Africa, which have not been significantly impacted by the pandemic."* Growth in air freight between Africa and the UK, or Europe generally, was not identified as a factor. Recent IATA data[61] shows relatively strong performance by African carriers – 3.1% year-on-year CTK growth in March 2022, compared to a 5.2% decline globally. In February 2022, African carriers' CTK growth also somewhat outstripped that of the global air

[57] Department for International Trade, (17 July 2020). Policy paper, UK-Australia free trade agreement: the UK's strategic approach, 'Overall impacts of an FTA with Australia', Table 4.
[58] African Union Development Agency, (February 2022) Second Continental Report of the implementation of agenda 2063, page 56
[59] InterVISTAS, (18 November 2021) A Continental Outlook of the Benefits of Single African Air Transport Market (SAATM).
[60] IATA, (April 2021) Air Cargo Market Analysis, Air cargo trends upwards on a favourable backdrop.
[61] IATA, (3 May 2022) Press Release No.20 War in Ukraine and Omicron Weights on Air Cargo.

cargo market[62]. It is not, however, clear how much of this is driven by African trade with the rest of the world rather than within the continent.

Regardless of any direct impact of the SAATM on UK air freight demand, it is also possible that there will be an impact via increased African GDP. The InterVISTAS/IATA study estimates a 0.17% increase in African Union GDP from full liberalisation – this is not, in the view of the Independent Assessor, large enough to significantly alter UK air freight demand. Moreover, any growth which does occur would be from a low base – a 2016 Cebr report for Let Britain Fly showed that air exports to the 'Middle East and North Africa' and 'Sub-Saharan Africa' regions made up low shares of non-EU air exports (roughly 20% total, and it is not clear how much of this is Middle East rather than Africa), with 'Asia and Oceania' and North America dominating[63]. In their First Round representation York Aviation on behalf of Jennifer Dawes states that these post-Brexit trade deals are unlikely to generate demand for specialised air freight capacity, with any increased demand likely to be taken up by bellyhold:

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

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

York Aviation on behalf of Jennifer Dawes however, provides evidence that some long-distance bellyhold capacity is available. This suggests that there is not a need for further air freight capacity overall, though it does leave open the possibility that increased capacity for specialised air freight will be needed. Figure 4.5 of their report, replicated as Figure 4 below, uses CAA data to show that prior to the Covid-19 pandemic approximately 150,000 tonnes of bellyhold freight per month was handled at UK airports, while capacity to/from airports outside Europe and North Africa was approximately 500,000 tonnes. During the pandemic, long haul bellyhold capacity and the tonnes carried by bellyhold fell by similar levels – so even when bellyhold capacity was scarce, usage of it remained at 30-40% of the total. These figures have not been provided at a more geographically disaggregated level to demonstrate the availability of capacity to and from

[62] IATA, (February 2022) Air Cargo Market Analysis, Air cargo growth continues despite a challenging backdrop. Note that in the February 2022 bulletin comparisons are with respect to 2019; from March 2022 onwards they revert to year-on-year comparisons.
[63] Centre for Economics and Business Research for the Let Britain Fly campaign (September 2016) The Importance of Air Freight to UK Exports, Figure 3, page 15

destinations of interest (those with which Britain has made, or is expected to make, trade agreements) – it may be the case that bellyhold capacity utilisation varies significantly from place to place, however conclusions on this cannot be drawn from the data provided. Nevertheless, this data does indicate that if long-haul bellyhold capacity recovers to pre-pandemic levels as passenger traffic does, there may be some 'slack' within this to accommodate increased freight demand.

In their Second Round submission, the Applicant casts doubt on this finding: *"To say that airlines, in dire need of cash flow, would not fill their available capacity during the pandemic shows the author of the Draft Report has limited understanding of the industry. Instead, it highlights the point made above – that tonnage is a poor indicator of available capacity - particularly at a time when air cargo contained a considerable quantity of vaccines, pharmaceuticals, and PPE, which are light but voluminous. The basis for this assertion is unclear and the assertion is, on the face of it, demonstratively incorrect" (paragraph 106).* A similar argument is advanced by SMA in their Second Round submission (page 4). While the Independent Assessor accepts that tonnage is only one indicator of capacity, there is no alternative evidence (e.g. based on volume rather than mass) to refute the findings from Figure 4. The atypical nature of some goods carried by air freight during the pandemic does not change the core finding that long-haul bellyhold capacity was available prior to it.

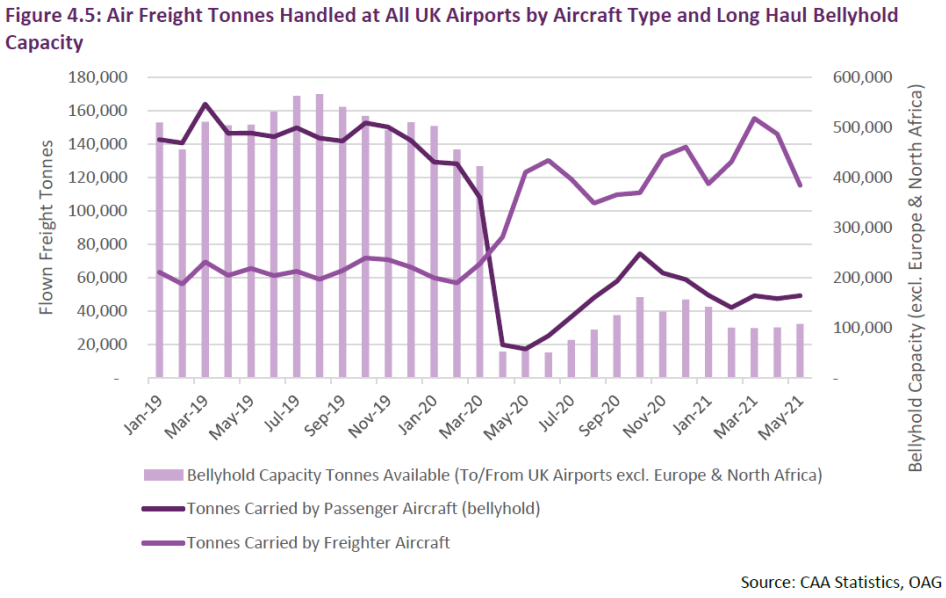

Figure 4: Air Freight Tonnes Handled at All UK Airports by Aircraft Type and Long Haul Bellyhold Capacity extracted from Jennifer Dawes First Round representation

In their First Round representation Nethercourt Action Group[64] states that trade with Europe has dropped dramatically since Brexit, demonstrating that there is no need for Manston to reopen:

[64] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005563-Ian%20Scott%20&%20Cllr%20David%20Green%20-%20combined.pdf

"There was never any need for Manston to reopen as the examiners have concluded. At the oral hearings RSP's own expert Sally Dixon could not say whether the project was economically viable. She said it was something she had never been asked. It seemed to us her entire evidence boiled down to anecdotes one of which was a lot of freight is trucked into the UK as cargo aircraft could not find slots at UK airports. Apart from the fact the examiners found that to be untrue it is worth pointing out that trade has dropped with Europe by 40% since Brexit." (page 6).[65]

Whilst there was a 40.7% drop in goods exports to, and 28.8% drop in goods imports from, the EU following the end of the transition period in January 2021[66], it is not correct to say that there has been a sustained 40% drop in trade with the EU. Data from Bloomberg[67] shows the falls in EU exports and imports in January 2021, and compares them to levels in previous years. Imports have since recovered to above pre-referendum levels, but not to the higher levels which had been seen from 2016-2019 and for parts of 2020. Exports recovered much more dramatically in the first half of 2021. Current ONS data show that EU goods imports and exports have changed little since, remaining at around £20 billion and £13-15 billion per month (seasonally adjusted) respectively, well above the low levels seen in January 2021, throughout the rest of the year[68].

The Applicant's Second Round submission highlights a recent Cebr report into the growth of non-EU trade out of Heathrow Airport post-Brexit (paragraphs 87-90). This is also raised by Angela Stevens[69] and SMA in their Second Round submissions. The Independent Assessor does not agree that the Cebr report contradicts the findings of this report. The 20.5% growth in non-EU trade predicted between 2019 and 2025 must be kept in the context of a significantly smaller increase, 5.8%, in trade overall. The estimated increase in UK trade *through Heathrow* is somewhat higher, 8.9% (11.3% for non-EU trade). Furthermore, when the impacts are broken down regionally (see slides 16 and 17[70]), the biggest beneficiaries are expected to be the Midlands (especially West Midlands), Wales and North East – and Scotland and Wales if focusing on agriculture, forestry and fishing only. Manston is not as well placed to serve these regions compared to Heathrow. This is echoed in the Second Round evidence of York Aviation (paragraph 4.79 and figure 4.13) which shows that importing/exporting industries using air freight are concentrated in the Midlands, and relatively scarce in the areas around Manston. Finally, Heathrow flights carry high value products (the report demonstrates that value per tonne is higher than

[65] This quote was included in full to provide context for Nethercourt Action Group's claim that trade with Europe had dropped by 40% since Brexit, rather than to present as relevant the argument that a viability study had not been undertaken alongside the demand forecast. The Independent Assessor accepts the Applicant's argument from their Second Round submission (paragraphs 107-108) that it was proper to undertake these separately.
[66] BBC news, (12 March 2021) UK exports to European Union drop 40% in January.
[67] Bloomberg, Lizzy Burden and Demetrios Pogkas, (12 March 2021) U.K. Exports with the EU again above Pre-Brexit levels.
[68] UK trade: February 2022, ONS. Released 11 April 2022. See Figure 1: Total imports of goods decreased in February 2022, while total exports of goods increased.
[69] TR020002-005999-124 - Angela Stevens.pdf (planninginspectorate.gov.uk)
[70] Cebr, (July 2021), Supporting a Global Britain – The Economic impact of Heathrow Airport, a report for Heathrow Airport. Available on Cebr website.

aviation generally), and belly-hold capacity is ideal for this, hence increasing passenger numbers at Heathrow could support increasing value of trade.

The Applicant's Second Round representation quotes Logistics UK on the importance of aviation and air freight for the UK economy (paragraph 110). This paper [71] recognises the importance of air freight for the UK economy and notes that *'UK airport capacity is a limiting factor for UK importers and exporters, air freight operators and the wider economy'*. The paper include a list of 11 priorities, including an 'Infrastructure' recommendation which reads: *"The UK needs to facilitate the timely delivery of the highest quality transport and real estate infrastructure serving its leading airports in order to underpin the future growth of a vibrant, sustainable and globally competitive aviation and air freight sector able to make its fullest contribution to the success of UK plc."* It also endorses a 'joined-up' approach to passenger and freight flights.

Summary

The long-term impacts of Brexit and the extent to which recent figures have been affected by Covid-19 are unclear. To the extent that Brexit leads to growth in the UK's long-distance trade in goods, and to which this generates demand for dedicated air freight, it will support the need case for Manston Airport, but the Independent Assessor has not seen any evidence – one way or another – on these matters that would materially change the conclusions since the ExA Report. There is some available capacity for long-haul bellyhold freight, which is expected to increase as passenger demand recovers.

5.2.5 Longer-term impacts of GDP on freight demand

In its First Round representation ASA on behalf of Ramsgate Town Council considers UK GDP as a major determinant of freight demand:

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

[71] Airport Industrial Property Unit Trust (AIPUT) and Logistics UK, Call for action: What next for UK air freight in a post-Brexit world? Summary of policy recommendations arising from a joint webinar conducted in February 2021, with Logistics UK and AIPUT. Available on Logistics UK website.

This is echoed in Ramsgate Town Team's First Round representation:

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

Barry James' First Round representation[72] assembles CAA statistics on air freight, noting that:

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

The long-term impact of Brexit is uncertain and any short-term impact has been overwhelmed by the Covid-19 pandemic. Nevertheless, the available forecasts, such as the OBR's 4% GDP reduction figure[73] referenced by Ramsgate Town Council and Ramsgate Town Team, do suggest a negative impact. Post-Brexit trade deals may have a countervailing impact, but on the current estimates these are relatively small – for instance the 0.02% uplift to GDP from the trade deal with Australia, as estimated by Government modelling. Other things being equal a reduction in GDP due to Brexit would act to reduce overall air freight demand – as noted by ASA on behalf of Ramsgate Town Council this is the fundamental driver of demand in the DfT's own modelling. The IATA's five-year forecasts for air freight, prepared in 2018, also use GDP as a key driver of air freight volumes. They argue that:

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

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

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

[72] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005413-Barry%20James.pdf

[73] Office for Budget Responsibility, (9 February 2022). Brexit analysis, current assumptions and judgements.

Regarding the relationship between goods trade and air freight demand, they report that *"On average, year-on-year growth in air freight volumes has tended to grow slightly more slowly than growth in global goods trade volumes over the past 30 years or so (around 0.95 times the pace), albeit with distinct periods of over- and under-performance."* Noting that in recent years (since 2014) air freight growth had outpaced growth in the trade of goods, they forecast a CAGR of 4.9% in industry-wide freight tonne kilometres for the period of 2017-2022, despite forecasts CAGRs for global GDP (at Purchasing power parities exchange rates) and global goods trade being lower, at 3.8% and 3.9% respectively[74].

Naturally, these forecasts have been somewhat overtaken by events with the Covid-19 pandemic. Nevertheless, the IATA's research demonstrates that there is a well-established link between GDP and air freight. The precise impact of a 4% drop in UK GDP on UK air freight demand is difficult to quantify, as these forecasts are global rather than national, and any impact would also be influenced by GDP in Britain's trading partners – but this evidence indicates there would be a negative impact. Subsequent IATA research, from April 2021, noted that global cargo volumes were growing: "*The industry is supported by a strong economic rebound as well as favourable supply chain dynamics, notably very low inventory levels and more competitive pricing relative to container shipping in recent months."*[75] This suggested that the relationship between GDP and air freight continues to hold.

Since then, the most recent IATA release[76] shows CTKs falling globally and particularly in Europe (by 5.2% and 11.1% respectively year-on-year) in response to more challenging economic conditions: *'"Air cargo markets mirror global economic developments. In March, the trading environment took a turn for the worse. The combination of war in Ukraine and the spread of the Omicron variant in Asia have led to rising energy costs, exacerbated supply chain disruptions, and fed inflationary pressure. As a result, compared to a year ago, there are fewer goods being shipped—including by air. Peace in Ukraine and a shift in China's COVID-19 policy would do much to ease the industry's headwinds. As neither appears likely in the short-term, we can expect growing challenges for air cargo just as passenger markets are accelerating their recovery," said Willie Walsh, IATA's Director General.'*

The exact longer term impact of the Covid-19 pandemic on UK and World GDP is also inherently uncertain, but most forecasts suggest a negative outlook. Forecasts for air cargo demand at Manston which have taken little or no account of it may therefore be optimistic for this reason.

Cebr's most recent long-run forecasts suggest a return to moderate but not exceptional growth in the British economy following the pandemic, of 2.4% annually from 2022-26 and 1.8% annually from 2027-36[77]. World GDP – which is also highly relevant for air freight demand – is expected to grow but remain

[74] IATA, (March 2018). Forecasting air freight demand, Forecasts for the 2018-2022 period, prepared by IATA Economics.
[75] IATA, (April 2021). Air Cargo Market Analysis Air cargo trends upwards on a favourable backdrop.
[76] IATA, (3 May 2022) Press Release No.20 War in Ukraine and Omicron Weights on Air Cargo.
[77] Cebr, (December 2021). World Economic League Table 2022.

below where it was forecast to be pre-pandemic (i.e. at the time of the Examination).

- The World Bank's most recent *Global Economic Prospects* report expects global output to remain below pre-pandemic trends until at least 2023[78], though with quite some variation – in advanced economies output is expected to catch up with these trends in 2023, but in emerging market and developing economies the forecast recovery is much weaker due to the pandemic's effect on the physical and human capital of these economies.

- The OECD has a similar view, saying that: *"Most advanced economies are projected to return to their pre-pandemic output path by 2023, but with greater debt and still-subdued underlying growth potential. (...) A full recovery is likely in a handful of emerging-market economies, but in most output seems likely to fall short of pre-pandemic expectations, particularly in lower-income countries, leaving sizeable long-term income scars from the crisis."*[79]

These forecasts predate the current conflict in Ukraine, which is expected to have profound impacts in at least the short-term:[80]

- Immediately following the invasion, Cebr estimated that UK growth in 2022 would be halved to 1.9%, from a previously forecast 4.2%. Forecast growth in 2023 was reduced from 2.0% to 0.0%[81];

- The IMF recently cut forecast growth for the UK from 4.7% to 3.7% in 2022 and from 2.3% to 1.2% in 2023, as part of a broader downgrade of global growth prospects[82]; and

- The OECD projected that growth in 2022 could be 1.08% lower for the World, and 0.99% lower for the OECD than was projected prior to the conflict[83].

Whether or not long-run growth will be affected by the conflict remains unclear, but at least in the short-term this can be expected to have an adverse impact on air freight demand relative to previous expectations.

5.2.6 Specialised air freight as a source of resilience

Nick and Philippa Toy's First Round representation proposes that: *"The recent Covid19 pandemic also requires this country to make the very best use of all assets to ensure its economic recovery. The pandemic still continues worldwide even if the vaccination program is prevailing over it here in the UK. To extend*

[78] *Global Economic Prospects*, (January 2022), World Bank, pages 3-5.
[79] OECD Economic Outlook, Volume 2021 Issue 2: General assessment of the macroeconomic situation, OECD Library, December 2021.

[81] CEBR, (March 2022). Cost to the UK Economy of the Russian Invasion of Ukraine – a scenario analysis.
[82] Reuters, (19 April 2022). IMF sees UK growth slowing to weakest in G7 next year.
[83] OECD economic Outlook, Interim Report March 2022: Economic and Social Impacts and Policy Implications of the War in Ukraine.

that success worldwide we will need to export vaccines overseas, and Manston is ideally situated for such operations in this and any future world pandemics" (page 4).

No evidence is provided, however, to demonstrate that the Proposed Development could support increased vaccine exports. It is also doubtful, in the view of the Independent Assessor, that export of Covid-19 vaccines will still be a material concern by the time Manston could be operational (assumed from 2023), so it is unlikely that it would support such operations for this pandemic.

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

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

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

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

Multiple Second Round submissions including Angela Stevens[84] and SMA refer to recent IATA figures showing significant growth in CTKs[85] flown relative to pre-pandemic levels. To quote Angela Stevens' submission:

"...IATA, who say, "The International Air Transport Association (IATA) released September 2021 data for global air cargo markets showing that demand continued to be well above pre-crisis levels and that capacity constraints persist." This is why UK freight hasn't increased. There are no available slots!"

The Independent Assessor considers it unlikely that the lack of available slots is due to limited airport infrastructure capacity, or that this scarcity will persist. The most recent CAA data shows that in the fourth quarter of 2021 passenger numbers remained 55% down on the same period in 2019 (despite recently rebounding strongly from even lower levels)[86]. Whilst the number of flights may not have fallen as much (i.e. there are fewer passengers per plane), this decline has constrained bellyhold capacity. It is not necessarily the case that it has freed up capacity for dedicated cargo flights - at least not by enough to compensate for the loss of bellyhold. During the pandemic, the 80:20 rule[87] was relaxed somewhat in the UK and EU, allowing airlines to hold onto slots without flying 80% or more of them. This means that the reduction in passenger flights was not matched directly by slots available for dedicated cargo services. In future, a recovery of passenger demand and therefore flights would create bellyhold capacity again. If passenger demand returns more slowly, and cargo demand is not met, dedicated cargo flights could be flown either by the current slot owners or by other operators – in either case, physical airport capacity would not be the key constraint.

Moreover, the IATA article referenced[88] by Angela Stevens points to several other factors behind this growth which are unlikely to be sustained (paraphrased below):

- Supply chain disruptions and resulting long delivery times leading to manufacturers using air transport to recover lost time;
- Positive (but deteriorating) export orders and manufacturing output components of Purchasing Managers Indices[89];
- Low inventory-to-sales ratios ahead of peak retail events; and

[84] TR020002-005999-124 - Angela Stevens.pdf (planninginspectorate.gov.uk)
[85] Cargo Tonne Kilometres – The number of revenue tonnes of cargo (freight and mail) carried multiplied by the distance flown.
[86] CAA data, published on 9 February 2022, 2021 quarter four flight data. Available on CAA website. https://www.caa.co.uk/news/2021-quarter-four-flight-data/
[87] Also known as the 'use it or lose it' rule, this requires airlines to use at least 80% of their take-off and landing slots at airports or face losing their right to some slots.
[88] IATA, Press Release No:76 Air Cargo up 9.1% in September, Capacity Remains Constrained, 3 November 2021.
[89] Purchasing Managers' Indices (PMIs) are based on surveys from private sector manufacturers. Purchasing managers are asked whether business conditions have improved, remained constant, or deteriorated compared to the previous month. A PMI above 50 indicates expansion of manufacturing and vice-versa.

- Competitive costs, in September 2021 air cargo was only three times more expensive than container shipping, compared to 12.5 times prior to the Covid-19 pandemic.

Therefore, high demand for air cargo appears to be a function of recent supply chain disruption, businesses' attempts to recover from it (replenishing inventories), and an exceptionally favourable cost differential. The IATA calls on governments to *"Implement the commitments governments made at the ICAO High Level Conference on COVID-19 to restore international connectivity. This will ramp-up vital cargo capacity with "belly" space."* suggesting that they see increased passenger flights and therefore bellyhold capacity as the solution.

Regarding the transient nature of supply chain issues ASA Ltd on behalf of Nethercourt Action Group's Second Round representation states: *"...given the current global supply constraints which have impacted on all modes (air, sea and road), ecommerce retailers may prefer to have more certainty from quicker air freight operations, particularly if certain deadlines are to be met eg stock availability pre-Christmas or Black Friday. We believe that such preferences will largely be eliminated in the medium to long-term after the global supply chain adjusts following recovery from Covid-19 and the potential carbon emissions and cost benefits of sea (and rail) freight are fully acknowledged, resulting in modal shift."* (page 6).

Regarding costs of shipping vs air freight, the Applicant contends that *"Although shipping rates are expected to decrease, the price difference between air and sea is expected to continue to be closer than in the past"* (paragraph 83). No rationale or evidence is provided to support this claim, therefore it has not affected the Independent Assessor's conclusions.

5.3 Changes in Capacity at Other Airports

The Applicant's First and Second Round representations advance two key arguments regarding capacity at other airports:

- Heathrow expansion has been delayed relative to expectations at the time of Examination and may not go ahead at all; and
- Whilst Stansted expansion is going ahead, it will focus on the passenger market rather than freight, and evidence has emerged to support this since the time of Examination.

Some representations also note changes which have occurred at EMA, Gatwick and Luton since the publication of the ExA Report.

5.3.1 Changes in capacity at Heathrow Airport

The appearance of John Holland-Kaye (CEO of Heathrow Airport Ltd) at the Transport Select Committee on 6 May 2020[90] is cited in support of the first argument relating to the uncertainty over the expansion of Heathrow Airport.

[90] House of Commons, (6 May 2020). Transport Committee Oral evidence: Coronavirus: implications for transport, HC 268.

When asked about potential delays to the airport's expansion related to the Covid-19 pandemic and then-ongoing appeal to the Supreme Court (now decided in Heathrow's favour), he replied:

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

The Applicant considers that:

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

Other First Round submissions make a similar argument:

- Thanet & East Kent Chamber Limited[91]: "*We see no prospect of a new runway at London Heathrow being constructed in time to enter service within the next ten years"* (paragraph 3.2); and
- CILT: "*Assumptions about capacity at UK airports for cargo have also changed since 2019 due to Covid 19. For example the effects of Covid 19 on air traffic could delay considerably any progress on a third runway at Heathrow which will limit potential freight capacity at the airport in addition to the loss of belly hold capacity referred to above"* (paragraph 2.5).

In December 2020, the Supreme Court overturned the previous Court of Appeal decision blocking Heathrow's proposed third runway. However the longer-term impacts of the Covid-19 pandemic on aviation demand remain uncertain. Heathrow has not yet announced a revised date for completion of the runway but say that *"Our priority remains focusing on securing a recovery for the airport from COVID-19. As such we are reflecting on the judgment and considering next steps whilst engaging with a variety of stakeholders."*[92]. York Aviation on behalf of Jennifer Dawes refer to 2033 as *'an indicative delivery date assumed by many commentators'*.

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

[91] See Thanet & East Kent Chamber Limited's representation on the Planning Inspectorate website or: https://tinyurl.com/2ypum8kt
[92] Heathrow Airport Limited, Expansion FAQs.

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

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

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

In their Second Round submission, the Applicant provides evidence from the DfT's 2017 UK Aviation Forecasts, showing that there was effectively no spare slot capacity at Heathrow and Gatwick in 2016, and the entire London airport system would be 'full' by 2040 (paragraphs 135 – 137). This table is reproduced as Table 3 below.

Table 3: Slot Capacity extracted from the Applicant's Second Round Representation

	2016	2030	2040	2050
Heathrow	100%	100%	100%	100%
Gatwick	100%	100%	100%	100%
Stansted	70%	88%	100%	100%
Luton	81%	100%	100%	100%
London City	80%	100%	100%	100%
London	93%	98%	100%	100%
Manchester	89%	81%	70%	91%
Birmingham	50%	66%	95%	100%
Bristol	76%	95%	100%	100%
East Midlands	79%	63%	87%	100%
Southampton	82%	99%	100%	100%

Source: DfT: UK Aviation Forecasts (2017) – Table 33, page 102; 2017

Table 3 shows highly constrained capacity at UK airports, however it is important to clarify what assumptions these forecasts are based on. In the DfT's report[93] a note below the table clarifies that *"Runway capacity is assumed to increase at*

[93] DfT, (October 2017). UK Aviation Forecasts, Moving Britain Ahead, page 102.

Manchester; so lower utilisation figures reflect an increase in capacity rather than a decrease in demand". This appears to be the only major capacity growth assumption made in this table, which shows baseline forecasts only. In the introduction to the chapter, the DfT confirms that *"This chapter presents the forecasts constrained by runway and terminal capacities for the low-central-high set of scenario forecasts. The forecasts are presented for a* ***baseline of no new runways****, and for the three capacity expansion options the Government is consulting on in the draft Airports National Policy Statement" (paragraph 7.2)*.

In the DfT forecasts referred to by the Applicant, passenger demand (as opposed to airport capacity) forecasts are presented separately for the low, central and high scenarios and for capacity expansion options compared to the baseline. These show (Tables 32 and 34 in the DfT's report) that passenger demand grows significantly at Gatwick or Heathrow in scenarios where these airports develop a second or third runway respectively. No separate capacity utilisation forecast is produced, unfortunately, but it is to be expected that this would also be radically altered. Therefore, the evidence presented by the Applicant in the Second Round representation is based on a scenario in which there is no new runway at Heathrow.

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

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

The addition of a third runway at Heathrow remains Government policy and this was reinforced by the Supreme Court decision. However the Independent Assessor notes that there are some new factors since the Examination which suggest the future expansion at Heathrow is less certain, these include the on-going delay in progression of expansion plans and a general increase in climate change awareness amongst the public and other stakeholders[94] potentially

[94] For example the Mayor of London restated his opposition to expansion of London airports in London Net Zero 2030: An Updated Pathway, published in January 2022.

increasing the likelihood of challenges on planning or environmental grounds. Therefore, there is more uncertainty about the future expansion of Heathrow than there was at the time of Examination, which strengthens the Manston case. However the ExA was *"not convinced that there is a substantial gap between capacity and demand for general air freight within the South East at present"* (E.R. 5.7.23). Therefore, the uncertainty in respect of Heathrow's expansion needs to be considered alongside existing capacity, and in light of other airport's expansion plans which are progressing.

5.3.2 Changes in capacity at Gatwick and Luton Airports

Since the Examination both Gatwick and Luton Airports have progressed expansion plans. Statutory consultation on the proposed expansion of Gatwick Airport from 62.4 million passengers per annum (mppa) to 75.6 mppa was held in Autumn 2021 and Luton Airport held statutory consultation on expansion from 18 mppa to 32 mppa in Spring 2022.

Gatwick and Luton's intention to increase capacity may reduce the likelihood of expansion coming forward at Heathrow and other airports, however it would also provide an increase[95] in freight capacity in the South East.

5.3.3 Changes in capacity at Stansted Airport

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

A planning inquiry was held between January and March 2021, with the Planning Inspectorate publishing its determination in May 2021. The appeal was granted, providing clarity and a degree of certainty on the capacity position (which was uncertain at the time of the Examination) but capping Stansted's CATMs at 16,000 per annum (a reduction from 20,500).

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

"Since expansion focuses on an uplift to passenger numbers without an increase in Air Transport Movements (ATMs), Stansted Airport's owners, Manchester Airports Group (MAG), made clear that their focus is on the passenger market rather than freight. To this end, they sought permission to reduce the cargo ATM

[95] The Economic Impact Assessment published as part of Gatwick's statutory consultation states: *"in 2019 the airport handled 150,000 tonnes of air freight…..With the Project, air freight traffic is expected to increase by 10% in the Project's opening year, and by 27% and 20% in 2038/39 and 2047/48 respectively as a result of the Project"* (page 10). Equivalent data is not yet available for Luton.

cap from 20,500 to 16,000 and maintain their overall ATM cap at 274,000, thereby increasing allowable passenger ATMs. The Examining Authority concluded at paragraph 5.6.26 of the Recommendation Report that 'there is no clear evidence of the Applicant's view of Stansted's strategic choice to prioritise passengers over freight'. There is now clear evidence and so the Examining Authority's conclusions can be given little weight on this aspect." (paragraph 45)

The proposed reduction in the CATM cap was in place at the time of Examination, as confirmed in a 2018 briefing note to the Secretary of State for Transport (paragraphs 5, 12)[96]. This cap does, however, leave some room for growth in Stansted's CATMs – in 2016 the airport handled 12,492 CATMs, as confirmed in the Environmental Statement[97] of their planning application (paragraph 1.3)[98], and in 2017 it handled 10,126 CATMs, as noted by in the ExA's Report (paragraph 5.7.9). More recent data from the CAA demonstrates that there has not been a significant change in CATMs at Stansted since the Examination, with 10,743 CATMs recorded in 2021[99].

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

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

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

SMA state that Stansted's targeting of passenger growth will result in slots for dedicated freighters becoming limited. The proposed passenger cap is 43 mppa, up from 35 mppa today. SMA points out that even using MAG's figure of 170 passengers per flight (an increase on the 162 realised in 2019), 43 mppa translates into 252,941 passenger ATMs. With an overall ATM cap of 274,000 ATMs per year, this leaves 21,059 ATMs available for cargo and other flights[100]. In 2019, there were 15,175 other ATMs – therefore if the 43 mppa cap were met with 170 passengers per flight and the number of other ATMs were to remain unchanged,

[96] Head of London Airport Policy, (14 June 2018). Letter to Secretary of State, Chris Grayling MP: Aviation: London Stansted Airport Planning Application.
[97] The figures reported in Stansted's environmental statement vary slightly from the figures reported by the CAA for CATMs at Stansted in 2016. The latter reports 11,246 and the former 12,492.
[98] London Stansted Airport, 35+ Planning Application Environmental Statement Volume 1.
[99] CAA, Airport data 2021, Table_06_Air_Transport_Movements.
[100] Other flights, for example include empty positioning flights (e.g. maintenance, pilot training), special flights (e.g. VIPs on private aircraft) and air taxis.

this would only leave 5,884 ATMs available for cargo, well below the consented cap and recent numbers of cargo ATMs.

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

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

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

This reinforces the view that if Stansted meets or comes to close to meeting its cap on passengers per annum and maintains its current level of other ATMs, it will be unlikely to also provide increased freight capacity in the long-term. York Aviation on behalf of Jennifer Dawes' in their Second Round submission (paragraphs 4.63-4.64) note that the assumptions behind the above analysis are highly conservative and unlikely to come to fruition, namely that:

- Current refleeting (from B737-800 to B737-MAX8 craft) by Ryanair, Stansted's principal operator, will increase passengers per flight; and
- Other ATMs are less lucrative than cargo, and more likely to be reduced to accommodate growth in passenger ATMs.

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

Despite the uncertainty at Stansted Airport at the time of the Examination, the ExA's Report concluded '*that there remains significant freight capacity which the airport operators wish to fulfil'*. Whilst the planning consent now granted to Stansted reduces the cap on annual cargo ATMs from 20,500 to 16,000, this still leaves scope for an increase of 5,257 cargo ATMs (relative to the 10,743 in 2021). Moreover, this only refers to dedicated freight capacity. Any increase in passenger

flights under the new 43 mppa cap will allow for an increase in bellyhold freight handled at Stansted. If this passenger cap is met or very nearly met, Stansted would have to keep cargo ATMs below 16,000 in order to meet its overall ATM cap.

Events since July 2019, as outlined above, therefore now appear to confirm the ExA's position – there remains capacity for dedicated freight movements at Stansted, and an increase in passenger flights will provide further bellyhold capacity.

5.3.4 Changes in capacity at East Midlands Airport

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

Ramsgate Society Manston's First Round representation highlights a new development which may support growth in air freight at EMA:

"On 3rd March 2021 Rishi Sunak, the Chancellor, announced the designation of 8 new freeports in the UK. The East Midlands Freeport is the only inland freeport to be created. The other seven are coastal locations. The airfreight operations of EMA will be central to much of the freeport business within the 'EMA Gateway and Industrial Cluster' (EMAGIC) in which it is located. The status of 'freeport' conferred on EMA brings enhanced market advantage over and above any other UK airfreight location" (page 16).

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

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

The ExA's Report concluded that capacity is available at EMA and the representations do not provide any further evidence which conflicts with this position.

5.3.5 Other issues

Neil Craven's First Round representation[101] provides evidence on the need for light aircraft facilities in East Kent:

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

This is also referenced by Philip Blair[102] in his First Round representation. This response indicates that there is some evidence for these facilities, however the Independent Assessor is not of the view that this weighs in favour of the Proposed Development either as well as, or instead of, the planning application already underway. Moreover, Lydd Airport (to the south of Ashford) serves light aircraft. In 2014 it was given permission to extend its runway and build a new terminal - though this expansion has not yet gone ahead[103]. Fundamentally, the need case for or against the redevelopment and reopening of Manston airport – given the overarching nature of the development – rests on *cargo* demand.

5.4 Locational Requirements for Air Freight

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

[101] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005528-Neil%20Craven.pdf
[102] https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-005569-Philip%20Blair.pdf
[103] BBC news, (16 May 2014). Expansion of Kent's Lydd Airport to go ahead. Kent Online (26 November 2018). Talks with landowners delay Lydd Airport runway expansion.

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

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

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

Secondly, and more importantly, the data in the graph does not record the origin region of exported goods or the destination region of imported cargo. The 'small print' in the description of the data on the Regional Trade in Goods website states that *"Regional Trade in Goods Statistics (RTS) data is compiled by merging trade data collected by HMRC with employment data from the Inter-Departmental Business Register (IDBR). A business' trade is allocated to a region based on the proportion of its employees employed in that region."* By way of practical example, based on this definition it would lead to imported goods being allocated to one region (where the importer's employees are located), albeit in practice the goods are actually handled in another region by an out-sourced logistics provider. In the case of a large national retailer, imports will be distributed across each region (in proportion to the number of employees in each region) whereas in reality the goods will be imported and stored initially at one central location.

Responding to the Applicant's Second Round submission at paragraphs 181, 185 and 186, the Independent Assessor recognises that the Figure 12 chart was published in full and unaltered from the HMRC Regional Trade in Goods dataset. The issue is that, for the reasons set out above, the data presented in that figure is not a reliable record of the origin region of exported goods or the destination region of imported cargo. The Applicant's Second Round comment that air freight demand is largest in London and the South East is therefore derived from a misinterpretation of the dataset presented. For example, at paragraph 163 of the Second Round submission the Applicant states that "*35-40% of the UK freight market that has an origin or destination in London or the South East and East of England"*. This position is not proven from the dataset presented. No additional data or evidence has been supplied by the Applicant (or others) to further support the argument with regards to Manston's location.

For these two important reasons, the Independent Assessor does not therefore recognise Figure 12 from the Applicant's First Round representation as being an accurate record of international trade by origin or destination region.

A recent study completed jointly by MDS Transmodal and GL Hearn (with Iceni Projects) for the Leicestershire planning authorities[104] concluded that 65% of large-scale warehousing in England and Wales is located in the Midlands (East and West), North West and Yorkshire regions combined. Given that these facilities are likely to be the main destinations of much air freight cargo, this appears to confirm the conclusions reached by the ExA with regards to the location of Manston and EMA. ASA on behalf of the Nethercourt Action Group draw similar conclusions in their Second Round representation, noting that the so called 'golden triangle' area in the Midlands is where the e-commerce retailer's CFCs are predominantly located (page 8).

The ExA concluded that EMA (and to a lesser extent Stansted) perform better with respect to the likely origins and destinations of cargo (E.R 5.6.136 and E.R 5.6.137). They particularly noted a 'heat map' of cargo origins and destinations at EMA (presented in the Azimuth Report as Figure 12) and evidence from York Aviation which showed a broadly national hinterland at EMA.

The new evidence presented in the First and Second Round representations, as described, does not lead the Independent Assessor to reach a different conclusion to that previously set out in the ExA's Report.

[104] GL Hearn with MDS Transmodal and Iceni Projects on behalf of Leicester and Leicestershire Authorities, April 2021, Warehousing and Logistics in Leicester and Leicestershire: Managing growth and change. Available on the North West Leicestershire District Council website.

6 Conclusions on the Need Case for Development

The ExA Report concluded that the Applicant failed to demonstrate sufficient need for the Proposed Development, summarised in their Report of Findings and Conclusions:

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

Overall, the Independent Assessor concludes that there has not been any evidence presented in respect of the quantitative need case for the Proposed Development, nor significant or material changes to policy since July 2019, that would lead to different conclusions being reached (compared with the previous ExA conclusions) with respect to the need for the Manston development. In particular:

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