FAQ
Commercial Viability of Manston Airport

AviaSolutions for Thanet District Council

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A GECAS Company

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1. Introduction

1.1. Scope

Thanet District Council ("TDC") asked AviaSolutions to prepare summarised answers to some frequently asked questions (FAQs) relating to the Manston Airport Viability Study (September 2016) that AviaSolutions prepared for the Council.

1.2. Source of Questions

Questions answered in this document are from a variety of sources. These include, but are not limited to:

- Questions received by TDC's press office
- Questions received from Council members and officers during briefings
- Reputable print and online media reports
- Social media
- Stakeholder websites

1.3. Limitations

This document has been prepared to assist TDC interpret the Manston Airport Viability Study; the document may also be used by TDC to assist in answering questions from the local community. The inclusion or exclusion of any question, theme, topic or subject matter, or the order in which answers are placed below should not be interpreted as having any meaning, weight or credence as to its significance or the conclusions of the Viability Study.

2. FAQs

2.1. How many passengers does the report forecast for Manston Airport?

The report developed four distinct scenarios for the development of runway capacity in the London area, and passenger numbers vary with each scenario, depending on how many passengers are assumed to 'overflow' from the London area.

In each scenario, it is assumed that Manston quickly attracts 800,000 passengers per annum assumed to be carried by an LCC basing two aircraft at Manston. This base demand is assumed to continue until a new runway is opened in the London area, at which point the based aircraft are assumed to be switched by the airline away from Manston to operate from the new runway.

In addition to the above passengers, the report considers how many passengers Manston Airport may be able to capture from the London System overspill. This is the volume of passengers that cannot be accommodated at London airports due to capacity constraints, and whom which Manston Airport could reasonably be expected to capture. The number of these additional passengers varies depending on the particular scenario.

2.2. How has the catchment area been defined, and why is this pegged to Southend? Furthermore, why have no attempts to increase the quality or size of the catchment area been made?

The natural catchment area for local passengers has been defined as the areas of Eastern Kent extending to Medway, Maidstone and Ashford (pg. 20, Section 5.3).

AviaSolutions analysis indicates that beyond these districts, other London airports are equally or more favourable choices, including London Gatwick, London Southend and London City. An important factor in determining an airport's natural catchment area is the travel time to the airport from the passenger's point of origin, although the strength of the airline product and proximity to other airports is also important.

An airport's catchment area is defined by travel time and the breadth and depth of the airport's schedule and network. Airports such as London Heathrow and London Gatwick can attract passengers from across the UK by offering services to 180 destinations by 80 airlines, and 220 destinations by 50 airlines respectively (Source: Airport websites). The likely breadth and depth of the network that Manston could reasonably be expected to achieve suggests it would be unable to extend its catchment beyond that defined above.

London Southend's network has been considered to provide an analogue for the potential market from a re-opened Manston. Airlines such as easyJet and Ryanair tend to serve the same basket of destinations when opening a new base. These tend to be popular tourist destinations and destination cities in Europe as they are the highest volume routes and offer the greatest opportunity for high load factors. Therefore, we believe it is reasonable to suggest that an airline commencing services at Manston would most likely introduce these types of destinations.

The network from Southend is based on easyJet's operations: we believe a Ryanair base at Manston would operate services to similar destinations.

2.3. Manston could offer a shorter check-in time than other airports, surely this improves the passengers it could reach?

Check-in time varies by airport, type of flight, and whether the passenger is travelling with luggage. Long-haul international flights tend to close 60 minutes prior to departure and short haul flights circa 35-45 minutes prior to departure. Manston is unlikely to offer a check-in time that offers much improvement over these industry standards.

The scale of Manston Airport would inevitably reduce the time required to walk from Check-in to the departure gate, but this is unlikely to be more influential in passenger choice than network, schedule and fares.

2.4. When does the report assume new runways are opened, if at all?

The assumptions in the report are that, if a new runway is opened at London Gatwick, this will be operational in 2025 and if a new runway is opened at London Heathrow this will be operational in 2030.

The introduction of capacity at these dates meets or exceeds (is further away in time) than the timeframe set out for these schemes within Davies' Airport Commission: Final Report (pg. 231, Section 11.32).

2.5. Why does the report assume London Heathrow will gain a new runway, what about other options?

The UK Government has announced its support for a new runaway at London Heathrow (25th October 2016). The government will issue a draft National Policy Statement setting out why the government believes this scheme is the right one for the UK will be published in the new year when the public will be consulted on the proposals.

Alternative scenarios, based upon London Gatwick's second runway, runways at both Heathrow and Gatwick, or no new runway are contained within the Appendix of the report.

2.6. Does a delay in a decision on new runway capacity in the South East improve Manston Airport's viability?

This question has been superseded by events (see 2.5).

2.7. Why does the report not consider how Manston, in a joint venture, could be used to support the growth of London Heathrow and / or London Gatwick in the short term and then redistribute traffic back to their future developments?

Airports operate in a free market with airlines determining their fleet, network and schedule. In our view, Manston Airport (working with either London Heathrow or London Gatwick) could not possibly develop the above proposition as these require decisions about airline networks which directly affect airline profitability,

The report does consider how airlines might distribute their aircraft capacity around the London airport system when faced with infrastructure capacity shortages at Heathrow and Gatwick.

2.8. Could the report not have considered moving all freight to Manston from Heathrow and Gatwick and thereby free up capacity for passengers at these airports?

Most airfreight (circa 95%) at London Heathrow is carried on passenger flights in the bellyhold. At London Gatwick, virtually all freight is carried in the bellyhold and in 2015 there were just three freighter flights (pg. 28).

2.9. Could Manston Airport not take all freight flights at Heathrow and Gatwick, thus removing the need for another runway?

See answer to 2.8.

2.10. I thought there was insufficient capacity for freight and this was constraining growth?

This hypothesis has been advanced several times but it is not true.

The bellyhold load per ATM carried at Heathrow is well below the available freight capacity per ATM (pg.31)

Stansted has a legal requirement to protect capacity for 20,500 movements of freighter-only flights. In 2015, cargo airlines used just 9,956 of these movements, less than 50% of its protected number, and the number of freighter operations has in fact declined from 13,967 in 2000.

In addition, Manston Airport whilst open offered the air freight industry additional cargo capacity, though annual cargo throughput remained relatively constant from 2000 to 2013 at around 30,000 tonnes.

2.11. What is the growth assumption for freight from 2015 onwards?

AviaSolutions considered several forecasts in our work and in the freight forecast utilised the forecasts provided by Oxford Economics in their assessment of a new hub airport, prepared for TfL. The AviaSolutions analysis assumes the mid-point growth of the high and low cases provided by Oxford Economics, which results in freight demand for the London Area Airports growing from 1.8m tonnes in 2015 to 3.5m tonnes by 2050 (CAGR 1.9%).

2.12. Why has no consideration been given to local business parks or manufacturers to boost freight?

The freight industry is structured such that businesses generate airfreight and contract with a freight forwarder to move the freight to its destination. The freight forwarder consolidates this freight with other freight and contracts with an airline to move it to the required destination.

To support these operations the freight forwarder must generate economies of scale and as such tend to use core airports and airlines to ship freight. It is unlikely that the local business parks would contract directly with the airlines to ship freight and would have little control as to from which airport it might be shipped.

2.13. Recent press reports suggest that Heathrow has seen increased freight in September, is this post BREXIT improvements?

It is almost certainly too early to determine the exact effects of BREXIT on the airfreight market.

However, we note with regards to increased freight in September, this month is typically the busiest month for airfreight as retailers increase their inventory in the lead up to Christmas. Moreover, the month on month trend in a single month is not a reliable basis for extrapolation of future growth.

2.14. Does the report not consider how Manston could grow between present day and the opening of a new runway in the South East?

The growth of Manston between present day and the opening of a new runway in the South East is incorporated in each of the four scenarios in the report and the cascade model used to evaluate demand across the London System.

Each scenario results in Manston growing passenger and freight based on the overflow from the London System, the capacity of which varies by scenario (see also 2.1).

2.15. The report has not considered every permutation or option available for developing Manston, how therefore, can it be concluded that the airport is not viable?

AviaSolutions has considered the scenarios it believes to be most probable under normal market conditions. The scenarios have been based upon industry knowledge and experience along with specific research into the Manston Airport market.

2.16. How can the evidence from industry be valid, the airport is not open nor have charges been set, thus no airline or freight operator would be able to provide a firm commitment to using Manston?

AviaSolutions conducted interviews with several airlines and freight operators. Interviewees were not asked to provide firm commitments to utilising Manston in the future, moreover nor would it be reasonable for them to consider doing so. However, the aviation industry sentiment and evidence of the interviews indicate that the characteristics of the market are not sufficient to stimulate airlines into switching capacity from existing bases.

2.17. Does the report consider the effects of the Regional Route Development fund?

The Regional Route Development Fund is a government grant used to encourage new services from regional airports. The fund accepts applications from airports with fewer than 5m passenger in conjunction with an airline wishing to operate the route.

However, given that the fund is awarded by central Government to airlines and not guaranteed, within the context of the report, AviaSolutions has not considered the Regional Route Development fund as either a benefit or dis-benefit to Manston Airport.

2.18. What is the basis for the rail connection assessment, and why does the report not consider the additional benefits brought about through the proposed Thanet Parkway station?

The assessment of rail journey times is based on currently available journeys and illustrative only. The journey times help assess the ease with which passengers from Greater London can access the city's airports, and therefore its attractiveness for passengers and airlines in the event of excess demand spilling to Manston Airport from the London Airport system.

Plans for Thanet Parkway Station have been withdrawn, and are only likely to be re-visited following the introduction of commercial passenger services at Manston Airport.

2.19. Why does the report not consider the effects of Enterprise Zone status?

It is AviaSolutions understanding that the airport site is not currently designated as an Enterprise Zone.

2.20. Why has the report not considered the effect of various other revenue streams for the airport, including; Maintenance Repair and Overhaul (MRO), aircraft disassembly, aircraft storage, flight schools, airline training, business and general aviation, heritage.

Whilst an airport can offer many additional services to increase revenue, typically these ancillary services support the core purpose of the airport which is commercial passenger and freight flights. If the core purpose of the airport is not believed to be financially viable then an investor would not rely on ancillary services to achieve profitability.