

## **AICES Response to Airports Commission: Call for Evidence in relation to an Inner Thames Estuary Proposal**

### **1. The Association of International Courier and Express Services (AICES)**

AICES is the UK trade organisation for companies handling international express documents and package shipments. Our members provide door-to-door transport and deliveries of tracked next-day or time-definite shipments, including documents, parcels and merchandise goods. AICES members – including DHL, FedEx, TNT and UPS – directly employ around 38,000 people and indirectly support a total of almost 82,000 UK jobs and are responsible for over 95% of the international courier and express shipments moved through the UK every day. In 2010, the express sector contributed £2.3 billion to UK GDP, and the sector facilitated £11 billion of UK exports a year.

AICES welcomes this opportunity to respond to the Airports Commission's Call for Evidence in relation to an Inner Thames Estuary Proposal.

### **2. Key objectives for new proposals**

AICES supports the key objectives set out by the Airports Commission in its framework to appraise the different proposals to increase capacity. In particular, AICES welcomes the emphasis on wider economic benefits and the recognition that freight needs to be taken into consideration with regard to connectivity and capacity constraints and surface access. The Balanced Approach also needs to be incorporated in to any assessment of the different proposals including the Inner Thames estuary proposal should it be shortlisted. AICES also supports the Commission's focus on surface access considerations which is particularly relevant when considering the Inner Thames Estuary proposal.

### **3. Importance of Increasing Capacity and Connectivity to Express Services**

#### **Express services need for capacity**

Oxford Economics Research demonstrates that express services follow the cyclical growth of the economy. In a 2013 report (Response to the Department for Transport's Night Flights Consultation' Oxford Economics April 2013) Oxford Economics demonstrate that the use of express services is directly connected to economic growth. During economic upswings the demand for express services typically grows much more strongly than GDP. On the other hand, demand can fall precipitously when the economy slows. Given this strong cyclicity, express services need to be able to expand rapidly to meet rising demand and sustain economic growth. AICES Members believe that therefore it is vital that going forward the South East has sufficient capacity to enable economic growth.

A recent survey of UK companies (The Economic Impact of Express Carriers in Europe, Country Report: United Kingdom', 2011, Oxford Economics) conducted in June 2011 by an independent research group, NSM Research, asked 71 UK companies about their use of express delivery services. Of the 71 businesses covered by the survey, 43 per cent reported that next-day delivery is an important factor in their decision to use express delivery services. Companies gave a number of reasons for why next-day delivery is so important for them, it enables firms to: provide a better after-sales service; operate just-in-time inventory management; and reduce purchasing costs.

Express services need a hub operation in the South East in order to ensure overnight deliveries to UK business. Currently members have cargo operations at Stansted and primarily bellyhold at Heathrow. Both are crucial to the express sector. It is vital that capacity constraints at Heathrow do not end in restrictions on bellyhold which would have a major impact on the UK's connectivity and the costs of express operators. Equally, express operators depend on having an airport in the South East –

currently Stansted – which allows for 24 hour operations, 7 days a week. Restrictions on night flights would have a severe and detrimental impact on express companies' ability to service their customer's needs for overnight deliveries which in turn impacts on the UK's competitiveness.

Any appraisal of the Inner Thames Estuary proposal as the hub airport for the South East would therefore need to meet the connectivity needs of express operators that utilise bellyhold and also allow 24 hour/7 days a week cargo operations. Consideration also needs to be given to having the road transport infrastructure necessary to enable next day delivery.

### **Heathrow - Bellyhold cargo**

Under the current arrangements, bellyhold capacity at Heathrow is vital to enable direct connectivity with the international market place. The current flights that arrive in the night period into Heathrow are long haul aircraft coming from strategically important origins. Express services have freight on all these movements which get cleared and delivered into the UK same day of arrival. Some 93% of all flown cargo moving at night at Heathrow is belly cargo on passenger aircraft, amounting to 212,000 tonnes a year, 98% of it long haul, including significant transfer traffic. Bellyhold offers a valuable addition to freight only flights, providing flexibility and efficiency. The fact that a significant volume of air freight is bellyhold is important for understanding the knock on impact that restrictions on the freight market might have on the passenger market; with the viability of some passenger flights dependent on the revenues generated by air cargo.

Any new inner estuary proposal would need to maintain the level of connectivity to the global market place to enable the bellyhold cargo currently serviced by Heathrow to continue.

### **Night flights - 24/7 Hub**

Any new hub London airport would have to be a 24 hour and 7 day operation to allow express operators to satisfy customer demands for overnight deliveries and to enable transshipment activity. Express companies need sufficient night time movements to allow express services to fulfil customer need. Currently Stansted acts as the South East hub for express operations. However, based on the 2013 Oxford Economics economic modeling Stansted's 12,000 aircraft movements limit (the combined quota over a winter and summer season) is reached in two to five years hence, depending on the timing and strength of the UK's economic recovery. As Oxford Economics state: ***"Applying this prediction to Oxford Economics' published forecasts for future GDP growth indicates that the current movement limits will become a constraint on growth at the airport within the next two to four years."***

Any Inner Thames Estuary proposal would need to examine the implications for Stansted's role as a 24/7 express hub and would need to fulfil this capacity requirement for express operations.

### **Transshipments**

A key feature of the express industry is the use of the 'hub-and-spoke' distribution model. International packages are consolidated with packages from other countries for transportation on to their final destination, so called 'transshipments'. The UK is in a good geographical location to act as a hub between the EU and US but competes directly with continental EU airports for this role, for example, Charles de Gaulle in France and Schiphol in the Netherlands. This role has economic benefits to the UK directly because of the additional jobs and investment around hub airports.

Transshipments also help to sustain the range of destinations currently serviced in the UK and are needed to ensure that guaranteed next-day delivery is not limited to large 'point-to-point' routes.

Independent research by Oxford Economics in 2010 commissioned by AICES found that the diversion of hub traffic to other European locations would particularly impact the number of flights to and from North America and would lead to a withdrawal of air services to Scotland and Northern Ireland. Such a loss in connectivity would damage the UK's competitiveness and have a disproportionate impact on the regions and SMEs.

The two key hub transshipment airports in the UK are Stansted and East Midlands (EMA). If restrictions on night flights were introduced at Stansted, its role as a hub could be compromised and there could be a direct impact on transshipment traffic with a direct negative impact on UK business. Again, the Inner Thames Estuary Proposal would need to be examined for ability to fulfil these transshipment traffic needs.

#### **4. Surface Access**

AICES has already welcomed the Commission's decision to consider the needs of freight as one of the objectives for surface access. AICES supports the need to consider whether proposals could constrain the capacity available for surface access and adversely affect the cost of journeys. AICES Members support good infrastructure road and rail links to airports. Good motorway access speeds distribution of goods and enables greater efficiencies. However, it is not possible for express companies generally to switch from air or road to rail because of the need to offer guaranteed time and tracked deliveries.

AICES does have concerns that the Inner Thames Estuary proposal will add to journey times from airport to final delivery with customers. Heathrow enables access into London but also clients to the West of London. Goods arriving into an Inner Thames Estuary airport would have to be driven around London to reach clients in the West of London and the South-West.

#### **5. Implications for local businesses of closure of Heathrow as International hub**

Heathrow has evolved over many years to be one of the major international airports of the world. This evolution has also resulted in a support infrastructure developing around the airport. AICES Members are therefore concerned that a considerable number of customers have located their businesses around Heathrow in order to be in close proximity to our member's services and take advantage of the latest possible collection times in the working day. Moving from Heathrow also implies moving all those businesses if their access to the airport and their global competitiveness is to be retained by UK plc. Consideration also needs to be given to all the businesses that service those businesses close to Heathrow eg catering and cleaners. We understand that the Mayor of London is currently investigating potential redevelopment of the area and AICES will consider carefully any resulting economic analysis.

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