Leading UK Logistics

International Operators

Basil O'Fee
MD and Founder
Northpoint Aviation Services

Regional & Business Airports Group

Basil O'Fee
M.D. Northpoint Aviation &
Head of RABA Group Secretariat

30th May 2019 MacDonald Inchyra Hotel, Falkirk

DfT Aviation Strategy Consultation underway; includes airfreight, but only superficially

About RABA

RABA was formed in 2013 to make representations to the Davies Commission on behalf of UK smaller airports and to respond to the prevalence of discriminatory 'one size fits all policy' in Europe and UK.

Our membership expanded rapidly because of concern that DfT Officials and Government Ministers and the CAA did not understand, or seem interested in, the challenges facing the smaller airports; RABA members soon concluded that only by acting collectively would their policy/regulatory voice be heard.

RABA currently has:

- 40 members (and is still recruiting) and 10 industry sponsors;
- signed an MOU on regional air access with Heathrow;
- reciprocal arrangements with ERAA, ACI, the GA community, SASIG and British Irish Expo; and is
- acknowledged by the CAA, EASA, the Devolved Administrations, Governments of Crown Dependencies, AOA, Airlines UK, A4E and ABTA.

The UK Regional and Business Airports Sector

Regional & Business Airports Group

Smaller UK regional airports are a strategically important economic asset

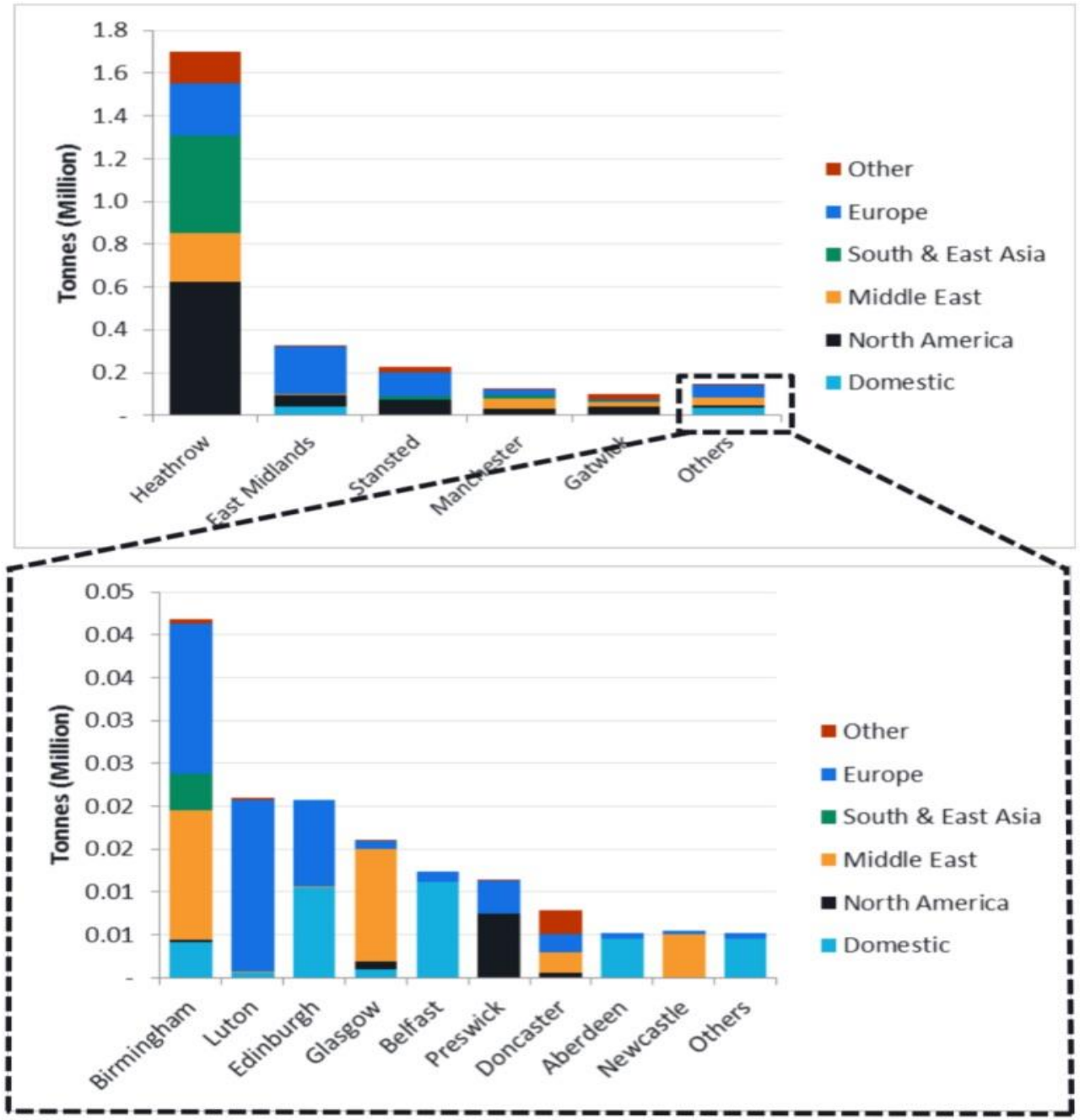
Important to make better use of it…

Maximise the economic benefits from them locally, regional and nationally

And in so doing develop vibrant smaller regional airports across the UK

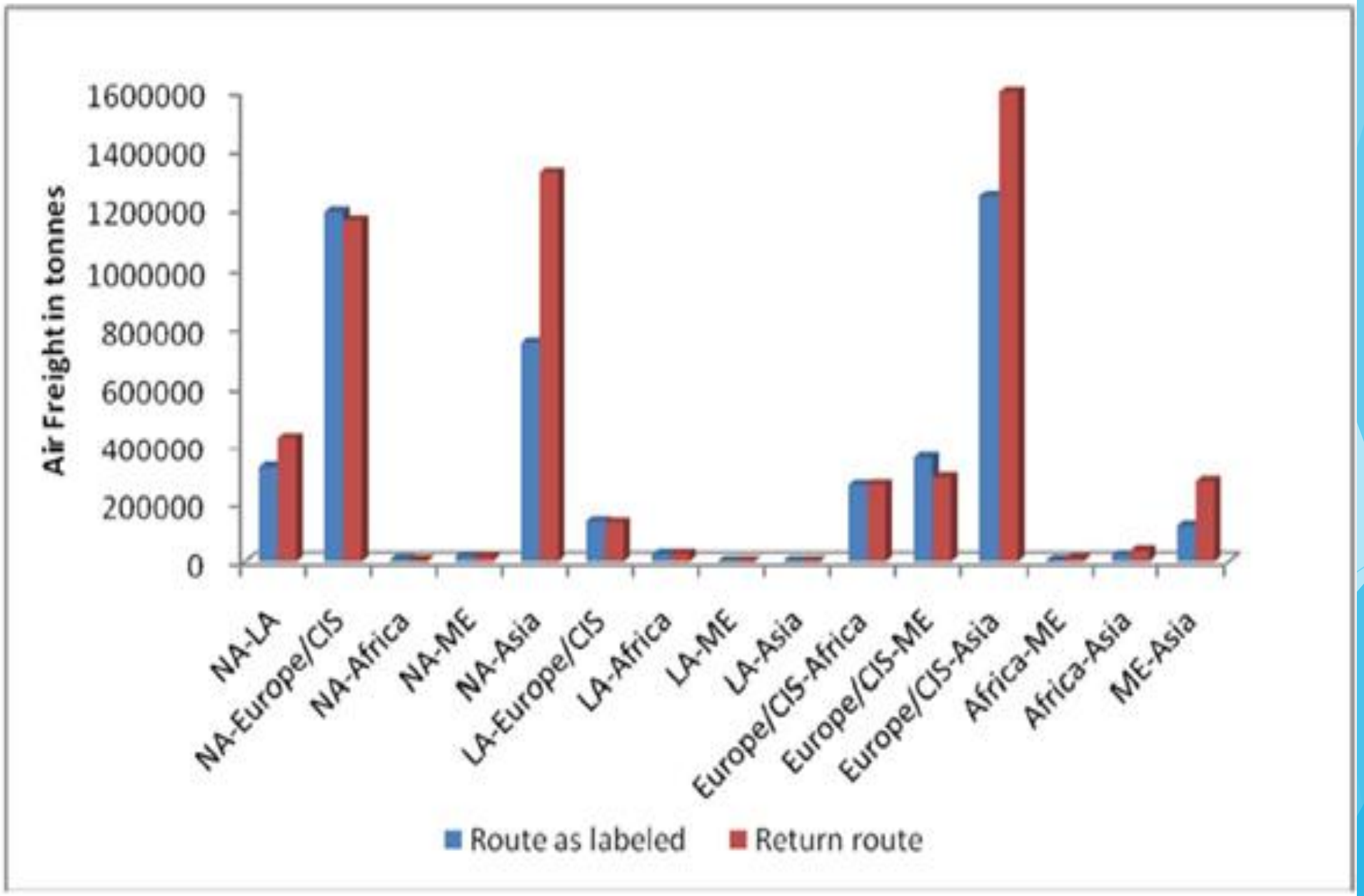
60mins - Free flow drive time from Member Airports

Figure 3.3: Destination[3] of UK freight volumes, Million Tonnes (2017)



Source: CAA

World directional imbalances



Main Providers and Trends

FIGURE 1.5 LOGISTICS SERVICE PROVIDERS 1985

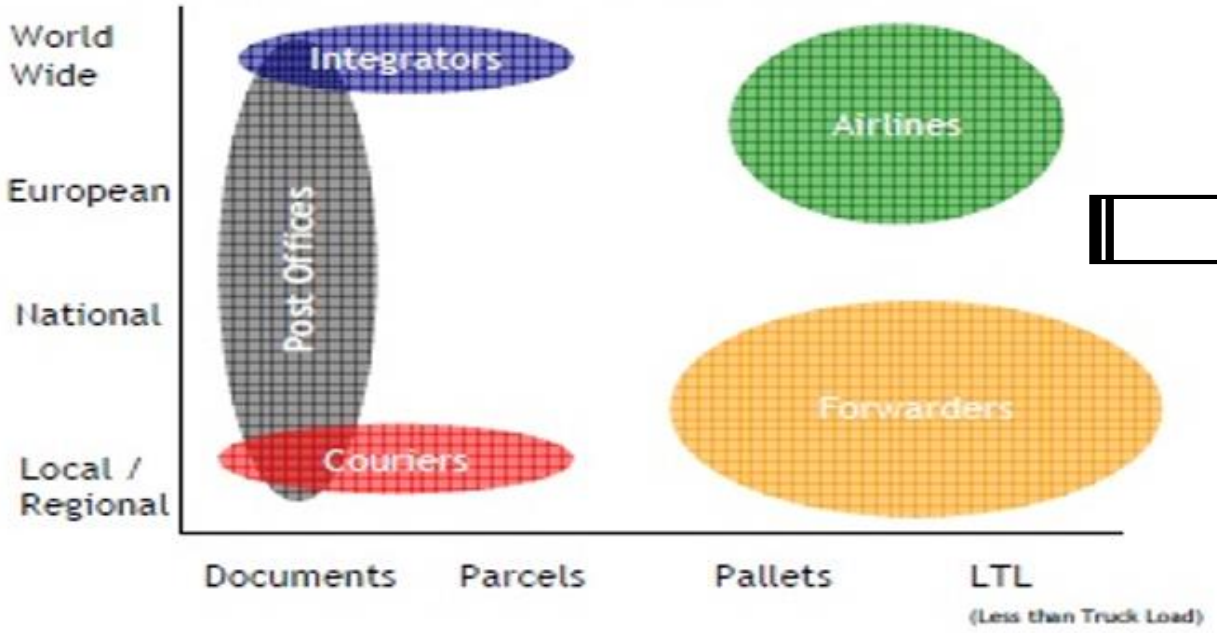
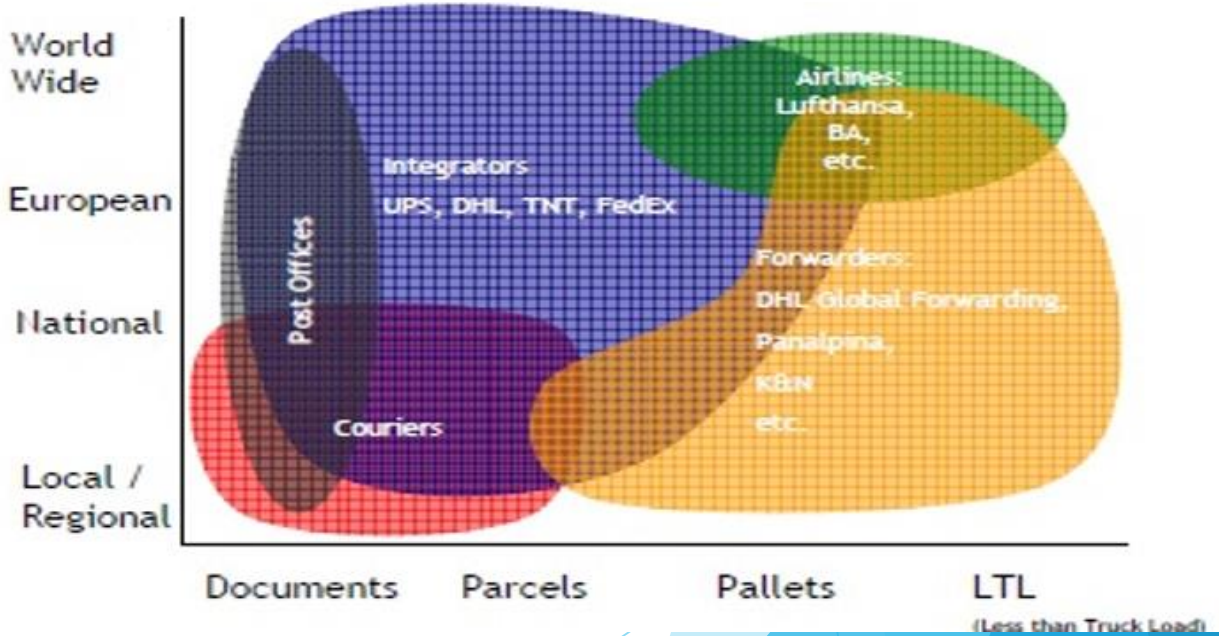
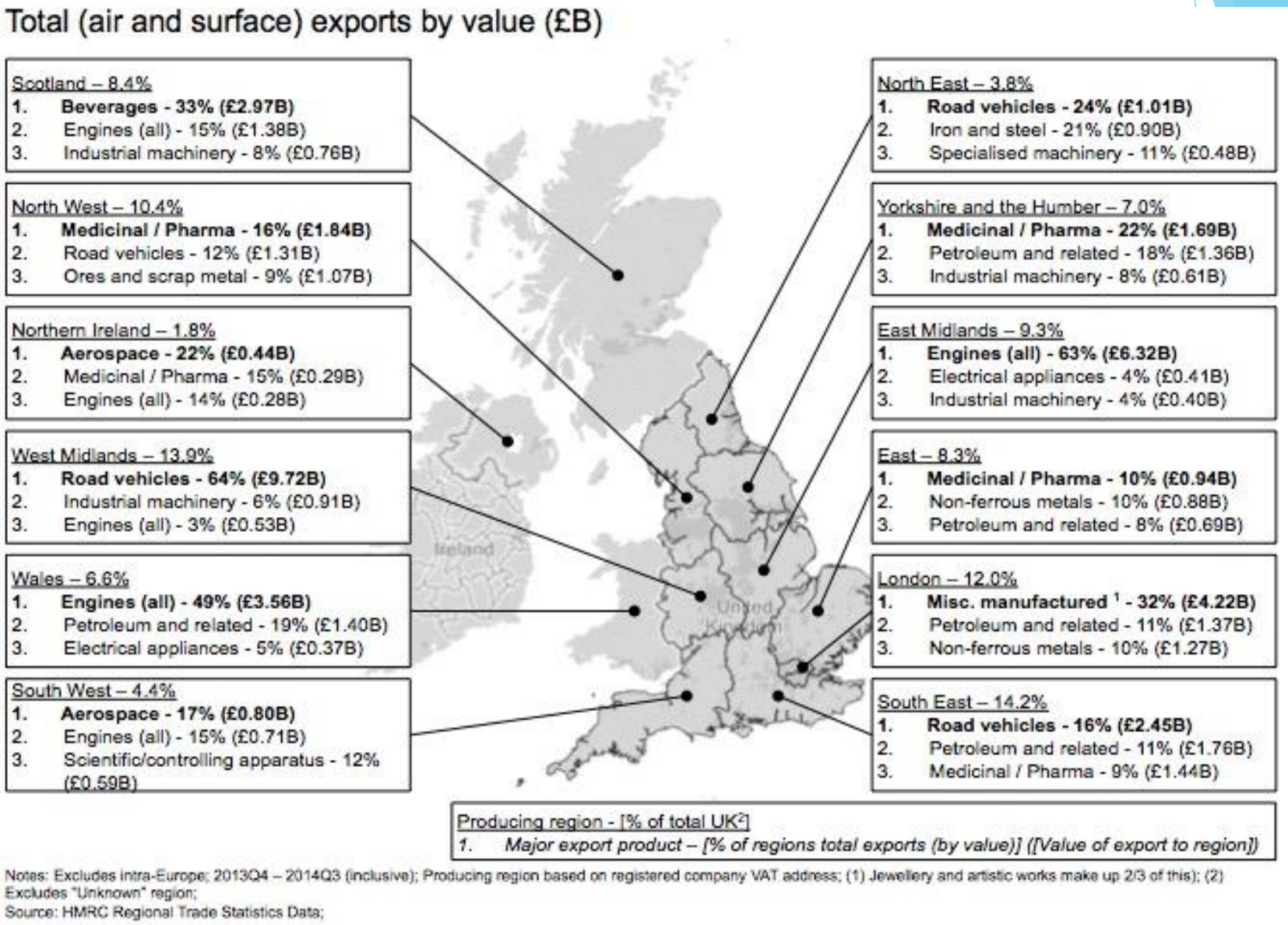


FIGURE 1.6 LOGISTICS SERVICE PROVIDERS 2010

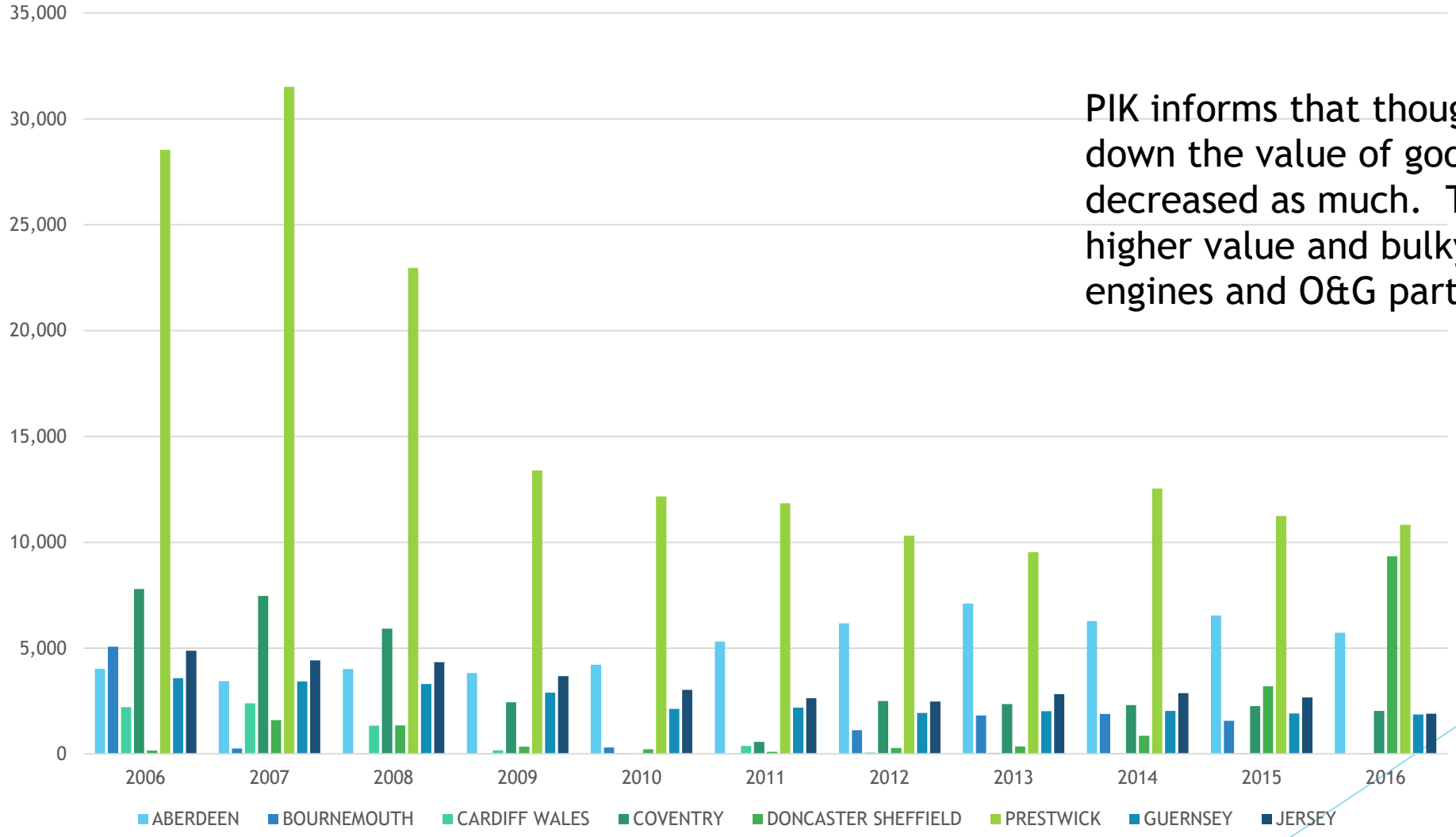


Regional Export %-*ages by value* and Specialisms



Notes: Excludes intra-Europe; 2013Q4 – 2014Q3 (inclusive); Producing region based on registered company VAT address; (1) Jewellery and artistic works make up 2/3 of this); (2) Excludes "Unknown" region;
Source: HMRC Regional Trade Statistics Data;

RABA AIRPORTS CARRYING > 1,000 TONNES PA



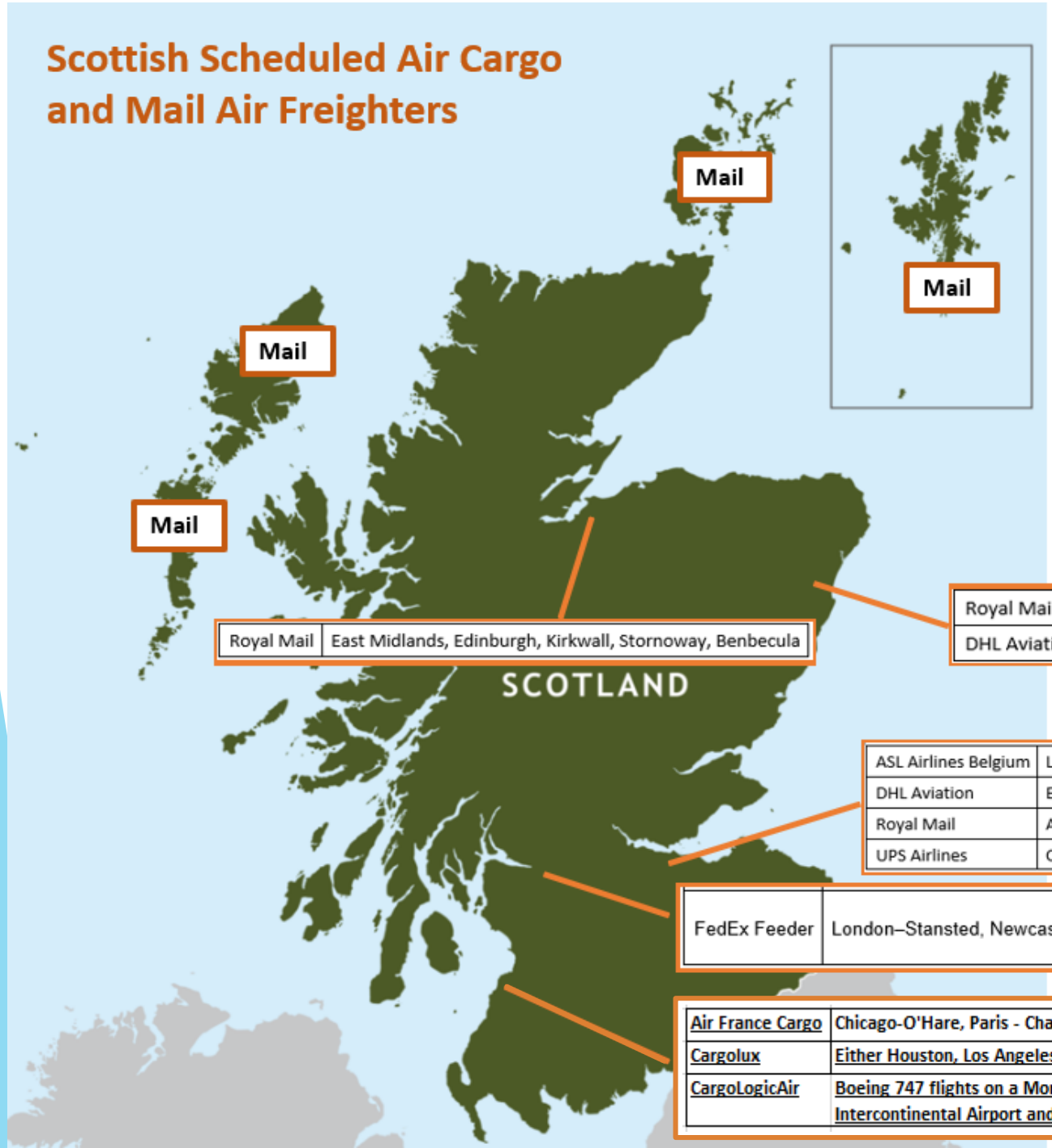
PIK informs that though tonnages are down the value of goods has not decreased as much. They are dealing in higher value and bulky goods like air engines and O&G parts.

The UK Regions

- Predominantly access air freight services by road to Heathrow.
- Access to Integrator services by road and to a lesser extent air to East Midlands and Stansted with a limited degree of direct regional activity.
- Belly hold capacity on regional long haul passenger services.
- Concern lack of access to air freight connectivity makes regional businesses generating or bringing in high value consignments less competitive – do we understand the extent to which that is true?

Air Freight Overview - Scotland

Scottish Scheduled Air Cargo and Mail Air Freighters



Royal Mail	East Midlands, Edinburgh, Kirkwall, Stornoway, Benbecula

Royal Mail	East Midlands, Edinburgh, Kirkwall, Sumburgh
DHL Aviation	East Midlands

ASL Airlines Belgium	Liège
DHL Aviation	East Midlands, Leipzig/Halle
Royal Mail	Aberdeen, East Midlands, Inverness, London–Stansted
UPS Airlines	Cologne/Bonn, East Midlands

FedEx Feeder	London–Stansted, Newcastle upon Tyne, Paris–Charles de Gaulle

Air France Cargo	Chicago-O'Hare, Paris - Charles de Gaulle - 2/ week - import mainly
Cargolux	Either Houston, Los Angeles, Seattle, Dallas - Luxembourg - 1/ week - import mainly
CargoLogicAir	Boeing 747 flights on a Monday and Friday connecting with Houston's George Bush Intercontinental Airport and Frankfurt Airport

The Regions & Heathrow – Road vs Air

Collection
- Manufacturer in Central Scotland
- Van to regional haulage hub
- 18:00 > 20:00

Consolidation
- Screen & consolidate; produce AWB; load trailer
- 20:00 > 22:00

Truck
- Truck to Heathrow with a trailer swap at Manchester haulage hub en route
- 22:00 > 06:00

Receive at LHR
- Receive at Heathrow Cargo Village; process
- 06:00 > 10:00

- Transfer to apron; load aircraft
- 10:00 > 14:00

Collection
- Manufacturer in Central Scotland
- Van to Glasgow Airport Cargo Centre
- 18:00 > 20:00

Consolidation
- Screen & consolidate into airline narrow body ULD; produce AWB; transfer to apron
- 20:00 > 22:00

Flight
- Load into aircraft belly & fly to Heathrow
- 06:00 > 08:30

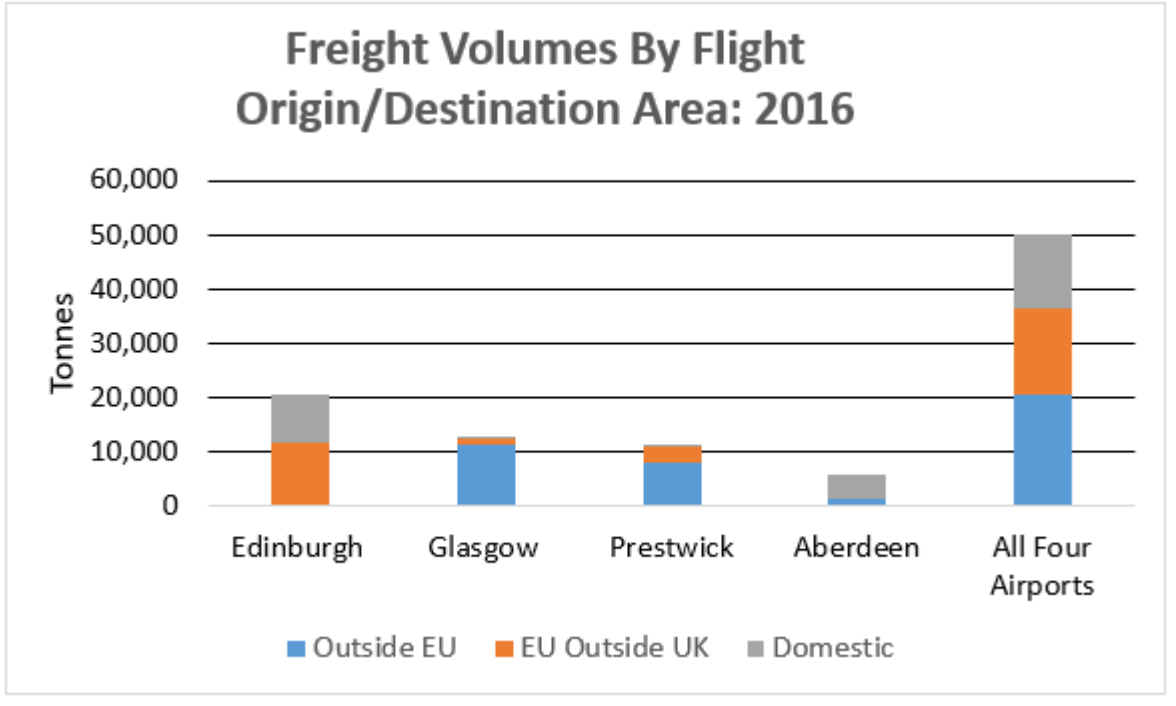
Transfer
- Unload aircraft and transit to Cargo Centre
- 08:30 > 13:30

Transfer
- Reprocess to wide body ULD; transfer to apron; load aircraft
- 13:30> 18:00

Scotland: Edinburgh Has Largest Volumes

- Edinburgh: dominated by integrators and mail
- Glasgow: almost all freight is to/from outside the EU on scheduled passenger services
- Prestwick: three quarters of freight is to/from outside the EU on cargo aircraft
- Aberdeen: freight is largely on domestic integrator flights

FIGURE 4: FREIGHT VOLUMES BY FLIGHT ORIGIN/DESINATION AREA: 2016



Scotland: Total Growth of 30% But Not Evenly Spread

- Growth very largely driven by fivefold increase at Glasgow
- Modest growth at Aberdeen and Edinburgh
- Decline at Prestwick

TABLE 1: FREIGHT VOLUMES: 2011 AND 2016 (TONNES)

Airport	2011	2016
Edinburgh	19,300	20,400
Glasgow	2,400	13,000
Prestwick	11,800	10,800
Aberdeen	5,300	5,700
All Four Airports	**38,800**	**49,900**

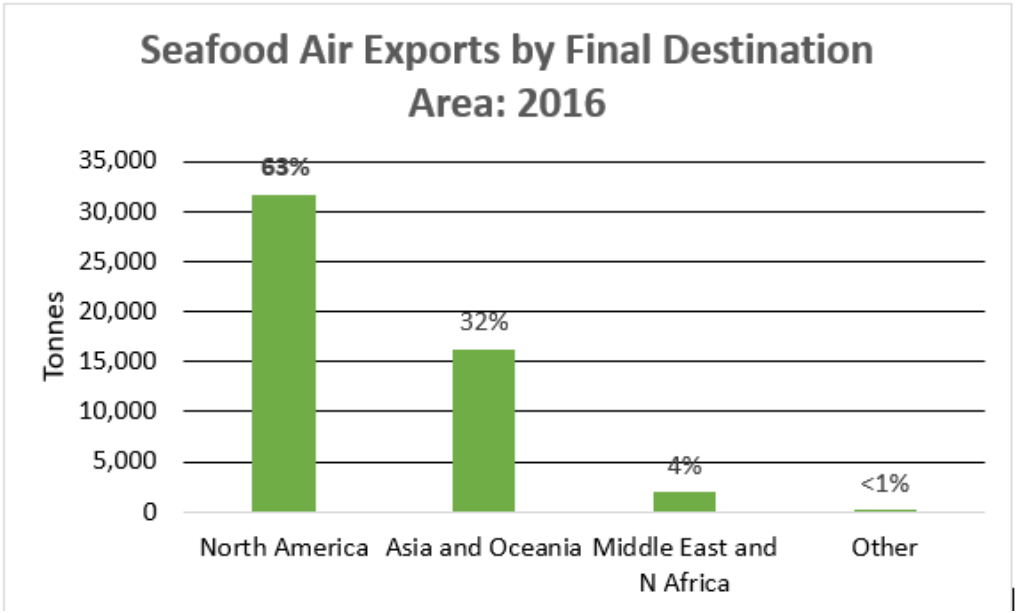
Highlands & Islands Accounts for Most UK Seafood Exports-But Little is Flown from Scottish Airports

- Heathrow dominates long haul market, though Glasgow has become more significant
- Vast majority of long haul exports are to either North America or Asia & Oceania

TABLE 3: SEAFOOD EXPORTS BY DEPARTING AIRPORT: 2016

Airport	Tonnes	Share
Heathrow	43,784	87.6%
Glasgow	4,063	8.1%
Gatwick	1,708	3.4%
Stansted	170	0.3%
Manchester	153	0.3%
Edinburgh	55	0.1%
Aberdeen	21	<0.1%
Birmingham	10	<0.1%
Total	**49,963**	**100.0%**

FIGURE 9: SEAFOOD AIR EXPORTS BY FINAL DESTINATION AREA: 2016



Barriers To Flying Seafood From Highland & Islands Airports

- Roading salmon to the central belt and on to Heathrow works well
- Shippers reluctant to increase the number of air legs in the overall journey
- Lower frequency services from Inverness - no alternative if late or cancelled
- Time savings via Inverness offset by higher air freight cost
- Limited cargo capacity on passenger flights
- In addition:
  - Recent HIAL research suggested little interest from major producers
  - No clear suggestion that using Highlands & Islands airports would increase company exports
  - Cost and continuity of supply issues for flying seafood from Outer Hebrides

Long Haul Opportunities and Constraints

- Long haul destinations increasingly accessible via air freight from Scotland
- Increase in central belt passenger flights (e.g. China)
- Freight integrators with air service spokes to Scottish airports
- Tap into flights elsewhere - e.g. Oslo seafood charters to Far East
- Larger feeder aircraft with containerisation for easier transfer at Hub
- Smaller airports are simpler and have less congestion – PIK can clear goods and truck deliver to English South-East in similar time taken to clear main London airports
- Do Freight Forwarders earn more trucking to London than dropping off at local airport … built-in systemic inertia?
- Road parcel carriers more concerned with cost reduction than service enhancement - customers unwilling to pay for improved service

Barriers to Development of Air Freight in the Highlands & Islands from recent study

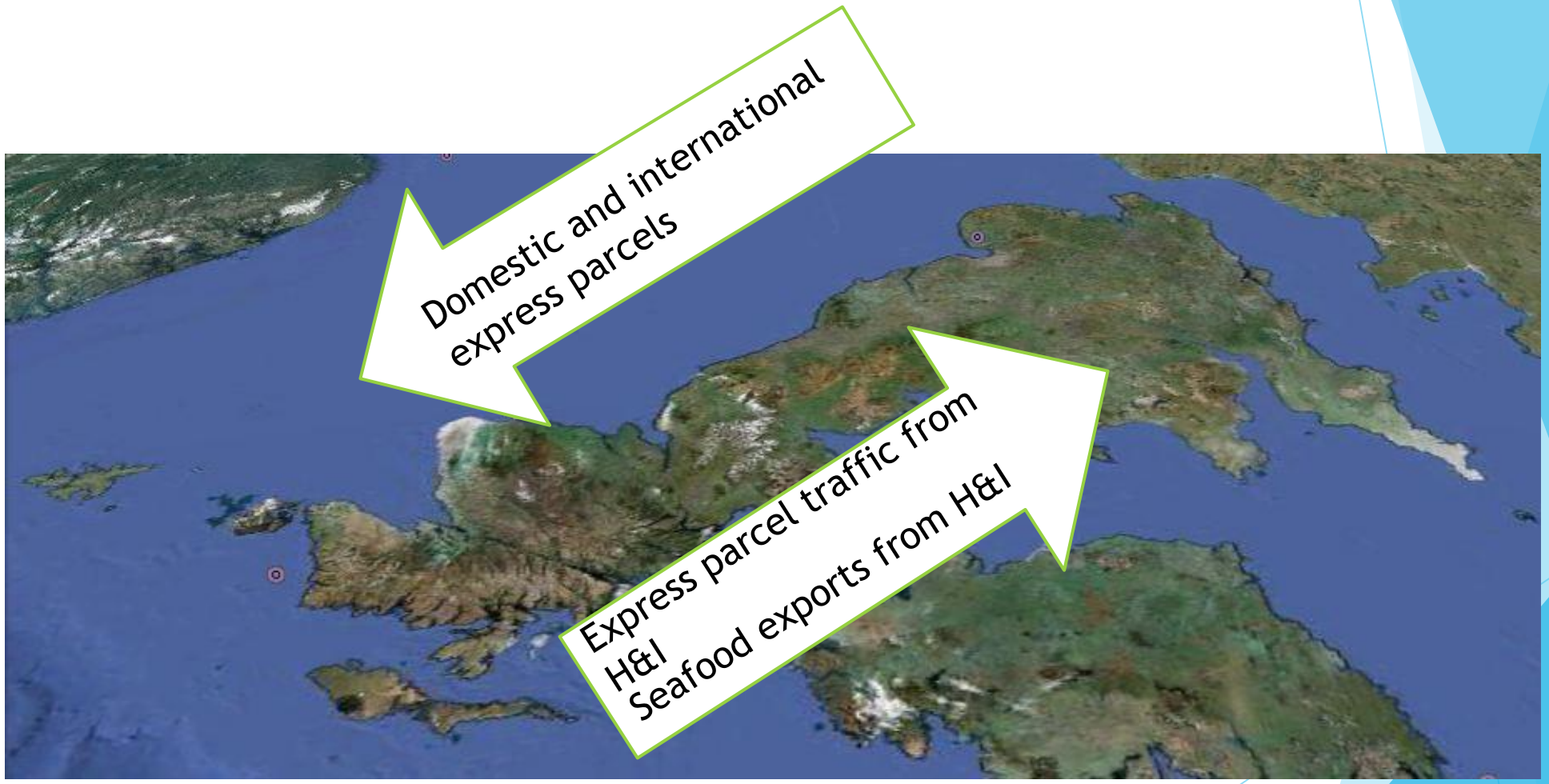
Demand

- Limited range of suitable products, dispersed across the Highlands & Islands
- No strong appetite for change
- Freight imbalances
- Different timing requirements for different goods
- Seasonality of outbound food products
- Potential users unwilling to collaborate

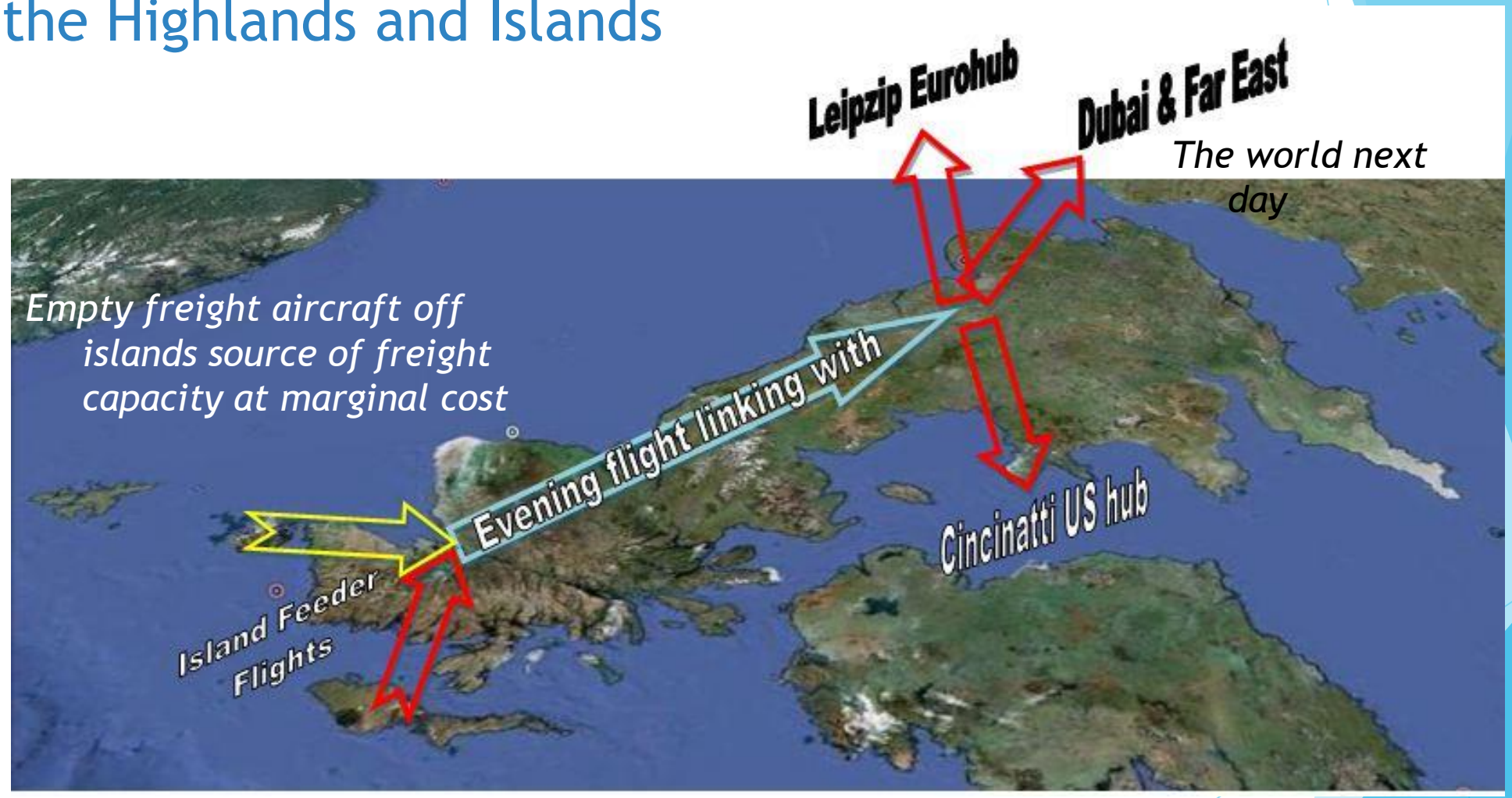
Supply

- Existing range of flights at other Scottish/UK airports
- Low frequency passenger aircraft with limited bellyhold capacity
- Air freight prices
- Airport security procedures and practices

New Airfreight Service Opportunity?



A Possible Model for Enhanced Freight Links from the Highlands and Islands



‘Disruptors’ may change calculations – UK Freight Strategy should be able to encompass

AIRLANDER 50

AIRLANDER 50 will be the big brother for the AIRLANDER 10 and will carry over 50 tonnes of cargo with a cargo bay volume in excess of 500 cubic metres. Much of the technology in the two aircraft is the same. The AIRLANDER 50 is designed specifically for the Cargo or Heavy Lift market and offers a lower haulage cost per tonne-km than other aircraft or bush or ice roads. It can also travel point-to-point without the need for any airport infrastructure so is ideal for remote access and logistics for sectors such as mining, oil & gas and humanitarian relief.

The Airlander 10 is Hybrid Air Vehicles' current product with its own market but the Airlander 50 is in development and will be commercially deliverable in the early 2020s.

‘Air’ Freight in a very literal sense!

amazon

It is not clear the effect will be if/when Amazon roll out a comprehensive air delivery network (which the industry is now expecting)

Large Unmanned Delivery Aircraft

Californian based startup company, Natilus, claims it’s large autonomous drones will reduce global air freight costs by 50% and will be 17x faster than a standard cargo ship. Natilus aims to build a large-scale commercial drone the size of a Boeing 777 to help reduce the cost of air freight by 50%.

RABA - Issues Requiring Further Analysis

Amount of UK O&D air cargo using cross -channel airports (tonnage and as %) e.g. Inverness Medical trucks to Liege.

- What are the factors behind this leakage?
- What is its value?
- What policy interventions can be made to reduce/minimise it?

What are the barriers to making greater use of regional airports for transit-ing UK air cargo?

- Many airports are willing, but struggle to secure forwarders and cargo airline engagement.
- What policy initiatives could address the current situation?

What is the scope for better air links from the UK regions to Heathrow, EMA and other EU freight hubs?

- What are the dependencies/barriers to be overcome?
- What interventions are required to facilitate?

RABA: Pro-active Regional Freight Policy Initiatives?

- Capacity & night movement constraints at LHR, STN, LGW – need for a dedicated freighter airport for London and South East? E.G. Rockford Chicago, Hamilton Toronto, Alliance Fort Worth Dallas, Liege.
- Will E-commerce and digitisation change historic patterns of operations? With what consequences?
- Government needs to make best use of existing airport infrastructure – especially at uncongested small and medium-sized regional airports with less environmental restrictions. Scope for network of feeder airports – Better Use Policy:
    1. LH/Network carrier bellyhold capacity at larger/medium sized regional airports – MAN, BHX, EDI, GLA, NCL, BFS
    2. Develop Specialist Role of (PIK, DSA, possibly CWL, EXE, CAX)
- Brexit Resilience initiatives emphasise regional capacity (Leipzig – Liverpool alliance; AirBridge Cargo/Cargologicair – operating to PIK, STN and DSA) – what would it take to make these permanent?
- PSOs/RDF's for regional freight routes; encourage Fedex Textron type feeder operations, especially across water or very remote

Textron Aviation unveils new large-utility turboprop, the Cessna SkyCourier; FedEx Express signs as launch customer for up to 100 aircraft

RABA: Possible Government Action – Some Suggestions

The UK Government White Paper must deal with freight policy more extensively, or commission a standalone sector-specific policy document.

1. Commit to long-term growth in airfreight capacity to 2050, including safeguarding of night operations capability, to cater for projected demand, which needs to be robustly forecast.
2. Develop polices to attract back as much of the UK air freight which is currently being diverted via near European airports (a estimated 2 million tonnes per annum, with a UK origin or destination being trucked to Europe for flight).
3. Support for new and enhanced freight routings, and specialist handling capabilities.
4. Better balance between the location of airport freight capacity and the source and destination of demand; perhaps incentivising established freight-forwarders to increase their regional focused activity or new start-ups to base themselves at airports outside the South East.
5. Encouragement, or a requirement, for the UK industry to modernise so that its stays ahead of competition (e.g. by adopting the latest digital and automation technologies) achieves IATA standards for e-airways bill adoption & improved delivery times for general cargo.
6. Initiate Free Trade or Enterprise Zones (post Brexit?) to stimulate major logistics clusters at key regional airports.