

STANSTED QUINQUENNIAL REVIEW

Summary of hearing with TNT Monday 16 June 2008

Background

1. TNT said that there were restrictions at Stansted that would limit their expansion. Presently they were optimizing their network in order to focus on stations that would best serve their customers whilst allowing them to reduce their costs. They had recently closed Teesside and moved the operation to East Midlands in order to make substantial savings.
2. They were also optimizing their network in the Republic of Ireland and had decided to close Cork because they could serve these customers from their base at Shannon instead. By taking an aircraft out of the network, it would enable them to save a significant amount of money.
3. TNT had six key bases—Cardiff serving the South-West; Stansted serving the South-East; East Midlands serving the Midlands down to Northamptonshire; Liverpool serving the top of the Midlands and south of the North; Edinburgh serving Scotland; and Belfast covering Northern Ireland. The company needed a base in the South-East and did not believe that there was any airport in the UK that could be a substitute for Stansted. While TNT used to operate out of Luton, there were operational restrictions that would prevent them going back.
4. Presently TNT's growth in air consignments was around 2.5 per cent year on year, with the UK operation averaging around 2 per cent. TNT still had spare capacity on the aircraft that operated into Stansted and hence did not believe that it would be necessary to add additional aircraft or increase the size of the aircraft that currently operated at Stansted.
5. 20 per cent of the UK freight that TNT handled travelled by air at some point in its journey.
6. Technically all of TNT's aircraft were based either in Liege in Belgium or Madrid in Spain. The crews were also based in these locations, which is where the aircraft maintenance was carried out.

Rivals to Stansted

7. Stansted was TNT's largest UK base, after East Midlands, and it believed the two airports were diametrically opposed in the way they viewed cargo. Whilst East Midlands had quite a substantial cargo traffic flow, Stansted was geared more towards catering for low-cost passengers.
8. If Stansted were to increase its prices hugely, TNT believed that it would go to East Midlands and that this would mean its customers being served in a very different way. TNT would then use fewer big trucks and more small vans which would be much faster and go direct to customers. Therefore it would be feasible to change their operation, but it would not be the most efficient way of running the business.
9. TNT had previously moved from Birmingham to East Midlands because Birmingham was not supportive of cargo flights. If East Midlands were to increase its prices exorbitantly, TNT would almost certainly go to Sheffield Doncaster.

10. TNT had looked at Manston and Lydd but ruled out both as neither had suitable road infrastructure. On the question of Southampton, the M3 made it difficult to get into the City of London, and it also had operational constraints. The length of the runway at Luton was restrictive and there was not enough space to park. Northolt would need to be expanded and significant new facilities built before it could be considered as a possibility.

Overall views on Stansted

11. TNT believed that Stansted operated a relatively efficient airport from a cargo point of view, but that all the investment seemed to be going into the new passenger terminal, and hence facilities for passengers. TNT did not see any benefit to cargo operations from the building of a second runway.
12. The company would like to see more aircraft parking capacity at a reasonable cost as, of the 67 airports that TNT used, Stansted had some of the highest parking charges. TNT believed the costs were so high because the cargo operators were a captive market, and in the past TNT had actually flown aircraft away from Stansted for the weekend in order to avoid high parking fees. However, it felt the landing fees were reasonable; when the company plotted its costs through the whole network, Stansted was always just over the network average. Therefore TNT believed that the charges at Stansted were in the right band for the market, apart from those linked to parking.
13. Presently TNT felt that its position was non negotiable at Stansted. When it had initially moved there, it had benefited from an incentive scheme for the first five years. However, when the scheme ran out there was no room for negotiation. Compared with East Midlands and other small independent airports which were keen to get business and more flexible in their approach, negotiating at Stansted was like hitting a brick wall. TNT did not feel that it had any bargaining power with BAA because it only operated one movement a day compared with the LCCs which had a lot more. Because East Midlands recognized itself as a cargo airport it had a lot more understanding of TNT's business, and the level of communication was much better. The local authorities also had much more understanding because they knew that East Midlands was not going to compete with Heathrow from a passenger point of view and therefore by bringing cargo flights in, it was bringing business for the region.

Security

14. While TNT believed that operationally Stansted was fairly efficient and cooperative, it had concerns with the security bottlenecks that it was experiencing. TNT pointed out that one problem was the same with all BAA airports—that the airside access badges had to be used each month or they were deactivated. Not all of TNT's 300 crew went through Stansted regularly within a month, so they often had to use normal channels and this led to delays. Also, if BAA had not increased the price for the passes over the past year, TNT estimated that they could have saved around £5,000. At East Midlands and Liege the charges were more cost-based and therefore not as high. TNT did not see any reason why passes should not last for two years instead of having to be renewed annually, a view borne out by experience at other airports.
15. TNT had also had problems getting material airside. Presently there was only one access point from the cargo area, so if other companies were trying to get their containers to the cargo ramp at the same time, the queue became long and bottlenecks were created. Another access point would improve the system.

Cargo

16. Whilst there used to be a capacity constraint at Stansted, activity had now decreased slightly so there were enough stands for cargo aircraft to use.
17. TNT stated that slot constraints at Heathrow and Gatwick, combined with the traffic distribution rules, meant that cargo-only movements were effectively prohibited at those two airports. Whilst BAA suggested in their submission to the Stansted Planning Inquiry that there would be a big increase in dedicated cargo flights, TNT did not believe it was realistic. Without a dedicated UK customer it did not see any benefit in putting long-haul cargo charters into the UK. However, TNT acknowledged that it was only concerned with the express freight market and hence it was not like other companies which were providing full charter cargo flights.
18. The cargo operators at STN had previously formed their own cargo AOC because they did not believe that cargo concerns were being given any weight by the Stansted Airport Consultative Committee.

Competition

19. TNT did not think that a competitive market existed at Stansted as Heathrow and Gatwick were both closed to comparable cargo operations. Luton was not seen as a direct replacement as there were operating constraints, and other airports were significantly further from the centre of London. For the 9am delivery product (85 per cent of freight arriving at Stansted comes into the City of London) TNT needed to be as close to the city as possible. Therefore, given the absence of adequate competition, TNT was of the view that Stansted should continue to be price-controlled.