

**Manchester City Council
Report for Information**

Report to: Economy Scrutiny Committee - 10 March 2022

Subject: Manchester Airport

Report of: Director of City Centre Growth and Infrastructure

Summary

This report provides an update on the role of Manchester Airport in the economy of the city; the current economic situation of the Airport following the impact of COVID-19; and the next steps in the economic future for the Airport.

Recommendations

That Committee is recommended to consider and note the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the City

Aviation contributes 2-3% to global carbon emissions. The emissions that arise from flying need to be considered as part of global and national carbon budgets in the context of global efforts to keep global temperature rise to 1.5 degrees C of pre-industrial levels.

Manchester Airports Group (MAG) has worked to reduce carbon emissions across its estate. All MAG airports have already been certified as carbon neutral, including Manchester Airport. MAG has also committed to its airports being net zero by 2038, which fully aligns with Manchester City Council's commitment to achieve net-zero emissions by 2038.

Our Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Manchester Airport is a significant economic asset and pre-pandemic employed 25,000 people on site. This combines MAG employment and that of third parties on site.

<p>A highly skilled city: world class and home-grown talent sustaining the city's economic success</p>	<p>As the anchor employer in Wythenshawe, the Airport provides a range of jobs within the aviation sector. The Council, Manchester Airports Group (MAG) and other partners work closely to advertise the job and training opportunities linked to the Airport. All MAG airports have an AeroZone, offering a free interactive education centre for schools and colleges, aiming to inspire the next generation to work in the aviation industry and the Airport Academy, which provides training programmes for jobseekers to gain employment at the Airport and its ancillary facilities services.</p>
<p>A progressive and equitable city: making a positive contribution by unlocking the potential of our communities</p>	<p>Manchester Airport and the Council work closely together to promote job opportunities at the Airport. Businesses operating out of Airport City also work with the Council to attract and retain talent from the local area and provide training schemes and social value commitments within Wythenshawe.</p>
<p>A liveable and low carbon city: a destination of choice to live, visit, work</p>	<p>The infrastructure to access the Airport and Airport City has improved in recent years to make it more accessible via public transport and walking and cycling, including a new pedestrian and cycle bridge over the motorway linking Woodhouse Park and the Airport. Travelling to the Airport is more convenient and safer via local public transport services, allowing sustainable transport choices to be made.</p>
<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>The Airport operates routes to 210 destinations (pre-COVID) and generates £2.4billion for the local economy. It supports businesses and industries across the city, the city region and the North West through tourism, business travel and freight. A transformation programme is being undertaken by MAG to improve customer experience at the Airport, this includes the newly refurbished Terminal Two. MAG have committed to a net-zero future for the Airport.</p>

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Manchester Airport City Development and Infrastructure Framework –Report to Executive, 6 April 2011
- Aviation and Carbon Emissions – Report to Environment and Climate Change Scrutiny Committee, 9 December 2021

1.0 Introduction

- 1.1 Manchester Airport is one of the UK's busiest airports, providing routes globally for trade and travel throughout the year. It is a major economic driver, and the success of the Airport has led to the establishment of a business, manufacturing and logistics district at Airport City that hosts large, international businesses.
- 1.2 Manchester and its residents directly benefit from the proximity, the size and scale of the Airport in terms of the number of people employed directly by the Airport but also those indirectly supported through the supply chain. The Airport contributes to the tourism industry and the business ecosystem, supporting the economic growth of the whole of the North of England. It is a key asset for the city, supporting its growth and provides a major draw for investment and development.
- 1.3 Manchester Airports Group (MAG) owns and operates Manchester (MAN), London Stansted (STN) and East Midlands (EMA) airports. Prior to the COVID-19 pandemic, MAG airports handled around 62 million passengers (21% of the UK total) and around 670,000 tonnes of freight (26% of freight tonnage handled at UK airports) each year.
- 1.4 During the Covid-19 pandemic and through the introduction of social restrictions as part of the public health drive to reduce infections, the aviation sector was tightly controlled for almost two years. This curbing of movement had a considerable impact on the operations of the Airport and the wider sector.
- 1.5 This report provides an update on Manchester Airport's contribution to the local economy before the pandemic, the performance of MAG over the last two years, and their approach to recruitment going forward as the sector begins to recover. The report will also discuss Airport City and its contribution to Manchester and the growth of opportunities in the area.

2.0 Position of Manchester Airport in the Local Economy

- 2.1 Manchester Airport is a major international airport servicing a catchment area of over 20 million people across most of the North of England, and parts of Wales, and the West Midlands within a 2-hour travel time. This strong catchment has allowed the airport to grow a large and diverse international route network, which has supported Manchester's role as an economic powerhouse at the heart of the North of England.
- 2.2 Pre-pandemic, MAG's airports supported direct employment (both with MAG and third parties on-site) of nearly 44,000 jobs, supporting GVA of £3bn. Over half of these benefits arise from Manchester Airport, which also hosts the majority of MAG's head office functions. Indirect and induced employment in the wider economy from MAG increases the impacts to over 130,000 jobs and over £8bn of GVA pre-Covid.

- 2.3 Wythenshawe & Sale East, the parliamentary constituency in which the Airport is located, had 4,376 aviation jobs (7.1% of jobs in the constituency). The wage levels for these jobs are 30% higher than the constituency average.
- 2.4 Before the pandemic, Manchester Airport had direct routes to 210 destinations. It is the only UK airport aside from Heathrow with direct routes to key long-haul markets, making it an international gateway for trade and travel, acting as a major draw for investment and development in Greater Manchester and the North West. The attraction of new services and destinations has been a key objective for the Airport for many years, and it has succeeded in building a strong network of global connections.
- 2.5 For example, over two years the direct routes to China helped to grow export values from Manchester Airport to China by 41%, bringing with it £250 million to the visitor economy. The number of people travelling between Manchester and Beijing increased by 80%, with the route growing faster than the other available UK-China direct routes. There was also a 114% increase in northern students gaining Chinese internships, with more than 70% of that group coming from a low-income background.
- 2.6 The benefits of connectivity to China were further demonstrated during the pandemic, when Manchester Airport was able to work with local partners, including the universities, Greater Manchester Combined Authority (GMCA) and the Manchester China Forum (MCF) to support the chartering of 31 flights from Chongqing Jiangbei Airport to Manchester. This supported over 7,000 students to study at universities in Manchester and across the North of England.
- 2.7 In addition to its role in supporting the GM economy, the GM Councils have directly benefited from MAG's regular dividend payments to shareholders. In the five years immediately prior to the pandemic, MAG distributed over £600m in dividend payments to the GM Councils, providing an above market return in excess of many FTSE companies on the Councils' long-term investment in the Group.
- 2.8 Since 2017, the Airport has been undertaking a programme of refurbishment and modernisation. In July 2021, the Terminal 2 extension opened to passengers. The new extension is the first phase of the £1.3 billion Airport Transformation Programme, aimed at improving customer service and experience for users of the Airport and offer better, future-proofed facilities. Work on the second phase of the Transformation Programme was paused in 2020 to limit capital expenditure during the pandemic.

3.0 Current economic situation of Manchester Airport

- 3.1 The COVID-19 pandemic devastated the aviation and travel sectors, practically overnight, as aviation businesses were effectively closed. The Office for National Statistics' Index of Services has consistently shown that air transport is the most impacted sector of the UK economy (see Appendix 1). Where other economic sectors have recovered close to (and in some cases

above) pre-pandemic levels, the aviation industry has never exceeded 70% of 2019 output and by December 2021 remained well below sectors such as retail, food & beverage, and accommodation, which have broadly recovered their 2019 output.

- 3.2 In the peak summer period in July 2020, Manchester Airport had 447,000 arriving and departing passengers, compared to 3.2 million in July 2019. This equates to around 14% of pre-COVID traffic.
- 3.3 In the first months of 2020/21, as the scale of the pandemic became clear, MAG made non-staff operational cost savings in excess of £183 million and paused elements of its main transformation programmes, freezing all other non-essential maintenance expenditure. The decision was taken in Autumn 2020 to restructure the business, including redundancies at Manchester Airport. As airports were so affected by the uncertainty of the pandemic and (at the time) lack of recovery, it was not clear when colleagues would be needed again.
- 3.4 MAG received strong support from its shareholders through an injection of £300m additional equity capital and an agreement to pause dividend payments. The new equity was split according to existing shareholding, such that Manchester City Council (which has a 35.5% shareholding in MAG) contributed £106.5m. This support has been critical for the business over the most difficult period in the history of the sector, and MAG recognises the importance of returning to dividend payments as soon as possible given the importance of this income stream to shareholders.
- 3.5 The lifting of some of the UK's international travel restrictions in October 2021 saw passenger numbers begin to rise quickly in October and November. This period of recovery not only showed the strength of the sector when restrictions were lifted, but also the strength of recovery at MAG airports relative to other UK airports. As shown in the graph in Appendix 2, the group led the recovery of the UK airports market in passenger numbers. This reflects the diverse airline mix and the strength of the low-cost, short-haul carriers that operate from Manchester Airport.
- 3.6 However, the Omicron variant clearly demonstrated the impact of UK testing requirements and public uncertainty on the recovery of international travel. Following the re-introduction of more stringent requirements, the recovery of MAG's passenger numbers fell back by around one-third in December 2021 and January 2022. Now that most of these restrictions have been lifted, passenger numbers are growing again and the outlook for 2022 is positive.
- 3.7 Throughout the pandemic, MAG has actively campaigned for changes in travel restrictions and direct Government support for the industry. MAG has commissioned independent scientific research which provides evidence to support the lifting of travel restrictions and testing requirements.
- 3.8 MAG acknowledges that although there is latent demand from passengers, navigating international travel will remain challenging for some, particularly as

a result of the wide range of measures in place in other countries. MAG is working closely with the UK Government on the pathway to removing the remaining barriers to travel, such as passenger locator forms, and the most effective ways to restore consumer confidence and encourage passengers to return to flying.

4.0 Employment, recruitment, and training opportunities at the Airport

- 4.1 Since 2016 the Council has worked closely with MAG colleagues to support all aspects of their recruitment and training provision at the airport. Pre-Covid this included the annual peak season recruitment, Terminal 2 Transformation programme, Airport City social value activity and development of the Airport Academy - MAG's in-house training and recruitment facility.
- 4.2 MAG's Corporate Social Responsibility Strategy published in 2020 acknowledges the Airport's role as an economic enabler and major employer in the regions its airports serve. By supporting local people from all backgrounds to find employment in the aviation sector and related businesses, the company (and business partners operating at the airport) benefits from a secure talent pipeline at the same time as strengthening its local economies.
- 4.3 MAG recognises that its airports have an impact on their local communities, and it is essential for its airports to engage with and respond to local stakeholders. Pre-pandemic, the Airport facilitated over 90 face-to-face outreach events annually to understand feedback from local communities. This has been made more difficult due to the pandemic, but they continue to hold virtual meetings. Airport consultative committees bring together communities, local authorities, airlines, and passenger groups to discuss performance and future plans. These also include subcommittees dedicated to areas of particular interest such as environmental impacts and accessibility. Local volunteering opportunities and participation are also encouraged by MAG, with staff allowed up to two full days of work time per annum to volunteer.
- 4.4 In 2020 and as a response to COVID, work with MAG was re-aligned to support existing airport staff impacted by organisational change. Employees of MAG and its supply chain were offered dedicated assistance through the In-Work GM and Help to Get Work schemes. Colleagues in DWP were also engaged to provide additional support where needed.
- 4.5 In December 2021 a virtual careers event was arranged to provide Manchester Airport staff with information, advice and guidance on opportunities and support available. Employers such as The Hut Group attended the event to discuss current vacancies, with services such as Manchester Growth Company, National Careers Service and CAB also on hand to advise staff. This was followed by an in-person jobs fair on 10th February 2022.
- 4.6 MAG's airports always require additional resource during the busy summer months, and the Group is now actively recruiting for close to 1,000 roles

across its three airports. More than 500 of these new roles are at Manchester, particularly in security and hospitality. These roles will be essential to deliver a good passenger experience as demand returns. However, along with other sectors, recruitment has been challenging given the competitiveness of the employment market. MAG is therefore reviewing its recruitment, training, and onboarding processes, as its proposition for employees, to maximise its attractiveness as a potential employer and minimise attrition of current employees.

- 4.7 The Manchester Airport Multi Agency Team (MAT) was established in 2019 to maximise opportunities arising from airport growth and associated increase in jobs, business activity and infrastructure investment. The MAT comprises colleagues from the airport and the Council, in addition to citywide partner organisations. MAT activity is driven via the Airport Growth and Impact Action Plan. This document guides the various MAT work strands including maximising job and training opportunities for residents, social value and linking with schools to raise careers awareness and aspirations.
- 4.8 The Airport Academy (AA) is MAG's in-house training and recruitment facility for Manchester Airport and the associated supply chain. Delivered in partnership with Trafford College, the AA provides free training programmes for residents to gain the right skills to secure employment at the airport. The AA is unique in that it offers unemployed and harder to reach residents the opportunity to learn the basics of aviation roles, together with the terminology needed to enter a career at the airport. Residents learning with the AA have access to current vacancies and receive bespoke support in applying for roles, including CV and mock interview workshops.
- 4.9 Since its inception the Council has worked closely with colleagues in the AA to develop the facility and create the right conditions to enable us to build a future pipeline of talent, ensuring all residents regardless of age, experience or skillset have access to employment opportunities at the airport. MAG has the AeroZone programme at all its airports. It features an on-site educational centre which provides activities to encourage children and young people to consider a career in the aviation industry. AeroZone is available free of charge to local schools and colleges and will support a minimum of 5,000 young people each year.
- 4.10 An Airport Academy Steering Group has been established with partners such as DWP, Stockport MBC and Manchester Growth Company. The AA Steering Group is dedicated to developing outreach activity with local schools, community organisations and training providers, in addition to developing new ways of working to support residents of all ages and levels to access training and pursue a future career at the airport. In 2019, the Airport Academy supported 435 people in and around Manchester into jobs at the airport.. The goal is that by 2025, 80% of people completing one of these programmes will be successful in gaining employment with MAG or an on-site partner.
- 4.11 As part of the ongoing response to Covid and associated economic recovery activity, the Council has endeavoured to remain in regular contact with

colleagues from MAG and the Airport Academy throughout the pandemic. This includes, as mentioned previously, support for existing MAG staff, as well as preparing to re-launch job and training opportunities as restrictions are eased.

- 4.12 The Council continues in its role supporting the Airport Academy to promote new training programmes for residents, as the airport continues its transition from Covid restrictions to full capacity. In late 2021, virtual and physical careers events were held for residents looking to access current and upcoming entry level roles at the airport.
- 4.13 Into 2022, the Council continues to work closely with MAG and the AA team to plan and deliver activities to support the phased re-opening of the airport. This includes re-establishing the Manchester Aerozone offer for young people, supporting take up of new Airport Academy courses, promotion of large-scale virtual and physical careers events in January-March in preparation for the anticipated summer peak.

5.0 Looking forward

- 5.1 Faced with uncertainty around recovery from the pandemic, MAG has developed a number of scenarios for 2022 to prepare for a range of outcomes for the remaining course of the pandemic and likely consumer behaviours. This includes cases where the sector continues a stable, sustained recovery as restrictions continue to lift and the UK moves to an endemic phase; but also more pessimistic scenarios reflecting staggered or slower recoveries due to the emergence of new variants of concern or other unexpected events which suppress passenger demand.
- 5.2 While it is too early in the recovery to be sure about which trajectory the recovery will take, the removal of remaining inbound travel restrictions in February is expected to drive further growth of passenger demand as the sector goes into its summer season. Data around booking intent (i.e., when a passenger is referred to a booking website) shows that demand for future travel this summer is recovering back towards 2019 levels. The likely shape of the recovery will become clearer after airlines confirm their summer schedules. Currently MAG's central scenario is for passenger numbers to return to pre-pandemic levels by 2023/24. Many of the Airport's long-haul routes are not currently operating while travel restrictions remain in place internationally, and one of the Group's main priorities is ensuring that these long-haul routes resume as soon as possible. There are currently 27 long haul routes operating from the Airport, compared to 45 in 2019.
- 5.3 Manchester Airport is entering this period of recovery with the benefit of having completed the first phase of its Manchester Airport Transformation Programme. This is a £1.3 bn programme to create state-of-the-art facilities that provide an enhanced customer experience and strengthen its ability to compete for new routes and services. The Airport opened the Terminal 2 extension in July 2021, and the new facilities have already received positive feedback from passengers. As traffic volumes recover, more flights will move to operate from the new facilities.

5.4 The Transformation Programme more supported the creation of more than 1,500 jobs in the construction phase alone, including more than 150 apprenticeships. The modern infrastructure created by the programme will be an important part of a strong recovery. Further phases of the Transformation Programme, including the redevelopment of the original Terminal 2 facilities, are planned once the trajectory of the post-pandemic recovery is clearer.

6.0 Airport City Update

6.1 Airport City Manchester is an Enterprise Zone with the capability to provide 5 million sq. ft. of offices, hotels, advanced manufacturing, logistics facilities and retail space. Anchored by Airport City and Manchester Medi-Park, the Enterprise Zone covers five sites across Wythenshawe, providing a high-quality destination for offices, hotels, logistics, advanced manufacturing, life sciences, biotech, retail and leisure. The area as a whole is forecast to create 16,000 new jobs in the next 10-15 years, following its launch in 2012. As it is located directly adjacent to Manchester Airport, it benefits from the airport's wide catchment and international connectivity. The scale and significance of Airport City means that it plays a major role in regional growth and employment.

6.2 The joint venture ownership of Airport City (a partnership between Columbia Threadneedle Investments 50%, MAG 20%, Beijing Construction Engineering Group International 20% and the Greater Manchester Pension Fund 10%) has delivered significant benefits since its launch, including the £15m roadway infrastructure (Enterprise Way), the pedestrian bridge over the M56 spur (co-funded with Manchester City Council) and improvements to the Outward Lane Junction. It has been able to attract large companies, with the highest profile being The Hut Group, who are due to complete building a new £60m headquarters by the end of 2024. Further developments include a new £50 million Holiday Inn and Ibis Budget hotel and a new £45m Tribe Hotel which is due to start on site imminently.

6.3 In recent years the Council has worked with a range of partners to support Airport City businesses to meet their objectives.

6.4 The Council has supported Amazon to recruit and retain staff at their Airport City South facility. The original Amazon volume recruitment provided permanent jobs to around 900 Manchester residents. Ongoing recruitment cycles continue to offer further opportunities. In 2018/19 both Virgin Media and Vodafone relocated substantial operations to the Airport City Enterprise Zone. Working alongside MIDAS, the Council has supported Virgin and Vodafone with their transition, as well as initial and ongoing recruitment campaigns. As Covid recovery activity continues, discussions are underway with Virgin to plan further volume recruitment campaigns in March 2022 and beyond.

6.5 Preparations continue for The Hut Group's (THG) development of large-scale offices and warehousing facilities over two sites within Airport City in 2022. THG has committed to maximising local recruitment throughout the development of these sites. Since 2018 the Council has worked closely with

THG to draw up plans for future recruitment and local benefit. This is in addition to supporting apprentice, graduate, and general recruitment to existing roles at THG's temporary Airport City offices.

- 6.6 In addition to previously mentioned ongoing work with Amazon, THG and Virgin Media, the Council is currently in discussions with Interstate, the operator of two new Holiday inn and Ibis Airport City hotels. As the hotel developments near completion in April this year, it is anticipated that there will be a considerable number of job opportunities available at these sites in 2022 and beyond. The same employment opportunities will continue with Interstate upon the completion of the Tribe Hotel in early 2024.
- 6.7 To support key recruitments and local benefit aspirations across Airport City, in 2016, the Council established a local partnership to maximise opportunities for communities close to Airport City.
- 6.8 The Wythenshawe Skills and Employment Group (WSEG) is a partnership approach to supporting take-up of learning, training, employment support and job opportunities across Airport City. MAG colleagues form part of WSEG, together with over 20 partner organisations including DWP, Wythenshawe Community Housing Group, The Forum Trust, Manchester College, Manchester Adult Education Service, Manchester Growth Company and Businesses Working with Wythenshawe (BW3). The WSEG continues to work collaboratively with the employers mentioned above, in addition to connecting to and supporting new business engagement and recruitment campaigns as economic recovery continues.

7.0 Airport future challenges and opportunities

- 7.1 In addition to the impact of COVID-19 on the sector, MAG expects there will be further macro-economic challenges due to rising inflation and changes to disposable income because of cost-of-living increases. This could have an impact both on passenger demand and ongoing costs for the business, such as future energy costs.
- 7.2 Beyond the travel and wider impacts of the pandemic, MAG's CSR Strategy addresses longer term challenges and opportunities for the Group. The strategy focuses on three priorities:
- zero carbon airports;
 - opportunity for all; and
 - local voices.
- 7.3 One of MAG's strategic priorities is reaching net zero, both in terms of its own emissions and the emissions of the industry as a whole. The business continues to be focused on taking a leadership role on sustainability. Its work has been widely recognised as industry leading: in 2021, MAG was rated by the Financial Times as one of 300 climate leaders and the highest rated transport business in Europe.

- 7.4 In 2006/7, MAG made the commitment to make its airport operations carbon neutral by 2015. Manchester Airport became the first in the UK to be certified as carbon neutral in line with this target, followed by East Midlands and London Stansted. Appendix 3 shows this in practice.
- 7.5 MAG is now working to eliminate the remaining emissions from its airports. Over the next decade, MAG will transition to a fleet of ultra-low emission vehicles and will also tackle remaining emissions from heating and cooling. This will take MAG as close as possible to zero emissions, with any remaining emissions compensated for by the purchase of permanent carbon removals. Moreover, MAG has a target that is fully aligned with the commitment made by Manchester City Council and across Greater Manchester, to achieve net zero emissions no later than 2038.
- 7.6 MAG has been at the heart of cross-sector work to decarbonise, chairing the Sustainable Aviation coalition throughout the development of the Decarbonisation Road-Map and bringing companies together to support a pledge for UK aviation emissions to reach net zero by 2050. This group came together to work in coalition to address the sustainability challenges the industry faces. The Road-Map has provided confidence to stakeholders, including Government, that achieving net zero aviation by 2050 is a practical reality. This will mean that MAG's scope three emissions (those which the Group has less direct control over, such as aircraft emissions) will also reach net zero.
- 7.7 To minimise emissions from surface access journeys to and from its airports, MAG works closely with local partners. At Manchester Airport, this includes Transport for Greater Manchester and the transport operators. In recent years infrastructure supporting public transport at Manchester Airport has been substantially improved with the addition, in 2015, of another two platforms to the railway station. This has doubled rail capacity, providing connectivity across the North and North Wales. In 2016, Manchester Airport welcomed the Metrolink extension, after a £50m investment, and by 2019 passenger numbers had grown to 200,000. Both rail and Metrolink services have been reduced as a result of the COVID-19 pandemic but are expected to be restored as demand recovers.

8.0 Conclusion

- 8.1 Manchester Airport continues to demonstrate its importance in the local economy and to Greater Manchester and the North of England more broadly. COVID-19 has evidently impacted upon the operations of the Airport; however, plans are in place for a positive and green recovery. This is supplemented by an expanding business and logistics district that, alongside the Airport, is providing opportunities for employment for the local area. More opportunities for investment and growth in the Airport district are expected.

9.0 Recommendations

- 9.1 Recommendations appear at the front of this report.