

**Manchester City Council
Report for Information**

Report to: Economy and Regeneration Scrutiny Committee - 5 December 2023

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

The Committee is recommended:

To consider and comment on the information in the report.

Wards Affected: All

<p>Environmental Impact Assessment -the impact of the issues addressed in this report on achieving the zero-carbon target for the city</p>	<p>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.</p> <p>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.</p>
<p>Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments</p>	<p>MAG believes having an equitable, diverse and inclusive culture is essential to the creation of an engaged workforce, attracting and retaining the best talent, ensuring it is a great place to work and boosting business performance. MAG's Equity, Diversity and Inclusion Forum is led by Group CEO Ken O'Toole, which shapes company culture and scrutinises progress towards shared</p>

	<p>goals. These include achieving MAG's ambition of increasing the representation of Black and Asian groups at leadership levels to 12% by 2025 and to achieve gender parity in leadership recruitment by the end of FY25.</p>
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Manchester Strategy outcomes	Summary of how this report aligns to the Our Manchester Strategy/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Manchester Airport is a significant economic asset and employs 22,200 people on site. This combines MAG employment and that of third parties on site.
A highly skilled city: world class and home grown talent sustaining the city's economic success	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.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	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.
A liveable and low carbon city: a destination of choice to live, visit, work	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.
A connected city: world class infrastructure and connectivity to drive growth	The Airport operates routes to 200 destinations and directly generates £1.4 billion through its operations for 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 extension and refurbishment of Terminal Two, the first phase of which opened in 2022. The second phase will be complete in 2025. MAG have committed to a net-zero future for the Airport.

Contact Officers:

Name: Pat Bartoli
Position: Director of City Centre Growth and Infrastructure
Telephone: 07507 876866
E-mail: pat.bartoli@manchester.gov.uk

Name: Andy Clarke
Position: Head of Corporate Affairs – Manchester Airport
Telephone: 07885259032
E-mail: andrew.clarke@magairports.com

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
- Manchester Airport – Report to Economy and Regeneration Scrutiny Committee, 10 March 2022
- Manchester Airport and Aviation Emissions – Report to Environment and Climate Change Scrutiny Committee, 11 January 2023

1.0 Introduction

- 1.1 Manchester Airport is the UK's third busiest airport, 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, 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 This report provides an update on the performance of Manchester Airport operations alongside Manchester Airport's contribution to the local, regional, and national economy. The report will also discuss Airport City and its contribution to Manchester and the opportunities for growth.

2.0 Manchester Airport Operational Update

- 2.1.1 Manchester Airports Group (MAG) is the largest UK airports group, owning and operating Manchester (MAN), London Stansted (STN) and East Midlands (EMA) airports. MAG served 54 million passengers in 2022/23, equal to 91% of 2019/20 traffic and handled 395,000 tonnes of freight.
- 2.1.2 Manchester Airport served 25.2 million passengers in 2022/23, equivalent to 89.4% of 2019/20 and handled a total of 65,400 tonnes of freight. Recovery into 2023/24 has continued and in October 2023, Manchester Airport served 2.6 million passengers, surpassing the 2.5 million passengers served in October 2019.
- 2.1.3 Manchester Airport is a major international airport servicing a catchment area of over 22 million people across most of the North of England and Wales, and the Midlands within a two-hour travel time and over 70,000 businesses. 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.
- 2.1.4 Manchester Airport has direct routes to around 200 destinations. It is the only UK airport outside London with direct routes to many 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 across the North. 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.

- 2.1.5 Demand has been strongest for short-haul destinations, although direct long-haul routes have also recovered during 2022/23. Adding to the airport's long-haul destinations, Kuwait Airways and Gulf Air began services to Kuwait and Bahrain, and Hainan Airlines resumed its Beijing-Manchester services in August 2022 and is set to increase to daily services in 2024. In September 2022, Emirates announced it would re-commence its third daily service to Dubai, returning the airline to its pre-pandemic capacity at Manchester. Air Canada also resumed its direct service to Toronto, five times a week during the summer season. In addition, in June 2023, Virgin Atlantic announced services to Las Vegas would return from Manchester Airport in June 2024, reconnecting the North of England with the West Coast.
- 2.1.6 Manchester Airport has invested in its people throughout 2022/23, recruiting over 2,000 people. Manchester Airport has worked hard with airline and ground handling partners to ensure all stages of the customer journey performed well, including through the launch of a resilience team – staffed by airport colleagues – that are on hand to support airlines' responses to a wide range of operational challenges in the moment. Service levels have remained high for the majority of passengers, with 97% queuing for 15 minutes or less at security and 93% of passengers rate their service as good, very good or excellent.

3.0 Main issues

3.1 Economic Impact of Manchester Airport

- 3.1.1 Manchester Airport supported direct employment (both with MAG and third parties on-site) of 20,200 jobs and directly generated £1.4 billion in GVA to the national economy through its operations, in 2022. Manchester Airport, also hosts most of MAG's head office functions. Indirect employment through Manchester Airport's supply chain and the resulting induced spending in the wider economy increases the impacts to nearly 56,000 jobs and over £3.6 billion in GVA.
- 3.1.2 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 COVID-19 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.
- 3.1.3 Earlier in the year, ARUP was commissioned by MAG to give national and local decision makers the facts about Manchester Airport's impact on the wider economy, society and its potential to drive future prosperity across the North. The original research demonstrates that, with the right mix of proactive policies and investment, the North can capitalise on the potential of Manchester Airport as a superhub for the North, and maximise its contribution to growth, prosperity and rebalancing. The report assesses scenarios for future growth using the Northern Powerhouse Independent Economic Review as its basis and shows how the Airport can play a prominent role in closing the

economic gap and enabling the North to compete on a national and international stage.

- 3.1.4 It identifies that with the right investment in skills needed for the future aviation industry and enabling infrastructure, the airport could expand total wider employment to more than 193,300 jobs nationally, covering a wide range of skills to support productive and quality jobs. Under this scenario, the total GVA impact of the airport nationally would rise from £6.6bn to £18.9bn.
- 3.1.5 The growth identified by ARUP will include building on the direct benefit that Manchester Airport's route connectivity is responsible for. For example, the long-haul connectivity from Manchester to Beijing established in 2016 with Hainan Airlines saw export values from Manchester Airport to China grow by 41% in the two years after the route launched, while national values fell 30%. In addition, Manchester Airport's share of UK exports to China doubled to 11.5% when compared to the two years prior to the route launch and inward investment enquiries to Greater Manchester trebled in the same period.

3.2 Investment in infrastructure

- 3.2.1 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 was the first phase of the £1.3 billion Manchester Airport Transformation Programme, aimed at improving customer service and experience for users of the Airport and offer better, future-proofed facilities.
- 3.2.2 In January 2023, the Airport announced the commencement of the final £440 million phase of the £1.3 billion Manchester Airport Transformation Programme. This latest investment will complete the transformation of Terminal 2, delivering improvement to all stages of the passenger journey – from check-in to baggage reclaim - as well as upgrading its airfield to cater for next generation aircraft. The final phase of the transformation programme will see the construction of a new pier, double the size of the international departures lounge with 27 new shops and restaurants and provide an additional security hall fitted with next-generation security scanners. Upon completion in 2025, around four out of five passengers will use the expanded Terminal 2, with Terminal 1 set to close.
- 3.2.3 MAG is also investing in the installation of new security equipment across the Group, in line with the requirements in the Government's Next Generation Security Checkpoint. In Manchester, the first equipment was installed in Terminal 2 in November 2023 with further upgrades planned across the remaining lanes. In Terminal 3, an extension to the security hall is being built to accommodate the new lanes and equipment.

3.3 Investment in employment, education, and skills

- 3.3.1 MAG is committed to ensuring that its customers, communities, and regions around its airports benefit from the growth they provide. Through MAG's CSR

Strategy, 'Working Together for a Brighter Future', they set out an ambitious programme of work. The CSR Strategy is founded on three themes: 'Zero Carbon Airports', 'Opportunity for All' and 'Local Voices'. This report will focus on the theme, 'Opportunity for All', (further detail on 'Zero Carbon Airports' and 'Local Voices' will be included in the update report provided to Manchester City Council Environment and Climate Change Scrutiny Committee in January 2024).

3.3.2 A key part of the CSR Strategy was MAG's commitment to develop an Employment Charter to ensure a safe, fair and supportive workplace where colleagues can achieve their full potential. MAG's Employment Charter was published in September 2022 and established on six principles:

- Attracting and developing great people
- Flexible work and supportive environment
- Secure work and fair pay for all
- Promoting workplace wellness
- Engaging colleagues and giving them a voice
- Continually improving the colleague experience

3.3.3 As part of the Employment Charter, MAG committed to becoming an accredited Real Living Wage employer. MAG achieved this goal in November 2023 and is committed to supporting Manchester City Council's drive to create a real living wage city.

3.3.4 The MAG Connect Airport Academy is MAG's training and recruitment facility for Manchester Airport and the associated supply chain. Delivered in partnership with Trafford College, the academy provides free training programmes for residents to gain the right skills to secure employment at the airport. The academy offers unemployed and harder to reach residents the opportunity to learn the basics of aviation roles, together with the core skills needed to enter a career at the airport. Residents learning with the Manchester Airport Academy have access to current vacancies and receive bespoke support in applying for roles, including CV and mock interview workshops.

3.3.5 Since its inception, the Council has worked closely with colleagues in the Manchester Airport Academy 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. In 2022/23 the Manchester Airport Academy supported over 1,585 people, helping local people find work and securing the workforce required to support the airport's increase in passenger numbers.

3.3.6 In June, Manchester Airport announced the launch of its new aviation specialist apprenticeship programme in partnership with Trafford College. The two-year paid scheme is delivered at Manchester Airport Academy and gives 19 students experience in all elements of an airport operation, completely debt free. Upon successful completion of the course, apprentices will then be offered a permanent role within the airport with opportunities to progress into

team-leader positions and beyond as their careers develop. This pilot scheme is in addition to the new internal team leadership apprenticeship scheme, which has 15 employees enrolled, and is just one part of MAG's commitment to creating opportunity for all by delivering education and skills training and across the regions it serves.

- 3.3.7 Additionally, the Manchester Airport Academy arranged and attended 126 employment events in and around Manchester across 2022/23, allowing people looking a job to find out more about the career opportunities available at the airport. This included MAG working in partnership with Manchester City Council on five jobs events in Wythenshawe since the start of this year, ensuring that our local communities benefit from the airport's prosperity. Moreover, Manchester Airport holds annual Meet the Buyer event which focuses on local supply chains. The airport's first Meet the Buyer event in 2022 generated £2.3 million in new contract awards for local businesses.
- 3.3.8 MAG also has state-of-the-art interactive education facilities, the MAG Connect Aerozones, at each airport. The Manchester Airport Connect AeroZone opened in February 2022 and provides great education and skills support to young people from the local community aged 4–18 years. The Aerozone features an aircraft cockpit simulator and cabin, airport security and other interactive zones such as retail and food and beverage. In 2022/23, the AeroZone saw over 2,600 young people through its doors with over 80% being from local 'priority areas and schools', referring to those located within a 15-mile radius of the airport. In addition, schools based in Wythenshawe get priority access to the AeroZone booking system and are reserved at least one day each week for access to the AeroZone.
- 3.3.9 Manchester Airport works closely with communities in Wythenshawe. In 2023, the Airport has offered all Wythenshawe high schools three work experience placements on site each and have offered support with high school career fairs, mock interviews, and review of personal statements. Furthermore, Manchester Airport continues to support BW3 school initiatives and work closely with the aviation department at Manchester Colleges' Wythenshawe campus.

3.4 Airport City update

- 3.4.1 Airport City Manchester is an Enterprise Zone with the capacity 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 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.

- 3.4.2 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 public infrastructure 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.
- 3.4.3 Due to the changes in The Hut Group (THG) requirements in 2022 and the change in market sentiment and working practices since the COVID 19 Pandemic, the Airport City Masterplan is currently being updated by the Joint Venture in order to capture new employment opportunities that will align with the Council's aspirations for the site. On site completed projects include a new £50 million Holiday Inn and Ibis Budget hotel near the new Terminal 2 facility and a new £45m 400 bed Tribe Hotel which is due for completion in May 2024, and which will provide further employment opportunities.
- 3.4.4 In recent years the Council has worked with a range of partners to support Airport City businesses to meet their objectives.
- 3.4.5 The Council has supported Amazon to recruit and retain staff at their Global Logistics facility (formally Airport City South). 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 19 recovery activity continues, discussions are underway with Virgin to plan further volume recruitment campaigns in March 2022 and beyond.
- 3.4.6 THG development of large-scale ICON offices and warehousing facilities upon Global Logistics to the south of the Airport are fully operational and staffed. 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 in 4M, which THG are currently reducing their staffing levels in order to fully relocate to ICON upon Global Logistics
- 3.4.7 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.
- 3.4.8 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 North and Global Logistics to the South. 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.

3.5 Forward Look

- 3.5.1 Manchester Airport is forecasting 27.4 million passengers will travel through its airport in 2023/24, which is equivalent to 95% of 2019 levels. Manchester Airport expects 2024 passenger volumes to be back to pre-pandemic levels, and indeed October 2023 was busier than October 2019. The Airport's priority for the remainder of this financial year is to continue commercial growth and maintain the step-change in customer service.
- 3.5.2 In addition, Manchester Airport will look to maintain and grow its long-haul network, particularly to North America, where recovery since the pandemic has been slower due to aircraft and pilot availability along with changing passenger behaviour. The Airport is also focusing on increasing its routes to China alongside unserved markets such as Thailand and India.
- 3.5.3 Underpinning the above is the Airport's commitment to growing sustainably and working with industry partners and Government to ensure it is prepared for the transition to net zero operations by 2038. In 2022/23, Manchester Airport continued to make progress towards reaching its net zero target including by procuring 100% of the electricity the airport used from renewable sources, becoming the second very large airport to pass the Stage 2 gateway of the Civil Aviation Authorities 'CAP1616' airspace change process and signing a Memorandum of Understanding with the founding partners of HyNet to bring hydrogen to Manchester Airport at the earliest opportunity.
- 3.5.4 MAG will be bringing an update report to the Manchester City Council Environment and Climate Change Scrutiny Committee which will include further detail on progress made by MAG and across the aviation industry.
- 3.5.5 Manchester Airport has a pivotal role in connecting the North and continues to call for investment in sustainable modes of transport. MAG has long supported plans for HS2 and Northern Powerhouse Rail as an opportunity to drive economic growth and create a more integrated transport system. A Manchester Airport high speed station would deepen the airport's catchment and allow the economic growth benefits to be maximised and spread more widely, connecting northern conurbations to international markets.
- 3.5.6 Given the timescale for the delivery of new high-speed infrastructure, it is also important that short and medium-term opportunities to improve connectivity to Manchester Airport are taken. Delivery of the Transpennine Route Upgrade will be a significant step. As investment is phased over time – such as platform extension at the current Airport station – there are opportunities to improve service frequency and reliability into Manchester city centre and beyond, and

restore direct connectivity to destinations such as Sheffield that are currently unserved.

- 3.5.7 Following the Government's decision to cancel Phase 2 of HS2, MAG has been working with Manchester City Council, Transport for Greater Manchester/Greater Manchester Combined Authority, the Department for Transport and other northern leaders on the delivery of east-west connectivity, incorporating a station at the airport.

3.6 Conclusion

- 3.6.1 Manchester Airport continues to demonstrate its importance in the local economy, to Greater Manchester, to the North of England and the UK more broadly. The Airport has recovered well from the COVID 19 pandemic both in terms of passenger numbers and its wider economic impact.
- 3.6.2 Manchester Airport provides high quality jobs on site and through its supply chain and supports the growth of businesses both on site and across the UK. The Airport continues to work hard to make sure the benefits it brings are felt where they are needed most and jobs are accessible to its local communities.
- 3.6.3 The Airport is committed to delivering its future growth sustainably, so that the continued economic benefit is delivered in line with its net zero targets. The future growth of Manchester Airport provides opportunities for not only Manchester, but the wider North and across the UK.

4.0 Recommendations

- 4.1 To consider and comment on the information in the report.