

SUMMARY proof of evidence of Dr Alex Chapman for LADACAN

Socioeconomic impacts

PINS ref: APP/B0230/V/22/3296455 | Dr Alex Chapman | August 2022

APPLICATION BY LONDON LUTON AIRPORT OPERATIONS LTD

(REF APP/B0230/V/22/3296455)

VARIATION OF CONDITIONS RELATING TO EXTENSIONS AND ALTERATIONS TO
THE AIRPORT

LONDON LUTON AIRPORT, AIRPORT WAY, LUTON

Introduction

1. The Secretary of State wishes to be informed about the climate change and other natural environment impacts of the proposed project, as well as the effect of other considerations on the planning balance.
2. These impacts can be considered at two levels (i) independently in relation to single-issue government policy, such as climate legislation, and (ii) in the context of a scheme's overall, integrated, socioeconomic impact assessment. Government support for airport expansion is entirely conditional on planning decision makers' assessment of a proposed scheme under both considerations.
3. According with government best-practice appraisal guidance, the latter (ii) integrated assessment is usually supported by the monetisation of environmental impacts under noise, air quality, and greenhouse gas domains, which are weighed alongside traditional economic analyses. No such analysis has thus far been presented to decision makers.

The applicant presents no credible economic case

4. The applicant has chosen to rely on its 2012 economic impact assessment (CD6.02). This assessment is ten years out-of-date and mis-aligned with the government's view of best practice in aviation-sector appraisal, as set out in Transport Analysis Guidance (CD16.11).
5. The applicant's own consultants, Oxford Economics, in their 2021 assessment (CD16.02) on another, larger, proposed expansion, show that the economic claims made in the 2012 economic impact assessment were grossly overstated, and its methods flawed.
6. A key component of modern best-practice aviation appraisal is the assessment of displacement, or 'additionality'. No such assessment has been conducted. In this context, DfT guidance (CD16.10) states it should be assumed that all claimed economic benefits are subject to 100% displacement, and therefore are not newly created, i.e. the proposed scheme has a net neutral economic impact.

The Council Officers' Report makes a range of unsubstantiated claims

7. The Council Officers' Report (CD5.08) is unusual as it contains considerably more economic analysis than was submitted by the applicant in respect of its application.
8. The Officers' Report contains a presumption in favour of the economic case for expansion which is supported neither by economic data, nor by academic research. This presumption reflects a lack of due diligence on the part of the council, and is out of touch with the latest available evidence on aviation's economic impact.
9. The Council Officers are correct in their assessment that there will be no additional jobs created by the scheme, and in light of this, and the proven environmental damage that the scheme will cause, it is difficult to understand how they have arrived at their recommendation.
10. One explanation hinted at in the Council's Officers Report is that they believe there is a credible threat to the overall commercial viability of the airport. This threat is not presented by the applicant, nor is it credible.

Aviation no longer delivers the benefits it did ten years ago

11. Both the Council and the Applicant show no awareness of the fact that, since 2012, new evidence has emerged on the economic dynamics of air travel growth:
 - 11.1. Business passenger growth has ceased, despite significant airport capacity growth. There is no longer a business benefit to capacity growth, all business needs can be met through effective management of existing capacity.
 - 11.2. International leisure travel has surged, and this has hurt the UK economy through the stagnation of the domestic tourism industry.
 - 11.3. The size of the UK's travel spending deficit has surged, stripping cash out of local communities and highstreets and inflating the UK's trade deficit. Earlier this year, our trade deficit hit its worst level on record leaving our economy and currency vulnerable.

11.4. Jobs growth within the aviation sector has been far slower than forecasters anticipated. There are fewer jobs now in aviation than there were in 2007, despite significant passenger growth.

11.5. The Covid-19 pandemic has further reduced the employment potential of aviation, but this has yet to filter through into data.

The tourism impacts of the scheme are negative

12. Luton Airport predominantly serves an outbound international leisure travel market. Further growth will expand this market.

13. Increased international travel by UK residents runs against the UK's economic interests, harming the domestic leisure and tourism industries.

14. UK tourism policy explicitly favours incentivising UK residents to holiday domestically instead of abroad, approval of this application would run counter to that aim.

The economic impact of the scheme's greenhouse gas emissions weighs heavily against approval

15. Greenhouse gas emissions have economic impacts. Government policy does not sanction the ignoring, or "neutral" treatment, of climate impacts when assessing the scheme on the balance of its overall socioeconomic impact, or in other words its 'benefit-cost ratio'. To do so would fly in the face of all economic appraisal guidance.

16. Despite the government's belief in its ability to meet its climate targets alongside expansion of airports, it is irrefutable that additional greenhouse gas emissions will make this task harder, increase the risk of failure, and increase the economic costs incurred either through mitigation measures or environmental damages. Offsetting is the main mechanism through which the government intends to meet its net zero target for aviation. Expansion of Luton airport increases the pool of emissions which will need to be offset and therefore increases the cost of these offsets.

17. The government has no strategy in place to deal with the non-CO2 emissions which make up the majority of aviation's climate impact. Further increasing this impact will also have negative economic impacts, either in the form of greater climate damage, or

again, greater offsetting costs. Non-CO2 emissions cannot be ignored, to do so would run counter to the precautionary principle established by the government in the Environment Act 2021.

18. The cost of greenhouse gas emissions can be monetised and integrated into the socioeconomic assessment for consideration in the balance. Using widely accepted government valuation methods I calculate the overall cost of emissions associated with this project at an estimated £51.7m per year. Under current policy just 26% of this cost will be 'paid for' by the aviation industry in carbon taxes. The remaining cost will be added to the total cost society and the government will incur.
19. Due to the UK Government's legal obligation to its climate targets, this is a direct financial liability accruing to the UK government. This liability is material and is recognised by the Government Office for Budget Responsibility in its 2021 Fiscal Risks Report.

There will be no jobs created

20. The applicant's own economists, Oxford Economics (CD16.02), suggest that employment at the airport in 2019 was 2,450 jobs fewer than forecast in 2012 by Halcrow (CD16.06). This highlights the unreliability of such forecasts, and the inadequacy of the 2012 Environmental Statement (CD6.02) upon which the applicant and council rely. It also brings into question the overall economic benefit of the original 2012 application.
21. My analysis suggests that employment in the Luton Unitary Authority in the main aviation sector industry subsectors collated by the government's Business Register and Employment Survey (BRES) was at approximately the same level in 2019 as it was in 2008, despite very significant growth in passenger numbers.
22. I present academic research on support of my position which shows there is no causal link between air transport growth and jobs growth in the region surrounding Luton Airport.

Wider economic and business impacts are neutral

23. Business air travel growth has ceased. With this shift, GDP growth in the UK has 'decoupled' from business air travel.
24. Air freight volumes are also flat, failing to grow despite wider air traffic movement growth.
25. Both of these trends suggests business use of air travel has reached 'saturation' or 'market maturity' in the UK, and further capacity will not deliver economic growth.
26. I support this position with evidence from nine academic journal articles. This includes evidence that passenger growth in leisure-travel-focused airports can have negative economic impacts on regional economies.

Conclusion

27. It is possible for an application to (i) be compatible with single-issue policy but to (ii) hold an overall unfavourable balance of environmental and socioeconomic impacts. While I do not pass comment on the former, my evidence points strongly towards the latter.
28. The applicant has presented no credible economic case supporting its application. Even if one was presented, available scheme-level data, government data and academic research, suggests it is *highly unlikely* that this scheme has a favourable socioeconomic balance, indeed the net impact may be negative for the regional and national economy.
29. In addition, this application involves significant risk, particularly in relation to the socioeconomic impacts of unmitigated non-CO2 emissions. In the absence of watertight economic benefits I can see no case for approval.