

Rebuttal: Submitted by Dr Alex Chapman for LADACAN

Socioeconomic impacts

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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

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1. Rebuttal of Andrew Hunt

Incomplete assessment

- 1.1. The economic impacts of airport expansion stretch well beyond just the jobs at the airport. Mr Hunt's proof therefore represents only a partial socioeconomic assessment. The most critical omissions include assessment of tourism impacts and assessment of the economic implications of climate impacts.

Levelling-up

- 1.2. At various points Mr Hunt (and Mr Gurtler acting on behalf of Luton Borough Council) makes a number of statements (e.g. para 7.9 of Mr Hunt's proof) relating to the relatively high deprivation levels found within Luton and the government's desire to 'level-up' such communities. The argument seems to centre on the idea that expansion of Luton airport will provide, or secure, employment opportunities for the deprived city of Luton. I would question this reasoning. Luton Airport has seen dramatic increases in passenger numbers over a period of decades. The Borough of Luton has remained deprived throughout that period.
- 1.3. The primary function of Luton Airport is to transport UK residents overseas for leisure-oriented trips. Therefore, the primary impact of expansion is to encourage spending of household income overseas, instead of in the domestic economy. I do not consider this to be beneficial for Luton, nor will it deliver levelling-up.
- 1.4. A key point is that this negative effect (incentivising international travel and spending) will be significantly larger than the overall job creation impact of the aviation sector in Luton itself. For example, the Government is on record stating that "[Pre-COVID-19] the aviation sector contributed at least £22 billion to GDP".¹ However, in 2019, air travellers spent some £55bn overseas.² While, at the national level, this may be acceptable, due to the beneficial impact of incoming tourists (primarily through Heathrow) and other macroeconomic processes, at the local level in Luton, where the airport serves the

¹ Statement by Transport Secretary Grant Schapps on the 30th August 2022.

² ONS Travel trends estimates: overseas residents in the UK and UK residents abroad, published 15th June 2022

outbound leisure market, expansion may be detrimental. This is backed by a number of academic research papers cited in my original proof. Mr Hunt has not taken account of these issues.

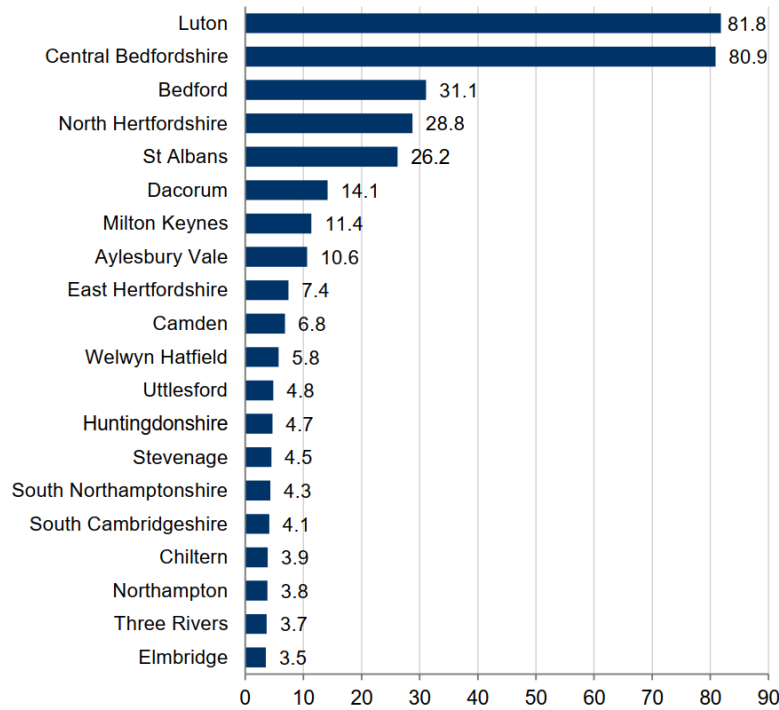
- 1.5. Employment in aviation is in continual decline. It is taking more and more aircraft movements to generate the same level of employment. Historic forecasts have been over-optimistic in their job creation expectations. Meanwhile household spending overseas continues to rise, while UK high streets and the domestic tourism industry stagnate.

The value and accessibility of airport jobs

- 1.6. In relation specifically to the value of aviation sector jobs to residents of Luton, I would refer the inspectors to Figures 9 and 10 of the recent (2021) Oxford Economics Report (CD16.02) commissioned by the applicant.
- 1.7. From these figures (reproduced below) I note a few key points:
 - A. The vast majority of wage expenditure from the airport goes to Bedfordshire - inclusive of Luton Borough (Figure 9).
 - B. Despite this fact, wages in Bedfordshire are below the Six Counties and Three Counties averages (Figure 10).
 - C. Employees at the airport who do not live in Bedfordshire receive, on average, far higher salaries (Figure 10).
 - D. While airport staff located in Bedfordshire are paid slightly more than the county average, they are still paid less than the average in the Six Counties and Three Counties areas (Figure 10).
- 1.8. Overall, I would argue that Figure 10 reveals a very notable feature of employment at Luton Airport: higher paid airport staff do not live in Luton and Bedfordshire. Overall, I would argue this evidence (commissioned by the airport) shows that employment at the airport does little to 'level up' Luton and Bedfordshire.

Fig. 9. Distribution of gross wages by employees' place of residence, 2019

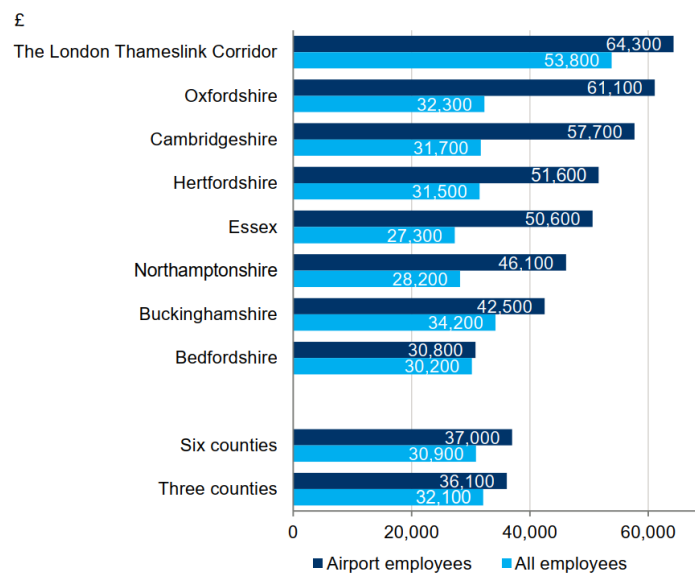
£ millions



Source: Oxford Economics



The Economic Impact of London Luton Airport

Fig. 10. Average gross wages by employees' place of residence, 2019

Source: Oxford Economics and ONS

Socio-Economic Effects of the Proposal

Scheme impact on employment

1.9. Mr Hunt's partial assessment of the socio-economic effects of the proposals (section 6) looks only at direct employment at the airport and not at the net impact of the intervention on employment in the region. Mr Hunt has conducted no assessment of the impact of the scheme on other sources of job creation and destruction. Any claims made in Mr Hunt's evidence must be interpreted in this context. It would be best practice for a statement to be included by Mr Hunt explaining this point. Such a statement was included, for example, by Oxford Economics on page 7 of their 2021 report on the *Economic Impact of London Luton Airport* (CD16.02):

"The economic impact results in this report are presented on a gross basis. That is, we estimate and forecast the economic contribution of London Luton Airport, but we do not make any assessment of the extent to which the contribution identified will be additional to what would have occurred in the absence of its future development" (p. 7, Oxford Economics, CD16.02)

1.10. Mr Hunt has conducted no assessment of displacement, and no assessment of the impact of the proposal on jobs in the tourism and leisure industries. Such an assessment is a critical part of aviation and general transport appraisal and is covered extensively in the DfT's TAG guidance (e.g. in chapters A2.1 and A2.3).

1.11. In paragraph 6.9 Mr Hunt claims that the employment numbers he forecasts will be 'extra jobs and local economic activity'. Mr Hunt has not presented the evidence to show that these jobs will be 'extra'. It is not entirely clear which jobs are included within his forecast, but if these jobs include hospitality services at the airport, such as coffee shops, hotels, and retail outlets, these services may well simply have been relocated from the Luton town centre, or from another airport. Additionally, the new expenditure made by passengers at the airport may well be expenditure which would otherwise be made in domestic leisure and tourism industries. As such, there would be a concurrent decline in employment in those sectors.

1.12. Furthermore, Mr Hunt presents no secondary evidence, academic or otherwise, substantiating the claim that expanding Luton Airport can have an overall beneficial impact on jobs in the region. I have presented evidence to the contrary. As such, Mr Hunt is not in a position to claim, as he does in points A and B of his conclusion in

paragraph 6.27, that the proposals will “create” any new jobs either in general, or in Luton.

- 1.13. As Mr Hunt’s estimates of GVA creation are dependent on the creation of jobs, all of my above commentary equally applies to these aspects of his proof (e.g. paras 6.18, 6.19, 6.27 (b)). The estimates of GVA creation are not credible, nor are they indicative of net new GVA creation at the regional level (i.e. beyond the airport itself).

Use of a ‘current position’ baseline

- 1.14. Mr Hunt runs analysis against the ‘current position’ at Luton Airport. This appears to refer to the 12.4 mppa forecast for 2022. Mr Hunt states:

“The proposals are estimated to: a) Create over 4,000 jobs by 2025, compared to the current position”

This is a misleading statement. ‘The proposals’ under scrutiny in this inquiry do not create 4,000 jobs by 2025. According to Mr Hunt’s own evidence, of the 4,290 jobs that he claims will be created at the airport, 3,432 will be created irrespective of whether these “proposals” are approved. Evidence contrasting the impacts of the proposals with the ‘current situation/position’ should be disregarded.

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