

SUBMISSION FROM PLANESPEAKING

NPF Question: Whether the policies set out in the NPF2 support the Government's key aims for the development of Scotland to 2030.

PlaneSpeakings major concern is with the lack of consultation means that they do not fulfill one of the key aims of the strategy for Scotland's spatial development to 2030:

- 1. to help build safer, stronger and healthier communities, by promoting**
- 2. improved opportunities and a better quality of life.**

From the Plane Speaking experience and from the evidence found in the report called 'A Critique of the National Planning Framework (NPF) Consultation Process' that should be of interest to you. The report has been endorsed by a number of organizations including the RSPB, John Muir Trust, Friends of the Earth Scotland and the Association for the Protection of Rural Scotland. The report shows that the Government has not fulfilled their own aims on community engagement. Community participation in the planning system is a key part of building safer and stronger communities. People have a right to influence strategic documents and plans such as the NPF, however the NPF consultation process has not enabled people to do this.

The Government's own guidance which states that

'many people believe that there are barriers to engagement in the planning system, inaccessibility of documents complex procedures, lack of expertise; consultation fatigue; belief that views are not taken into account and distrust of local Government. We need to change all of this. We now have a golden opportunity to create a planning system which Scotland can be proud of-modern, efficient and above all with communities at its heart' (PAN 81 on Community Engagement 2007)

PlaneSpeaking ask the Government to look at the Critique of the National Planning Framework (NPF) Consultation Process report (Clare Symonds paper) on the way the consultation was carried out and see the evidence that it has not addressed these key barriers to community engagement.

The 'Critique of the National Planning Framework (NPF) Consultation Process' report claims that the government has not consulted the people of Scotland properly on the NPF. The reason I have claimed this is that the Government, although it carried out a number of events and a written consultation, did not do the following:

- 1. Specifically consult people who will be affected by the developments*
- 2. consult people in a way that they could understand both the implications of the NPF and the developments and policies contained in it*

3. *consult people at a time and place suitable to them (for example all of the events were held during working hours)*
4. *reach out to people who are not normally involved in planning issues*
5. *have an effective way of informing the people of Scotland about what was happening*

In addition the report states that the NPF consultation was not really a consultation, but more of an information giving process.

The new planning Act (2006) states that the Government has to write a statement of participation saying how they will consult people. Before the NPF can be approved they have to prove that they have fulfilled this statement. The report states that the Government haven't fulfilled their statement and therefore PlaneSpeakings primary message for the evidence giving committees is that the NPF process should be held up until people have been consulted properly.

The Scottish Government promised the people of Scotland a more inclusive planning system when they overhauled the planning system. The new approach of the 2006 Planning Act was based on better and earlier public involvement in the planning system.

The NPF consultation was the first and most critical test, but has revealed major problems with the effectiveness of the Government approach to consultation.

Carrying out consultations is part of Scotland's system of democracy. We must keep the pressure on the Government to improve its consultations and fulfil its promises if we are to influence our own futures and that of Scotland.

NPF Question: Whether the correct balance has been struck between economic development and environmental protection/ Any financial implications for local authority planning departments.

PlaneSpeakings major concerns arise from two reports. Firstly, the Stern report which states that 'The world has to act now on climate change or face devastating economic consequences'. The Stern Report can be found at news.bbc.co.uk/1/hi/business/6098362.stm

Aviation is the fastest growing cause of global CO2 emissions. If airport expansion is allowed to continue in Scotland not only will it swallow up a significant part of Scotland's admirable climate change bill which aims for an 80% reduction in CO2 emissions by 2050 but will have devastating impacts on Scotland's economy. The economic information is taken from a report commission by Plane Speaking on the 'economic impacts of Glasgow airport'. The information, whilst Glasgow focused, provides lessons regarding airport expansion plans all **over Scotland**.

Please find the summary below:

1. Glasgow Airport currently contributes an annual deficit of £1.9 billion per annum to the Scottish economy. This is largely the result of the huge number of Scottish tourists taking large amounts of money out of the economy when they fly abroad on holiday. This deficit does not include the money lost to the economy through the tax-breaks the aviation industry enjoys. Nor does it include the cost to the country of the environmental downsides of airport expansion, such as more noise-related problems or climate change.
2. The deficit is expected to grow as the airport expands.
3. No assessment has been made of the impact on the Scottish economy if the airport does not expand. This needs detailed work, but there would be investment in other areas as people and businesses spent their money elsewhere. For example, it could be expected there would be investment in rail which would both create jobs and assist the economy.
4. There are two challenges to airport expansion that make demand-induced expansion mythical: peak oil and the debt-induced economic crash. There is also the third challenge of climate change whose prevention requires a massive reduction in aviation.
5. An informed way forward would be to plan a staged disinvestment in air travel alongside investment in sustainable industries and travel modes. This Just Transition would create a sustainable economy and more secure employment.

Further Response to the NPF Evidence Scrutiny Process

Most economic impact reports for airports describe a strongly positive effect on the economy although most have been developed by airport owners, business institutions or government agencies. The few impact reports that have been written or funded by opponents of airport expansion have been much more sceptical of this positive impact and instead describe a negative effect on the economy.³

The Glasgow airport master plan bases its calculations for the economic impacts on the 2002 Fraser of Allander report.⁴ The Master plan uses that report as a basis for making the following points:

1. Airports provides connectivity that improves competitiveness and makes Scotland more attractive for inward investment and trade
2. Glasgow airport supports 15,700 jobs with more than 5,000 directly employed at the airport (2002, Fraser of Allander institute)
3. Glasgow airport contributes £700 million per annum to the Scottish economy
4. Direct employment at the airport is forecast to increase to 8,200 by 2015 and to 12,100 by 2030 (based on Glasgow BAA employment survey 2004)
5. Aviation creates a trade route with the Scottish Executive estimating that the Dubai flight generates £10 million a year and the daily Orlando flight £244,000 a year

6. Glasgow airport supports the tourist industry which generated £700 million for the Glasgow economy in 2005 with 2.8 million visitors
7. Glasgow airport plans £290 million of capital investment from 2006 to 2016
8. Glasgow airport contributes £3.6 million to Renfrewshire council in business rates each year and £2.5 million to Strathclyde police

These benefits are immersed in the model of economic growth that requires a continual reduction in the perceived barriers to trade and globalisation. In this paradigm, it is imperative that domestic business is able to access international markets for the goods and services they produce and for the goods and services they require to import. An airport with direct and linking flights around the world facilitates this trade both in terms of physical exports and imports, but also (and more importantly) in terms of facilitating meetings and interaction between traders across borders.

A critique of the economic case

The economic case for Glasgow airport and its expansion is based upon a one-sided analysis of the impacts, much in the same way as a 'Collection of benefits' economic impact analysis is carried out.² Thus, even before the accuracy of the Glasgow master plan economic case is assessed, there are economic impacts which are deleterious that have yet to be considered and factored into the total economic impact.

The missing negative economic impacts of the proposed expansion

There are several aspects of the economic impact that tend to be overlooked by BAA and governmental reports on airport expansion.^{5, 9} These can be summarised as: opportunity costs and the counterfactual; net capital flows; tax subsidies or tax breaks and environmental and social costs.

- Opportunity costs and the counterfactual

This addresses the issue of what would happen if airport expansion was not to take place. This includes the impact of investing the capital elsewhere and the public using alternative transport modes or not travelling. The effect of this depends entirely on the productivity of investing capital elsewhere as opposed to investing it in aviation. One example of this is the opportunity cost of annually investing £238m (Scotland's estimated share) to replace the UK's nuclear weapon capacity. It has been calculated by Scottish CND and the STUC (Scottish Trades Union Council) that using that resource to invest in renewable energy capacity would be much more productive and that in fact Trident replacement is a very inefficient method of investing to create jobs and economic growth.⁶ Unlike with the proposed spending on nuclear weapons, the impact on the economy of a decision not to expand Glasgow airport cannot be calculated by moving this resource to a discrete public spending package. This is because it must be

assumed, all other things being equal, the resources that would have been spent in association with the airport would be spent on a variety of other goods and services throughout the economy. Thus, a large part of the opportunity cost can be calculated by modelling the impact of spending the money in the general Scottish economy and using that multiplier to calculate the effect. There are two exceptions to this: alternative modes of transport would be under-represented in taking the mean Scottish multiplier for the model and the flow of capital through the airport (often in the form inward and outward tourism). The advocates of airport expansion would also wish for a negative impact on the general competitiveness of the Scottish economy to be recognised. Clearly this requires detailed economic modelling and a number of assumptions to be outlined if the counterfactual economic position is to be calculated. In order to make some rudimentary estimation of this position the following assumptions can be made:

- The £238.5m of direct spending made by airport firms arises from custom from passengers and others using the airport services
- 50% of the revenue that pays for the jobs at the airport arises domestically as opposed to from foreign visitors (likely to be an underestimate given that there is a net outflow of tourists from Scotland to other countries)
- The remaining 50% of revenue that would have arisen domestically to pay for the airport can be considered to have been invested and spent according to the type II (which includes direct and indirect impacts) output multiplier for private households (the latest Scottish Government estimate for this is 1.6)⁷

On this basis £119.3m of the £238.5m of direct spending made by airport firms can be thought to be drawn from domestic consumers. This would therefore produce £190.9m in 2006, £311.0m in 2015 and £459.0m in 2030. Thus the additional benefit of airport expansion by 2030 is only £524m per annum (£983m - £459m) once this opportunity cost is accounted for.

- Net capital flows

This refers to the net balance of capital flows resultant from airport expansion (ie how much capital is spent in Scotland by tourists and is spent abroad by Scots). Not included in this section are any effects due to inward investment or international investment. It has been estimated that £16.4bn per annum is spent in the UK by international tourists and that £37.6bn per annum is spent abroad by UK citizens.⁸ These figures are not broken down for the Scottish economy or by international gateway. However, if it is assumed that only 50% of international holiday trips made by Scots are from Glasgow airport and that Scotland accounts for 9% of the UK citizens' international trips, the gateway is responsible for a net loss to the Scottish economy of £950m

$((£37.6bn - £16.4bn) * 0.09 * 50\%)$ in 2008. This is almost twice the total economic impact estimated above (after accounting for the opportunity cost). If airport expansion continues the trend of facilitating international tourism for Scottish citizens airport expansion will therefore represent an increasing drain on the Scottish economy. The exact balance of the economic impact of airport expansion will depend on the projected increase in international travel (and associated net outward capital flow) and the alternative position of increased domestic spending and the use of alternative transport routes. Any capital remaining domestically should also have the multiplier applied.

- Tax subsidies/breaks

The aviation sector is exempt from a number of the standard taxation systems for the UK (principally VAT and fuel tax). This amounts to a tax subsidy for the industry. This has effect of reducing the public benefit of economic growth in this sector since any profits the sector make accumulates before any contribution is made to the country's public services and infrastructure. This economic impact has not been included in this analysis but its omission is noted from the Master plan.

- Environmental and social costs

Although the numerous environmental and social costs associated with airports and their expansion can be enumerated in monetary terms these have been omitted from the Master plan document. These have not been included in this document since the aim here is simply to outline the proximal economic impacts. It has been mentioned here however in order to highlight the omission.

The net economic impact of the airport presently can therefore be estimated at

£-1.9bn (ie a net deficit of £1,900m per annum), but a much bigger deficit is likely if many of the optimistic assumptions contained here could be further defined. The impact of airport expansion depends largely on the degree to which airport expansion will represent an increase in net capital outflow and the degree to which that capital will remain in the domestic economy if airport expansion does not go ahead.

Assessment of the accuracy of the proposed benefits

There are a number of assumptions and assertions made in both the Fraser of Allander report and the Master plan that are difficult to justify without further information. These include:

- The characteristics of the permanent employees are applicable to all employees at the airport. This assumption is unlikely to be justified since the seasonal (and therefore temporary jobs) are more likely to be

in the lower paid categories that expand the capacity of the airport over the summer period.

- It is not clear that the employment survey takes into account the seasonality of employment at all airports, but particularly Glasgow airport which has a high proportion of charter traffic. Without further information it cannot be assumed that the already optimistic modelling that the Fraser of Allander institute has undertaken is unbiased by the use of summer workforce statistics.
- The employment statistics upon which all the economic modelling is based was produced in 2001. This is therefore out of date and may have biased the studies. If passenger numbers correlate with jobs, it would be expected that the survey underestimates the airport's output. There is some evidence that the number of jobs per passenger is reducing over time however as a result of 'efficiency' savings.⁵
- The Fraser of Allander report arrives at a type II multiplier for Glasgow airport of 1.95. This is in contrast to the 1.7 type II multiplier quoted by the then Scottish Executive in 2004. It is not clear why the Fraser of Allander report estimate is higher than that of the Executive.
- No recognisance is made of the possibility and reality of Foreign Direct Investment (ie the opposite of inward investment). This amounts to the fact that it is possible that every businessman who secures capital abroad for investment in Scotland could be matched, or superseded, by business abroad securing Scottish capital for investment abroad.

An alternative predict and supply response

The Glasgow airport master plan is an attempt by the private owners (BAA) to maximise profits for its shareholders using the background demand increase for international air travel. This is in concert with Scottish and UK Government to maximise economic growth as its first priority. As has been shown above, it is highly questionable that Glasgow airport, and airport expansion, is a positive impact on the economy. However, if it is taken as read that capacity for travel should be increased (either as a good in itself or to enhance economic growth), the alternative options for facilitating this should be considered.

A large proportion of flights from Glasgow airport at present are to London, Birmingham, Southampton and other parts of mainland UK. If investment were to be forthcoming for rail travel this could provide a cheap and sustainable alternative to domestic air travel. It is less easy to replace long-haul flights with sustainable alternatives.⁹

It is worth noting that investment in railways provides a higher degree of indirect economic benefits than air travel and therefore has the potential to create more jobs and wealth than aviation (the type II output multipliers are 2.0 and 1.7 respectively).⁷

Therefore, if it is assumed that the facilitation of transport is a net benefit then it is perfectly possible that this could be more economically advantageous if railways were used as the transport mode (especially as an alternative for

flights within the UK). Detailed description of this alternative is beyond the scope of this report.

Considering a Just Transition

In reality, there are two challenges to airport expansion that make predictions of demand-induced expansion mythical: these are peak oil and a debt-induced economic crash.¹⁰ There is also a third challenge of climate change whose prevention necessitates a massive reduction in aviation. In addition to these important points, it is also worth considering whether economic growth is a positive impact per se. This is beyond the scope of this paper but has been considered elsewhere.^{11, 12} Without a recognition of these salient facts any investment or planning in airport expansion at this time is a folly of unprecedented magnitude. An informed position would instead be planning a staged disinvestment in air travel with alternative transport routes put into place and economic and industrial restructuring to support this.

Drawing lessons for airport expansion proposals elsewhere

The case for airport expansion has been made on the principle grounds that economic growth requires the free movement of people, goods and capital and aviation facilitates this to a greater degree than the alternatives.

The economic impact assessment here of the Glasgow master plan finds evidence that, contrary to the conclusions of BAA, Glasgow airport facilitates a net economic deficit largely as a result of Scottish tourists taking money abroad on holiday to spend. The ephemeral benefits of increased mobility on the economy have not been enumerated by BAA and it is notable that increased capital mobility has been a significant driver of the current financial crash.

Those opposing airport expansion in other areas of the country, often on environmental grounds, would do well to consider the frailty of the economic case put forward by the proponents of expansion. It seems that the net outflow of credit is the dog that does not bark in the night for the developers.

Conclusion

The Glasgow airport master plan makes the case for expansion largely on economic grounds. There are a number of missing considerations from the underlying economic modeling done by BAA, including the net outflow of capital taken abroad by UK tourists and the opportunity cost of using capital for airport expansion as opposed to domestic investment. The economic case for airport expansion elsewhere should be examined critically to ensure its legitimacy on the basis of this finding.

The current economic impact of the airport on the Scottish economy is likely to be an annual deficit of £1,900m. This deficit will increase if airport expansion continues.