

**Town & Country Planning Act 1990 - Section 77
Town & Country Planning (Inquiries Procedure)
(England) Rules 2000**

Lydd Airport Action Group (LAAG)

Summary Proof of Evidence

Economic Impact

Applicant: London Ashford Airport Limited (LAAL)

Location: London Ashford Airport Limited, Lydd, Romney Marsh, TN29 9QL

Applications: Y06/1647/SH and Y06/1648/SH

Proposals: 294m runway extension and a 150m starter extension plus a new terminal to accommodate up to 500,000ppa

Inspectorate References: APP/L2250/V/10/2131934
APP/L2250/V/10/2131936

Document Reference: LAAG/8/C

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1.0: Introduction

1.1: My name is Louise Barton. I am the principal spokesperson for Lydd Airport Action Group (LAAG).

1.2: I have an Agricultural Science Degree (University of Melbourne), worked for the Australian government's Commission of Inquiry into Rural Poverty and for the Institute of Applied Economic and Social Research on the Australian Economic Review. After moving to the United Kingdom in 1978 I became an investment analyst and spent over twenty years analysing companies and market sectors for fund managers, stock brokers/investment banks in London. Although retired, I remain a member of the Securities Institute and I am a non-executive director of a small financial software company.

1.3: I will demonstrate that the economic case has been overstated and that the expansion of Lydd Airport has the potential to reduce employment.

References to the main proof of evidence are given in square brackets.

2.0: THE GROSS LABOUR POSITION

2.1: Lydd Airport's "rule of thumb" of 600 direct jobs generated per million passenger throughput is too optimistic. It fails to account for the impact of low cost airlines on labour productivity at airports or to appreciate the limitations on Lydd Airport's capacity to augment revenues and employment through exploiting non aviation activities. [5.2-5.5.3]

2.2: Based on Master Plan figures for other airports, a more realistic "rule of thumb" is a range of 250-450 direct jobs created per million passenger throughput, the range denoting differences in the business models and aircraft types used by potential airline customers. [5.5.2]

2.3: Lydd Airport has none of the natural advantages which would allow it to boost the numbers employed on site through generating revenues from specialist aviation or ancillary aviation sources such as sizable aircraft maintenance facilities, and business parks. [5.5.3]

2.4: The airport will be constrained in the activities it can conduct on site due to the presence of the protected habitats which surround both the runway and the airport. The additional costs associated with preparing environmental surveys for mandatory Appropriate Assessments under the Habitats Regulations and the possibility that certain activities will be restricted, will reduce the airport's attraction to potential customers. Lydd Airport cannot therefore use airports such as Exeter and Cardiff airports which have been

successful in establishing large maintenance facilities, as templates for employment. [5.5.3]

2.5: The assessment of indirect and induced employment is problematic and irrelevant in situations where one business is replacing another. Firms having similar direct employment intensities have similar halo effects on employment outside their boundaries so that if one company replaces another there will be little change in the economic consequences outside the perimeter fence. [5.1]

2.7: The operational impediments resulting from the restricted airspace surrounding the airport will lead to a higher incidence of aborted landings and aircraft diversions compared to other airports. This reduces the efficiency of Lydd Airport and its attraction to low cost operators. Traffic that is attracted to the airport is likely to be more seasonal and less time critical which means the supporting labour requirement at Lydd will be correspondingly seasonal. [6.2.1- 6.2.2 & 7.0]

2.8: Given the importance of the low cost operators to airports in the UK, this means Lydd Airport will struggle to achieve its throughput of 500,000pp and therefore the economic benefits it purports it will provide. [6.2.2-6.2.3]

2.9: Lydd Airport is currently loss making. Work commissioned by LAAG from Cranfield University indicates that even if Lydd Airport were able to achieve a throughput of 500,000ppa, it would remain loss making. The Cranfield work shows, that while it is possible to run a profitable airport on comparatively low volumes of passenger traffic, this can only be achieved with the support of income from non-aeronautical activities. [8.0]

2.10: Lydd airport will thus be reliant on its second phase of development, i.e. a throughput up to to 2mppa, to achieve profitability. While Lydd Airport remains loss making, there will be strong impetus to keep costs, including labour, under tight control.

2.11: Lydd Airport's poor performance to date is NOT due to its inability to commercially support larger aircraft such as B737s/A319's, but to a wide range of factors outside its control, such as severe operational constraints, limited catchment area, poor road and rail infrastructure and competition from Manston Airport and the Channel Tunnel. Lydd Airport will face the same constraints with the runway extension. [6.2]

2.12: There are already strong indicators that Lydd Airport will not be successful. Flybe chose Manston rather than Lydd and is servicing its routes with aircraft types that could fly safely from Lydd's existing runway, while a potential new route to Jersey has already been abandoned due to lack of demand. [6.2.3]

3.0: THE NET LABOUR POSITION

3.1: Beyond 2025 the building of a new power station at Dungeness is possible since the alternatives test of the Habitats Regulations could be satisfied, allowing the development of Dungeness C to proceed in the over-riding public interest. [8.3.3 - 8.3.4]

3.2: If Lydd Airport becomes established as a busy regional airport there will be strong pressure to preserve Lydd Airport's established commercial presence particularly if it can demonstrate that the construction of Dungeness C will have an adverse impact on it operationally. This, and the undesirable presence of large concentrations of people and aircraft arriving and departing from Lydd so close to a nuclear power complex could outweigh Dungeness C's release from the strictures of the Habitats Regulations and Dungeness would be lost as a new build site for ever. [8.3.4]

3.3: Even assuming Lydd Airport continues to struggle as an airport for a decade or so after its proposed investment, this does not mean it can be ruled out as a hazard since the runway extension gives Lydd Airport the potential to realize, and exceed its Master Plan objective of 2mppa. Safety assessments must take into account possible changes in circumstance which could improve the airport's prospects over a period of at least 60 years. For example, if the Lydd and Hythe military ranges were disbanded, this would transform the operational aspects of this airport and make it more attractive to airlines. [8.4.1]

3.4: In the future, the Nuclear Installations Inspectorate (NII) will not be the only arbiter of crash damage risk at Dungeness. In the period up to construction there will be scope for European input into the risk assessment process under Article 41 of the 1957 EURATOM Treaty. [8.4.2]

3.5: The NII's lack of transparency with regard to disclosing the basis on which it made its decision not to oppose the planning application on crash damage safety grounds could also be challenged in the future as a result of Article 8 of a new European Directive (2009/71/EURATOM) which must be incorporated into UK law by July 22nd 2011. [8.4.3]

3.6: Any one of these actions in 3.4 and 3.5 could trigger a process leading to the loss of Dungeness C, because the presence of a busy regional airport, or the prospect of one, is deemed sufficiently hazardous to stop its construction.

3.7: The base level for assessing the net gain in employment should be the level of employment associated with the "do nothing scenario" of 300,000passengers per annum (ppa), estimated by LAAG to be 125 jobs. This level of passenger throughput is achievable according to Lydd Airport using its existing airport

infrastructure. Accordingly there would be no economic gain to the community until throughput exceeds 300,000ppa. [4.1]

3.8: The loss of Dungeness C would lead **to a net loss of over 300 jobs** at a throughput of 500,000ppa and a net gain of only 175 jobs at the master plan throughput objective of 2mppa. [8.5]

3.9: The above assessment assumes Lydd Airport is successful. If Dungeness C is lost due to the prospect of a busy airport but fails to achieve its 500,000ppa phase 1 objective, it will permanently destroy wealth in the area.

3.10: Even without the loss of Dungeness C, the employment gains are not high - only a net gain of 70 jobs at a throughput of 500,000ppa and 575 jobs at a throughput of 2mppa. [4.1, 5.5.2, 8.5]

3.11: On the assumption that Lydd Airport is successful, further reductions must be made to the employment assessment above in 3.8 and 3.10 to account for the loss of jobs in Romney Marsh's leisure industry which will be adversely affected by the airport's expansion, and for the impact of jobs exported to overseas destinations due to the tourist deficit, since Lydd will largely cater for the leisure interests of domestic residents. [8.1-8.2]

3.12: Finally, if Dungeness C is lost, there will be a material construction employment deficit of ~ 1200 construction jobs - 1500 construction jobs for Dungeness C versus 300 for the runway extension and new terminal combined. [8.5]

4.0: Conclusion

Lydd Airport has the potential to destroy wealth. The application should be opposed