Doc. No. SSE/10/a
Case Ref. 2032278

Appeal by BAA Ltd and Stansted Airport Ltd following the refusal by Uttlesford District Council of planning application UTT/0717/06/FUL

Proof of Evidence on behalf of Stop Stansted Expansion

Employment and Housing Impacts

Brian Ross
Michael Young

30 April 2007

STOP STANSTED EXPANSION
www.stopstanstedexpansion.com
info@stopstanstedexpansion.com

PO Box 311
Takeley
Bishop's Stortford
Herts, CM22 6PY

Tel: 01279 870558

1 INTRODUCTION

1.1 Personal details

1.1.1 My name is Brian Ross and I appear at the Public Inquiry on behalf of Stop Stansted Expansion ('SSE'). I have been assisted in the preparation of this proof of evidence by other members of SSE, particularly Mike Young.

1.2 Qualifications and experience

Brian Ross

1.2.1 I have the degrees of Bachelor of Commerce (hons) and Master of Business Administration (distinction) and I am also a graduate of the Stanford Executive Programme. I have 25 years experience with a major UK plc in operational and corporate finance roles, interrupted by two and a half years in the Prime Minister's Office advising on efficiency matters within Government. I am now semi-retired and spend most of my time assisting SSE. I also do some part-time consulting, providing economic and financial analysis and advice mostly to clients in the City, including on matters relating to the air transport industry.

Mike Young

1.2.2 I have the degree of Bachelor of Arts (hons) and I am a Fellow of the Institute of Chartered Accountants in England and Wales and hold the Financial Planning Certificate. Most of my career has been with a major international oil company in a variety of senior management positions. I took early retirement six years ago. I moved to Uttlesford in 1991 and am involved in a number of local organisations, including serving as a parish councillor in Wimbish, a director of a charity, chairman of the district road safety working group and a volunteer for SSE.

2 SCOPE OF EVIDENCE

2.1 Core evidence

2.1.1 SSE's evidence on the economic effects of the proposed development was originally set out in Chapter 8 of Volume 1 of SSE's response to UDC, July 2006 [CD/201].

2.1.2 That evidence is superseded by this submission which incorporates more recent data now available and further analysis carried out since July 2006.

3 THE INADEQUACY OF THE EMPLOYMENT AND HOUSING ASSESSMENTS PROVIDED BY BAA

3.1 Lack of information

3.1.1 The following key questions need to be answered in order to properly assess the employment and housing impacts of permitting BAA's application for the removal of the 25mppa annual cap on passenger numbers and to be allowed to expand to 264,000 ATMs per annum:

- What would be the degree of dependency of the local jobs market, and thereby the local economy, upon Stansted Airport jobs?
- To what extent would the type of additional jobs created match the skills and qualifications of the future local workforce?
- What are the employment displacement implications?
- What would be the effect upon the local labour market in terms of availability of employees and wage pressures?
- What would be the effect upon the local housing market, including additional local demand for new affordable housing?
- What are the implications for inbound employee commuting?

3.1.2 It is not possible to properly answer the above key questions on the basis of the information provided by BAA on employment and housing as contained in Volume 6 of the BAA Environmental Statement [CD/9].

3.1.3 BAA claims that its proposals would generate several thousand additional jobs but these would be in an area of low unemployment and where affordable housing is already in short supply. In addition, the jobs created would be relatively unskilled whereas the local workforce is one of the most highly qualified in the country.[1]

3.1.4 The work programme listed in BAA's July 2004 Scoping Report [CD/23] led us to anticipate that the necessary information would be provided by BAA to enable three of the above questions to be answered and the Scoping Opinion issued by UDC [CD/24] in November 2004 requested additional information which, if it had been provided by BAA, would have enabled the remaining three questions to be answered.

3.1.5 UDC's Scoping Opinion requested the following information:

> *'Assessment should include an appraisal of the effects on wage levels locally and the consequent impact on local employers. The extent of displacement likely should be considered;*
>
> *The EA [Environmental Assessment] should include an appraisal of the effect of the development on the local housing market;*
>
> *The EA should include calculation of the opportunity costs of aviation development in relation to alternative economic activities foregone or displaced.'*

[1] Source: 'Annual Population Survey/Official Labour Market Statistics', NOMIS (July 2005 – June 2006) available at: http://www.nomisweb.co.uk/query/select/getdatasetbytheme.asp?theme=28.

3.1.6 It is disappointing that UDC's information requests in relation to impacts on the local labour and housing markets were not dealt with by BAA in CD/9 and even more disappointing that BAA does not provide the information that could reasonably have been anticipated based on its own Scoping Report.

3.1.7 This proof of evidence is structured around an examination of the six key questions listed in 3.1.1 above.

4 KEY ISSUES

4.1 Local dependency upon Stansted Airport

4.1.1 Any person or body exercising a function in relation to a regional spatial strategy or local development plan has a duty under the Planning and Compulsory Purchase Act 2004 to exercise that function with the objective of contributing to the achievement of sustainable development.[2] This duty came into effect too late to be reflected in the current Development Plan and so should to be specifically addressed in relation to this development proposal.

4.1.2 The proposed development runs counter to the objective of achieving sustainable development which, as stated in PPS 1, 'is the core principle underpinning planning'.[3] Employment sustainability requires a broadly based economy which is not over-dependent upon a single industry or company.

4.1.3 In our evidence on economic issues, we highlighted Stansted's dependence upon Ryanair, which accounts for 66% of all Stansted scheduled passengers.[4] Easyjet accounts for more than half of the remainder so that, in total, these two airlines account for 88% of all scheduled Stansted passengers.

4.1.4 Stansted Airport not only has a narrow customer base but also a poor financial track record. As part of BAA, Stansted has hitherto been shielded (historically enjoying the benefit of cross-subsidisation from Heathrow and Gatwick) but following the decision by the Office of Fair Trading ('OFT') to refer BAA's ownership of Stansted, Heathrow and Gatwick to the Competition Commission for a full market investigation, there is a risk of a break-up of BAA and Stansted may not be shielded in future.

4.1.5 That is not to say that we predict Stansted's imminent demise. However it would be prudent to hedge that risk because, if it were to materialise, there would be serious adverse employment implications over a wide local area. It is not in the interests of long term sustainability to put more eggs into the same basket.

4.1.6 The experience of the run-down shipyard communities of Clydeside and Tyneside, the steel towns of South Wales and the coal-mining towns of South Yorkshire bear testimony to what can happen when there is over-dependence on a single dominant local industry. In today's global economy – highly dependent upon finite oil resources and facing its greatest ever challenge in relation to climate change –

[2] Meaning any function in relation to a regional spatial strategy or a local development document - Planning & Compulsory Purchase Act 2004, Section 39(2) [CD/301].
[3] PPS1, 'The Government's objectives for the planning system', point 3 [CD/92].
[4] BAA 'Detailed Statistics' at http://www.baa.com/assets/B2CPortal/Static%20Files/Top_airlines2005.pdf and CAA airport statistics.

it is essential in the interests of long term stability and sustainability to plan ahead and aim to reduce dependence on any single economic activity.

4.1.7 To summarise our more specific concerns about the vulnerability of Stansted:

- a single airline accounts for 66% of scheduled passenger throughput;
- two airlines account for 88% of passenger throughput;
- return on capital is only about 4.6% on net assets;
- Stansted has the lowest profit per passenger within BAA and relies upon car parking and retail income to offset losses on aeronautical operations;
- approximately 75% of Stansted's operating profit stems from car parking.

4.1.8 The first two of the above bullet points have already been evidenced. We will now evidence the remainder.

4.1.9 In his 2004 report, 'The Economics of Stansted Airport' [CD/260], Professor David Starkie concluded as follows:

> *'Stansted's financial performance has been astonishingly bad. No normal commercial company could have existed for so long and sustained such financial losses; it would have been either closed down completely, or re-structured as a smaller but financially sustainable operation.'* [5]

4.1.10 Stansted earned £46.0m operating profit (i.e. profit before interest charges and tax) in 2005/06 which equated to a 4.6% return on net assets of £999.4m. Stansted's operating profit per passenger was £2.07 which compares to other BAA airports as follows:

Table 1 Comparison of airport profitability 2005/06

Airport	Operating Profit (£m)	Passengers handled (m)	Operating profit per passenger
Heathrow	415.1	67.4	£6.16
Gatwick	80.6	32.8	£2.46
Stansted	46.0	22.2	£2.07
Glasgow	27.0	8.8	£3.07
Edinburgh	31.0	8.5	£3.65
Aberdeen	11.0	2.9	£3.79
Southampton	9.0	1.9	£4.74
Total/average	**619.7**	**144.6**	**£4.29**

Source: Accounts for Stansted Airport Ltd ('STAL') [CD/22], Heathrow Airport Ltd ('HAL'), Gatwick Airport Ltd ('GAL') and BAA plc for the year ended 31 March 2006. Note that BAA plc accounts are rounded to nearest £m. Traffic figures are as stated by BAA. Numbers may not add due to rounding.

4.1.11 It can be seen from the above table that in 2005/06 Stansted Airport had the lowest earnings per passenger within BAA. This has been the case over many years and Stansted's earnings per passenger in 2005/06 were 2% below 2004/05.

[5] CD/260, page 5.

4.1.12 Unlike other BAA airports, Stansted makes a loss on aeronautical operations. The financial accounts for Stansted Airport Ltd ('STAL') for 2005/06[6] show a loss on aeronautical operations of £1.02 per passenger. Car parking, shops and other retailing/commercial activities earned £3.09 per passenger, thus producing a net operating profit of £2.07 per passenger. In 2006, SSE analysed STAL's accounts and estimated that non-aeronautical earnings were split approximately equally between car parking and retail operations. Thus, in very round terms, Stansted earns £1.50 per passenger from car parking, another £1.50 from retail sales and loses £1.00 on the aeronautical operation. This is a business model which we consider to be vulnerable to changing circumstances.

4.1.13 In view of the above, there are valid grounds for concern about allowing the local labour market to become even more dependent upon Stansted Airport and, in addition to specific concerns about Stansted, the aviation industry as a whole faces a number of strategic uncertainties, for example in relation to the future security and price of oil supplies, the industry's ability to contain security threats and the risk of draconian climate protection measures being introduced at some point in the future.

4.1.14 A key question therefore is: 'what would be the degree of dependence of the local employment market, and thereby the local economy, upon Stansted Airport if the proposed development were to be approved?' More specifically, how many local residents currently depend upon the airport for employment; what is this as a percentage of the local workforce; and what is the estimated contribution of Stansted Airport to local GVA[7] in value and percentage terms? How would these numbers change if the application were to be approved and the airport were to be handling (a) 40mppa in 2014 (b) 45mppa in 2021 and (c) 50mppa in 2030?

4.1.15 Between 16% and 22% of Uttlesford jobs were dependent upon Stansted Airport in 2003[8] and we estimate that this could rise to between 26% and 37% if the planning application were to be approved.[9]

4.1.16 This increase in dependence would be contrary to the objective set down in the UDC Local Plan aimed at making Uttlesford less dependent upon Stansted Airport for job opportunities.[10] The issue of employment over-dependency is therefore a material consideration in the consideration of this application.

4.1.17 It should be noted that in our calculations we have assumed only that Uttlesford residents continue to account for a constant proportion of airport jobs. There is however a need to examine the relatively recent phenomenon of migrant labour being attracted to Uttlesford by airport-related jobs and moving into private rented

[6] CD/221.
[7] The term Gross Value Added (GVA) is used to denote estimates previously expressed as Gross Domestic Product (GDP) at basic prices. GDP = GVA plus taxes (less subsidies) on products.
[8] Based on 2,519 Uttlesford residents employed at the airport in 2003 [CD/9, Table 5] out of a total Uttlesford workforce of 34,000 (Official Labour Market Statistics, March 2003 [SSE/10/c Appendix 1]) and on two separate BAA claims relating to the multiplier effect: one (in evidence to HM Treasury, July 2003, claimed a multiplier effect of 2.1; the other, in evidence to the Scottish Parliament, May 2006 [SSE/10/c Appendix 2], claimed a multiplier effect of 3.0. These are average national multipliers; locally the multiplier would be higher.
[9] The 2014 35mppa base case shows Stansted being responsible for 23,200 jobs = 57% more in 2014 than in 2003 [CD/9, Table 22]. At 40mppa this would rise to 25,800 jobs = +74% vs 2003 [CD/9, Table 27]; at 45mppa rising to 28,400 jobs (+92% v 2003); and at 50mppa rising to 31,000 jobs (+109% vs 2003). An Uttlesford working population of 42,000 is assumed by that time and, again, the two BAA multipliers are used i.e. 2.1 and 3.0.
[10] Uttlesford Local Plan, adopted January 2005, para 4.1 [CD/57].

accommodation in the local area. This is likely to increase the proportion of Uttlesford and East Hertfordshire residents who depend upon Stansted for employment as well as increasing the need for affordable housing. We will return to this point later.

4.2 Quality of jobs

4.2.1 It is important to have a clear understanding of the quality of jobs that would be created by BAA's plans and how closely or otherwise these match the skills and qualifications of the local labour force. The key question is: 'To what extent would the type of additional jobs created match the skills and qualifications of the future local workforce?'

4.2.2 BAA has provided information [CD/9] on the types of jobs that would be created based on standard job classifications ('SJCs') 1-9. This suggests that exactly 50% of the jobs would be in the higher categories (1-5) - a figure, which seems remarkably high. Most of us think of airports (including airlines and the supporting services) as generating jobs for check-in personnel, security personnel, baggage handlers, shopworkers, cleaning and catering staff, warehouse staff, cabin crew, airport management, administration/secretarial staff, car-hire staff, hotel workers, car park attendants, coach and taxi drivers, maintenance staff etc.

4.2.3 It is counterintuitive to contemplate that 50% of the jobs would be managerial, professional, technical and highly skilled occupations. Evidence is needed from BAA to justify this claim and this should include a table providing the current and projected numbers of employees in the types of jobs that we can all understand (as above) and showing how these jobs have been 'translated' into SJCs.

4.2.4 Even if BAA's 50% figure were accepted, this would still represent a significant mismatch with the profile of the local working population, as Table 2 below shows:

Table 2 Occupational grouping of workforce in Stansted 'Inner Area'

Job classification	Uttlesford	East Herts	Braintree	Harlow	Total
1 Managers & senior officials	20.2%	19.8%	20.6%	13.6%	19.0%
2 Professional occupations	19.1%	16.2%	10.1%	6.5%	13.0%
3 Associate professional & technical	18.6%	13.0%	7.5%	12.3%	12.0%
4 Administrative & secretarial	15.2%	12.7%	13.4%	13.1%	13.4%
5 Skilled trades occupations	6.5%	7.7%	15.5%	15.1%	11.3%
6 Personal service occupations	6.5%	5.8%	7.5%	6.3%	6.6%
7 Sales & cust service occupations	3.7%	6.1%	7.3%	11.1%	7.0%
8 Process plant & machine operatives	5.2%	4.7%	5.4%	9.8%	5.9%
9 Elementary occupations	5.0%	9.2%	12.6%	12.3%	10.1%
Total Employees	38,200	73,900	72,200	39,800	224,100
SJCs 1-5 as % of total	**79.6%**	**69.4%**	**67.2%**	**60.6%**	**68.9%**

Source: 'Annual Population Survey/ Official Labour Market Statistics', NOMIS (April 2005 - March 2006)

4.2.5 The above table shows that 79.6% of the Uttlesford workforce is employed in managerial, professional, technical, administrative and other skilled occupations (SJCs 1-5) and for the Stansted 'Inner Area' [11] as a whole – comprising Uttlesford, East Herts, Braintree and Harlow – the figure is 68.9%.

[11] CD/9, Table 5.

4.2.6 The proportion of highly qualified people in the local labour market will increase in future as educational standards improve and we move increasingly towards a knowledge economy to compete in the global marketplace. Increasing numbers of the next generation of school leavers will go on to further and higher education and their job aspirations will be related to their qualifications and skills. In addition, it is economically wasteful to train people for highly skilled jobs and then only be able to offer relatively low skilled job opportunities.

4.2.7 In short, BAA's development proposal offers the wrong type of jobs. If approved, it would force an increasing number of local people to migrate (not necessarily overseas) or commute in order to find jobs appropriate to their qualifications/skills and aspirations. It would also lead to the local area experiencing a shortage of essential workers in occupations that do not require high qualifications and this in turn would lead to the need for inward migration (including from overseas) as well as increased inward commuting. Both of these points are addressed below.

4.2.8 A jobs mismatch would create a conflict with one of the underlying principles of sustainable development i.e. achieving a balance between employment and housing and reducing/minimising the need to travel. Indeed, a mismatch would exacerbate the problem of 'double commuting', whereby many skilled/highly qualified local residents currently commute to London whilst Stansted Airport is busy recruiting migrant labour and employees from north and east London because it cannot find sufficient local people to fill the type of jobs it has available.

4.2.9 Even if we look at the Stansted 'Outer Area', 69.9% of the workforce is presently employed in managerial, professional, technical, administrative and other skilled occupations (SJCs 1-5) as Table 2 below shows. Thus it is not only a local imbalance but also an imbalance over a wide area.

Table 3 Occupational grouping of residents in Stansted 'Outer Area'

Job classification	Chelms-ford	Epping Forest	Colchester	St Edmun-dsbury	South Cambs	Cambridge	**Total**
1 Managers & senior officials	15.8%	20.7%	11.9%	17.5%	19.8%	11.8%	17.1%
2 Professional occupations	17.4%	8.2%	9.9%	9.4%	20.2%	33.8%	16.1%
3 Assoc, profess. & technical	13.8%	15.7%	19.6%	16.7%	16.9%	17.3%	16.7%
4 Administrative & secretarial	17.1%	13.3%	11.8%	8.1%	10.7%	9.8%	11.4%
5 Skilled trades occupations	8.2%	8.7%	12.0%	11.5%	6.6%	4.8%	8.7%
6 Personal service occups	3.6%	8.7%	8.9%	8.5%	7.2%	4.2%	7.3%
7 Sales & cust service occup'ns	8.8%	5.6%	7.9%	5.6%	4.2%	2.8%	6.6%
8 Process plant & machine operat's	3.8%	6.7%	5.4%	14.4%	4.6%	3.0%	6.1%
9 Elementary occupations	11.5%	12.5%	12.6%	8.3%	9.9%	12.5%	11.0%
Total	83,800	62,400	79,900	48,000	73,900	54,200	402,200
SJCs 1-5 as % of total	**72.3%**	**66.5%**	**65.2%**	**63.1%**	**74.2%**	**77.5%**	**69.9%**

Source: 'Annual Population Survey/ Official Labour Market Statistics', NOMIS (April 2005 - March 2006)

4.3 Displacement impacts on the regional labour market

4.3.1 BAA has not addressed this issue, despite a request in UDC's Scoping Opinion [CD/24] to 'include a calculation of the opportunity costs of aviation development in relation to alternative economic activities foregone or displaced'.

4.3.2 There are likely to be three main displacement impacts:

- Impact upon future employment at Luton Airport;
- Impact upon regional tourism jobs;
- Discouragement of inward investment in the local area;

We deal with these in turn.

Luton Airport

4.3.3 Encouraged by the policies set down in the ATWP [CD/87] Luton Airport also has ambitious expansion plans. Both Stansted and Luton focus on outbound budget leisure travel and there is considerable overlap in their geographical catchment areas.[12] In short, Luton and Stansted are in direct competition and expansion at Stansted would reduce the scope for expansion at Luton. Indeed, there are already hints that expansion at Luton may be delayed because of concerns about commercial viability if Stansted is allowed to expand in parallel.[13]

4.3.4 The employment impact of expansion at Luton would be more beneficial for the Region because Luton has far higher local unemployment than Stansted and is better placed to provide the labour force to fill the new jobs from its own local area. Stansted, on the other hand would need to increase its recruitment efforts in London and overseas.

4.3.5 The ATWP [CD/87] supports 'best use' of both Luton and Stansted, as follows:

> *'The first priority is to make best use of the existing runways, including the remaining capacity at Stansted and Luton.'* [14]

Given that Luton and Stansted are in competition, this raises the question of whether the ATWP objective of 'best use' would more sensibly be achieved by expanding these two airports in parallel or sequentially.

4.3.6 The comparative unemployment statistics are also worth examining: Table 4 below shows that Luton has an unemployment rate of 7.6% which is more than double the unemployment rate for the Stansted 'Inner' and 'Outer' areas combined.

4.3.7 It is also relevant to note that the skills profile of local Luton residents more closely matches the needs of an airport. Only 59.6% of the resident Luton workforce falls

[12] 'Airports Review: Policy Issues', CAA, December 2005, Annex C, Figs C-7 and C-8 [CD/256], and (more generally) 'Airports Price Control Review: Initial Proposals for Heathrow, Gatwick & Stansted Airports, Supporting Paper II, Competitive Constraints faced by Stansted Airport', CAA, Dec 2006 [CD/257].

[13] Luton Airport Draft Master Plan, October 2005 [CD/226], stated the intention to have a new runway operational by 2012. This is a relatively expensive project and it is understood that the business case has become problematic on the (risk-averse) assumption that Stansted expands in parallel. More details may be announced in the course of the Stansted Public Inquiry.

[14] ATWP, Executive Summary, p13 [CD/87].

into SJCs 1-5, compared to 79.6% in Uttlesford, 68.9% in the Stansted 'Inner Area' and 69.9% in the Stansted 'Outer Area'.[15]

4.3.8 Thus in terms of creating jobs where they are most needed and also creating the right type of jobs in the right place at the right time, it is clear that Luton should take priority over Stansted. The first objective set down in PPS1 [CD/92] states:

> *'Good planning ensures that we get the right development, in the right place and at the right time.'*

4.3.9 The expansion of Luton ahead of Stansted would represent a more sustainable approach since it would create local jobs for unemployed local residents whereas in the case of Stansted the majority of the new workforce would either need to commute, including 'bussing in' from distant areas, or migrate to the local area from further afield including overseas. If the latter, this would also give rise to housing issues.

4.3.10 We would emphasise that this is purely a comparative assessment of employment sustainability issues in relation to the expansion of Stansted and Luton. SSE does not have a policy of 'playing pass the parcel' with Luton but the consideration of alternatives is a key aspect of planning policy and BAA declined to examine the displacement impacts/opportunity costs of its development proposal. Our purpose here is to attempt to remedy this deficiency by raising material considerations.

Table 4 Comparable unemployment rates

District	**Unemployment rate [16] %**
Uttlesford	2.6%
East Herts	2.5%
Braintree	4.9%
Harlow	8.1%
Inner Area	**4.4%**
Chelmsford	2.6%
Epping Forest	4.4%
Colchester	3.3%
St Edmundsbury	3.5%
South Cambs	2.6%
Cambridge	7.3%
Outer Area	**3.7%**
Total: 'Inner' + 'Outer'	**4.0%**
Luton	**7.6%**
UK	**5.1%**

Source: 'Annual Population Survey Official Labour Market Statistics', NOMIS (April 2005 - March 2006)

[15] Source: 'Annual Population Survey/Official Labour Market Statistics', NOMIS (April 2005 - March 2006) available at: http://www.nomisweb.co.uk/query/select/getdatasetbytheme.asp?theme=28.
[16] 'Official Labour Market Statistics', Office of National Statistics, average for year to 31 March 2005 at http://www.nomisweb.co.uk/reports/lmp/la/contents.aspx.

Impact on regional tourism

4.3.11 Tourism is important to the East of England economy where it provides 5% of regional GDP and 185,000 jobs[17], many in rural areas. We now examine the potential for job losses arising from the additional overseas leisure visits by UK residents, which would be encouraged by the proposed development.

4.3.12 For every £1 earned from foreign tourism in the East of England in 2004, residents of the Region spent £4.70 on overseas tourism[18]. The following quote is from the 2004 UK Tourism Survey by ABTA (the Association of British Travel Agents):

> *'The majority of the respondents said that demand was staying the same. Those reporting a decline in UK sales through their agency cited direct selling by tour operators as the reason. Others felt that the rise of low cost carriers meant that European holidays provided better value to customers than UK holidays.'* [19]

and Visit London in its outlook for 2006 states:

> *'... the domestic market is likely to remain subdued. Lower consumer spending coupled with the continuing availability of cheap air flights to the continent continues to have a negative impact on the capital.'* [20]

4.3.13 If BAA's expansion proposals for Stansted were to be approved there would be an additional financial outflow from the UK economy, arising from the net deficit on international tourism, of £840m pa at 35mppa rising to £1,750m pa at 50mppa.[21] (This is over and above the 2004 impact.)

4.3.14 At a regional level, the adverse impact would be £440m pa at 35mppa rising to £900m pa at 50mppa[22] (again, over and above the 2004 impact).

4.3.15 The jobs impact of this can be estimated with reference to the 185,000 regional jobs which depend upon the tourist industry and the industry's estimated £5bn (5%) contribution to regional GVA. On this basis, each job in tourism depends on tourism expenditure of about £27,000 per annum.

4.3.16 At a national level, the UK tourism industry is claimed to generate £75bn p.a. for the economy and to support 2.2m jobs.[23] On this basis, each tourism job depends on expenditure of £34,000. Other estimates we have looked at are all in the range £25,000 to £35,000 and so for illustrative purposes, we shall use a figure of £31,000 per FTE[24] job which is on the high side (i.e. conservative) for the purposes of our approximations below (bearing in mind also that our trade deficit estimates are all at 2004 prices).

4.3.17 If all of the additional overseas leisure trips were to be at the expense of the UK's domestic tourism industry about 27,000 jobs[25] would be lost in the UK if Stansted were permitted to expand to 35mppa rising to about 56,000 jobs[26] at 50mppa.

---

[17] East of England Tourist Board (www.visiteastofengland.com) [SSE/10/c Appendix 3].
[18] SSE/8/a para 4.2.10.
[19] UK Tourism Survey, ABTA, 2004 [SSE/10/c Appendix 4].
[20] 'Prospects for 2006', Visit London, 2006 [SSE/10/c Appendix 5].
[21] see SSE/8/a.
[22] Ibid.
[23] '£100bn Tourism at Risk', Tourism Alliance press release, March 2005.
[24] FTE ='Full time equivalent', the normal basis for expressing employment impacts and benefits.
[25] £840m additional outflow from net international tourism divided by £31,000 per job.
[26] £1,750m additional outflow from net international tourism divided by £31,000 per job.

About half of these job losses would be in the East of England. Clearly these are far higher losses than the number of new jobs that BAA states would be created by the proposed development. (BAA states that an additional 3,800 jobs would be created, this being the difference between its 25mppa scenario and 35mppa scenario and includes indirect and induced employment.[27])

4.3.18 In practice, the impact of the additional overseas leisure breaks that would stem from the proposed expansion of Stansted would not be entirely substitutional at the expense of the UK tourism industry. Much of this would be diverted towards other forms of expenditure within the UK economy but this would still generate GDP and jobs for the UK (rather than for an overseas economy). Some of this 'frustrated spending' would be diverted towards imported goods but, even here, there would be a significant element of UK 'value added', for example, the margins in the supply chain earned by UK distributors and retailers.

4.3.19 As an aside, there is a tax implication here also. Almost all of the substitutional expenditure would be subject to UK VAT, thereby generating revenues for the Exchequer whereas air travel is exempt from VAT and expenditure overseas by UK leisure travellers would not generate revenues for the UK Exchequer.

4.3.20 The metaphor that 'one man's job at the airport would be another man's lost job in tourism' would understate matters in the case of the expansion that is proposed by BAA for Stansted. The number of tourism jobs lost (many in rural areas within the region) would undoubtedly exceed the number of jobs created by the proposed development. In addition, many of the jobs that would be created at Stansted if the development were to be permitted would be filled from overseas.

4.3.21 Finally, in this section, the following quote from the UK Tourism Alliance (President Sir Digby Jones) emphasises the importance of the domestic tourism industry, not only for economic reasons but also for wider reasons, particularly in relation to the rural economy:

> *'As well as the economic benefits that this would bring, there needs to be increased recognition across Whitehall that tourism underpins many other key Government objectives such as social inclusion, regional development, rebuilding the rural economy and protecting and enhancing our cultural, historic and natural resources. It is also fundamental to the health and wellbeing of the nation.'* [28]

4.3.22 Many parts of the East of England economy, particularly the less economically buoyant coastal and rural areas of Norfolk and Suffolk, are heavily dependent upon tourism and have limited alternative employment opportunities. In addition, most of these areas are too distant from London (or Stansted) for commuting to be an option. It is in such areas that the outflow of economic wealth from the UK economy for spending overseas would be most felt.

Discouragement of inward investment

4.3.23 In ES Vol 5 ('Economic effects') [CD/8], BAA cites a study by McQuaid et al[29] in support of its argument that good transport infrastructure encourages inward

[27] CD/9, Table 22.
[28] '£100bn Tourism at Risk', Tourism Alliance press release, March 2005, quoting its President, Sir Digby Jones.
[29] 'The Importance of Transport in Business Location Decisions', McQuaid, Greig, Smyth & Cooper, 2004 [SSE/10/c Appendix 9].

investment. It is true that good transport links were found to be an important consideration in business location decisions: however, the key conclusion reached by McQuaid et al was that:

> *'...skilled and/or inexpensive workforce, the quality of the local environment and cost of premises have been shown to be equally, if not more important [than good transport links – of all types] when considered in isolation.'*

4.3.24 Another study by KPMG[30] showed that only 1 in 10 top executives cited air access as the reason for the choice of their location. KPMG asked 801 top executives of foreign-owned firms in Britain what factors influenced their decision to locate here and the main factor was quality of life.

4.3.25 A 1998 survey[31] of Economic Development Officers in local authorities concluded that the availability of workforce skills and suitable development sites were of equal or greater importance than transport in terms of attracting inward investment and a 2002 survey[32] of executives from over 500 European companies cited the availability of suitably qualified staff as the single most important factor in deciding where to locate.

4.3.26 Leaving aside the academic and survey evidence, one only needs to think of the major Japanese investments in the UK, in car assembly plants at Sunderland, Swindon and Derby, and in electronic and electrical consumer goods in South Wales, in order to grasp the point that the quality of airport facilities/air links are not the most important consideration in relation to inward investment decisions. None of these locations (with the possible exception of Swindon) is anywhere near an airport which offers services to Japan. For that matter, neither does Stansted, the UK's third largest airport; indeed Stansted has far fewer long haul services than several smaller UK airports. There is no planning reason which prevents Stansted from offering a greater choice of long haul routes within its 25mppa cap, if this is what is needed to support the business community in the East of England.

4.3.27 Instead of attracting inward investment, permitting Stansted to expand to 35mppa is more likely to have the opposite effect. The local labour market is already very tight and expansion to 35mppa would further reduce the availability of local labour. It would have a negative impact upon the local environment and quality of life. Both of these factors would discourage inward investment to the area. And with regard to 'good transport infrastructure' whilst additional flights might be a positive, there would be a price to pay in terms of increased congestion on the road and rail infrastructure. The overall effect on the quality of the local transport infrastructure – air, rail and road – would be negative for the majority of businesses and their employees.

4.3.28 There is a risk that the adverse effects of Stansted will act to discourage other investment of the type that would create a better balanced and more sustainable local economy by bringing more highly skilled and more diverse job opportunities to the local area.

---

[30] Quoted in 'The Hidden Cost of Flying', Sewill. 2002 [CD/253].
[31] 'Transport Links and the Economy', Automobile Association and Confederation of British Industry, 1998 [SSE/10/c Appendix 11].
[32] 'European Cities Monitor', Cushman & Wakefield, 2002 [SSE/10/c Appendix 12].

Other displacement impacts

4.3.29 There are two further points to be made here (briefly) but we will avoid going into detail so as to avoid overlaps with other SSE proofs of evidence.

- If aviation continues to expand apace and is included in the EU emissions trading scheme, it would become the 'cuckoo in the nest', gradually forcing manufacturing businesses (or at least those which are energy intensive and need to compete internationally) to relocate overseas because the price of carbon permits would become unaffordable for them.
- Three major studies were carried out in 2003/04 to examine the employment and other implications of expanding Stansted Airport and the results of these studies were audited and summarised by York Aviation.[33] The employment projections varied significantly amongst the studies but none were as high as BAA's projection of 23,200 employees for 35mppa.[34] All three studies were cautious in relation to indirect, induced and 'catalytic' employment impacts and two of the studies specifically commented upon displacement employment impacts. References for these studies are provided in the footnote below.[35]

4.4 Impacts upon the local labour market

4.4.1 The analysis provided by BAA in paras 10.2.7 to 10.5.4 of CD/9 is superficial and inadequate in a number of major respects, particularly with regard to the sub-regional labour supply and demand forecasts and the assumptions made about the skills match between the local labour market and the type of jobs that would be created by airport expansion.

4.4.2 We need to see evidence-based projections in relation to future labour supply for the Stansted 'Inner' and 'Outer' areas and also see the projected qualifications profile as a proxy for workforce skills. This then needs to be compared to the workforce skills profile for an expanded Stansted Airport.

4.4.3 We also need to see consistent baselines and projection timescales. The variety and quality of data sources used by BAA does not meet the standard required for a robust and credible evidence base.

4.4.4 Appendix 2 in CD/9 includes a brief explanation of the assumptions applied in projecting the future size of the workforce but far more detail is needed in order to test the appropriateness of the assumptions. For example, what changes are assumed to take place in the average size and composition of households? We know for example, from ODPM projections that in the East of England the number of individuals per household is forecast to reduce from 2.34 in 2004 to 2.21 in 2016 and to 2.16 in 2021.[36] However, it is not clear how this has been reflected in the forecasts for labour supply which appear to use a household-based approach in

[33] 'Audit of Stansted Growth Assumptions', York Aviation, 2004 (commissioned by Go-East) [SSE/10/c Appendix 15].
[34] CD/12, Table 22.
[35] (i) 'Stansted/M11 Corridor Development Options Study', Buchanan/Bone Wells, 2003; (ii)'Employment and Housing Growth Implications of a Second Runway at Stansted', Halcrow/PACEC, 2004; and (iii) 'Employment and Housing Growth Implications of a Second Runway at Stansted Airport', Cambridge Econometrics, 2004.
[36] 2004-based household projections, ODPM, March 2007 Table E, 2004 [SSE/10/c Appendix 13].

estimating labour supply growth in the Stansted 'Inner' and 'Outer' areas, taking account of the substantial number of new dwellings that are planned.

4.4.5 Appendix 2 states that 'There are no national forecasts of the future behaviour of rates of economic activity since those produced in 1997 by the Government'. However, the ONS published updated labour force projections in January 2006 which include forecasts for economic activity, by age group through to 2020.[37] Importantly, these projections show far smaller increases in the economically active population in age groups beyond age 54 than shown in the BAA analysis.

4.4.6 The BAA analysis has assumed a major increase in the available labour market from the 54+ age group but this is not borne out by the latest projections casting considerable doubt on BAA's assertions that the proposed development would have a 'moderately beneficial impact' upon the local labour market and that 'some of the issues associated with tight labour markets should be eased'.

4.5 Impact on local housing market

4.5.1 Until such time as we have a clear understanding of the implications for the local labour market it is not possible to properly assess the implications for the local housing market. However there are strong grounds for believing that the impact would be significant in relation to the need for affordable housing. There are two main reasons for this: London recruitment and recruitment from further afield, including overseas. We will deal with these in turn.

London recruitment

4.5.2 Para 9.1.1 of CD/9 states that 'the proportion of Stansted employees living in the Greater London area has increased from 2.5% of airport employment in 1997 to 5.4% in 2003'.

4.5.3 During the four-year period to 31 March 2003, as a result of various recruitment initiatives in north and east London, over 500 employees were recruited to fill airport jobs. Since March 2003, additional recruitment efforts have been made in north and east London boroughs, with BAA offering free travel passes as a recruitment incentive for new employees. We understand, from airport sources, that about 700 additional employees were recruited from Greater London during the three years to 31 March 2006. Adjusting for non-retention we believe that about 7% of current airport employees are residents of Greater London.

4.5.4 If BAA's planning application were to be approved, it is likely that an increasing number of employees would be recruited from north and east London. Against a background of a tight local labour market, particularly in the low-skills sector of the market, it is understandable that the poorer boroughs of north and east London are seen as suitable recruitment territory for the airport. Table 5 shows the scale of the opportunity, with the average for Uttlesford and East Herts Districts (combined) also shown for comparative purposes:

[37] 'Labour Force Projections 2006-2020', ONS, Jan 2006, Annex D [SSE/10/c Appendix 14].

Table 5 Labour market statistics for north and east London boroughs

Borough	Economically active*		Unemploy-ment rate %	Without quals %
	'000	% of Popul'n		
Newham	102.5	65.1%	8.8%	24.2%
Tower Hamlets	85.2	62.1%	12.9%	24.5%
Hackney	83.9	59.6%	10.9%	24.8%
Haringey	108.9	72.5%	8.7%	15.7%
Waltham Forest	102.8	74.1%	8.1%	19.6%
Barking & Dagenham	67.8	68.5%	9.5%	24.6%
Total	**551.1**	**66.9%**	**9.7%**	**22.1%**
Uttlesford + East Herts	**106.4**	**84.3%**	**2.5%**	**8.2%**

Source: 'Annual Population Survey Official Labour Market Statistics', NOMIS (April 2005 - March 2006) except qualifications figures which are most recently available for year ended 12 December 2005.
** Note that 'economically active' includes unemployed.*

4.5.5 It is, of course, a positive contribution for Stansted Airport to be able to provide job opportunities for residents of these London boroughs but it gives rise to the need for long distance commuting, mainly by road, contrary to the principles of building sustainable communities and to the objective of reducing the need for travel.

4.5.6 If the scale of commuting from north and east London to fill airport jobs continues to increase, there would be an ever-stronger case for providing local affordable housing to reduce commuting/the need for travel and to provide an opportunity for these airport employees to integrate into the local community. This requirement needs to be examined and quantified. Our broad estimate, however, is that about 1,800 airport employees would be recruited from Greater London at a throughput of 40mppa, rising to about 2,000 at 50mppa.[38]

Recruitment from further afield

4.5.7 A more recent development at Stansted Airport has been the recruitment of employees from Central and Eastern Europe following EU enlargement on 1 May 2004. The local community has been enriched by this recent development and it will be important to make proper provision for integrating these new members of our community.

4.5.8 The availability of employees from Central and Eastern Europe has undoubtedly helped to ease recruitment problems at the airport. But commuting is obviously not an option for a Polish or Czech or Slovakian airport employee. The current arrangements largely depend upon private rented accommodation in the local area. Anecdotal evidence suggests that this is often in overcrowded conditions.

4.5.9 If we are to properly welcome those migrating from Central and Eastern Europe to fill jobs at the airport and encourage them to integrate into the local community, there must be proper provision in terms of affordable housing. Temporary rented accommodation is an unsatisfactory option other than in the short term and it is unsustainable. In addition there is a risk that local private rented accommodation will become generally scarcer and more expensive.

[38] Estimates are based on 7% of airport employees coming from the Greater London area - i.e. the current proportion. This is a conservative assumption because the need to recruit from further afield has increased as the airport has grown in size.

4.5.10 The first task is to quantify the current position and then produce projections for 2014 and 2021 based on Stansted expanding to 40mppa and 45mppa respectively. It is recognised that such projections will be difficult since the influx of new airport workers from overseas is a relatively recent phenomenon and it is difficult to predict its future scale. However, despite the uncertainties, it is essential that such projections are provided and that the precautionary principle is applied so as to err on the side of over-provision of affordable housing. There are significant potential risks associated with under-provision and so we should ensure that this issue is properly addressed and becomes an opportunity rather than a threat in relation to the vibrancy of the local community.

4.6 Commuting

4.6.1 The issues in relation to commuting by airport employees have been highlighted in earlier sections, above. However, BAA has not provided a proper quantification of the current level and mode of commuting by airport employees or projections for the future level of commuting.

4.6.2 It is clear that a significant number of airport workers already commute to work over long distances and the need for BAA and other airport employers to recruit from further afield has increased over the years as the airport has grown in size. This is because the local labour market does not have the capacity to fill the jobs available. This imbalance would be accentuated by further airport expansion.

4.6.3 CD/9 contains only two paragraphs on the subject of commuting[39] and these deal with total commuting to and from the study area and say nothing about employee commuting to the airport – either current or projected.

4.6.4 PPG13 [CD/106] states that planning policies should aim to:

'produce a broad balance at the strategic level between employment and housing both within urban areas and in rural communities, to minimise the need for long distance commuting'

and

'reduce the need for travel, especially by car'.

4.6.5 If projections for employee commuting had been provided by BAA we believe that these would clearly show a fundamental contradiction between its expansion proposals for Stansted and the planning policy objectives set down in PPG13.

5 CONCLUSIONS

5.1 The proposed development would result in over-dependence upon Stansted Airport for employment and economic prosperity in the local area and would be inconsistent with policies set down in the Sustainable Communities Plan, the Draft East of England Plan and in PPS1 [CD/92] to achieve a broad balance between employment and housing, both within urban areas and in rural communities so as to reduce/minimise the need for travel, especially long distance commuting.

5.2 The proposal would bring a large number of predominantly low skilled jobs to an area of low unemployment and where the existing labour force is highly skilled/qualified and will become even more highly skilled/qualified in the future. This would give rise to further

[39] CD/9, paras 8.2.9 and 8.2.10.

local labour shortages and wage pressures in relation to unskilled jobs and would also be likely to have a deterrent effect upon new inward investment more closely aligned to the skills/qualifications of the local workforce.

5.3 In addition to making the local area less attractive for inward investment because of increased traffic congestion and reduced quality of life the proposal would have displacement employment impacts upon Luton Airport and the domestic tourism industry. There is also the risk of longer term employment displacement impacts if aviation is included in the EU emissions trading scheme.

5.4 The inability of the local labour market to support the additional jobs that would arise from the proposed development has major adverse implications for the local housing market, where there is already an acute shortage of accommodation for rent and affordable housing.

5.5 The increase in employee commuting, mostly by car, that would arise from the proposed development would be inconsistent with planning policies relating to sustainable development, long distance commuting and reducing the need to travel, especially car travel.