

# NEW ECONOMICS FOUNDATION (NEF)

## SUMMARY WRITTEN REPRESENTATION

The economic and environmental impacts  
of an expanded Luton Airport

Registration Identification Number: 20040182

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1. This is a summary of the Written Representation prepared by Dr Alex Chapman on behalf of the New Economics Foundation (NEF).
2. NEF is opposed to the proposed expansion of Luton Airport on the basis that the balance of costs and benefits and future risks is unfavourable.
3. Airport expansion should not be approached from a starting point of assumed economic benefit, such a position is not supported by recent evidence of an independent and/or academic nature.
4. The business productivity benefit of the proposed expansion is grossly overstated. Business passenger numbers peaked in 2006 both nationally, and in the London Airport System. Following the pandemic, which has further reduced the market share of business passengers, it is highly unlikely that there will be any net additional business passenger growth for decades to come. Even if new demand emerges, satisfying such demand does not require airport expansion as business passenger growth will displace leisure traffic in the capacity constrained scenario.
5. The impact, and balance, of travel and tourism spending has not been given adequate attention. Luton Airport predominantly serves UK residents travelling abroad for leisure. The primary function of the airport cannot go unassessed in a comprehensive appraisal.
6. The proposed scheme will incentivise UK residents to spend larger amounts of cash overseas costing jobs and economic activity at home. This trend penalises the wider regions of the UK which operate a very significant travel spending deficit while London operates a travel spending surplus. The regional imbalance is compounded when money returns to the UK in the form of Foreign Direct Investment which also flows disproportionately to London and the South East.
7. No net, system wide, jobs impact is presented. The Applicant's primary analysis relates only to the direct and indirect footprint of the airport and not the full system of effects. This limitation is not made clear in the Need Case.
8. Jobs impacts are overstated. Despite huge growth in passenger volumes, there are fewer jobs in air transport today than there were prior to the 07/08 financial crisis, both nationally and within Luton, Bedfordshire and Hertfordshire. Previous jobs forecasts by the applicant have been over-

optimistic. It would be prudent to assume that the Applicant's direct and indirect jobs forecasts are over-optimistic again.

9. The quality of the jobs created is questionable. Nationally, wages in air transport have fallen faster in real terms than any other sub-sector of the UK economy. There is evidence to suggest there has also been a significant real terms decline among Luton Airport workers. Luton Airport's lowest paid workers are those residing in Luton and Bedfordshire and, as a result, the airport does little to 'level-up' incomes in these more deprived authorities.
10. The scheme's cost benefit analysis is a mess. The largest beneficiary group appears to be foreign residents. If this group's benefits are excluded, the scheme has a negative net present value. If these benefits are to be included, it would also make sense to include the carbon cost of arriving flights – as per BEIS guidance. A range of scheme costs are missing including air quality, noise, and non-carbon gases, all of which should be monetised. Equity has not been considered. The overall cost-benefit profile of the scheme is almost certainly negative.
11. The air transport sector carbon budget is not an appropriate benchmark for measuring the significance of a single scheme's greenhouse gas emissions. Using this logic almost any scheme could be justified.
12. Non-carbon greenhouse gases likely make up the majority of the scheme's impact on the climate, yet this important issue is dismissed, unquantified, on the basis of scientific uncertainty. This uncertainty is overstated. In any case, the precautionary principle, adopted by government, means avoiding negative impacts associated with higher levels of scientific uncertainty, not embracing them.
13. The proposed scheme is associated with exceptional risk, particularly that the technologies government hopes will materialise in its Jet Zero Strategy do not scale-up and/or involve exorbitant cost. Under current policy, the large majority of the climate cost of the scheme is not internalised within the aviation sector and will be borne by wider society. The economic benefits of the scheme dissolve under scrutiny and are insufficient to justify embracing the scheme's costs and risks.

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