

Precognition by Cllr Alastair Ross

as part of the case by Cllrs Ford, Johnston, Ross, and Storr

in support of Aberdeenshire Council's decision to refuse the application by Trump International Golf Links Scotland for housing, hotel, holiday apartments, golf courses etc. at Menie, near Balmedie, Aberdeenshire

My name is Alastair Ross. I am an elected member of Aberdeenshire Council and serve as a member of Infrastructure Services Committee. On 29th November 2007 I moved for refusal of the application because in my assessment the economic case did not qualify as being of overriding national or local importance. Indeed since the decision to call-in the application the Scottish Government has been at pains to say that this application is not of national importance.

1 Introduction

- 1.1 The applicant's original economic case presented in the public papers at Formartine Committee on 18 September 2007 was outlined in sections 2.22 - 2.25, and discussed briefly in section 6.15. Figures cited therein derived from the 'Economic Impact Assessment and Financial Review' provided by the applicant and prepared for them by Deloitte.
- 1.2 An independent analysis was requested by Councillors and was subsequently prepared by EKOS Ltd under the title 'Menie Estate Development Economic Impact Review' dated 19th October 2007. That document was prepared based on estimates provided by the applicant in the Deloitte paper.
- 1.3 The appraisal of benefit differs significantly, with the independent EKOS review adopting a more conservative perspective taking more account of the factors of economic displacement and economic leakage.
- 1.4 The EKOS paper was discussed briefly in sections 4.10 and 6.13 of the report to Formartine Committee on 20 November 2007. In that report to committee it was claimed that the Deloitte and EKOS reports were substantially in agreement although the EKOS report noted significant differences in some areas.
- 1.5 Significantly, the subsequent report to Infrastructure Services on 29 November 2007 made no reference to the EKOS report and did not give recognition to the significant differences reported by EKOS.

- 1.6 Recently, the applicant has lodged new economic impact reports prepared solely for the purposes of this enquiry. We note that the report by the Fraser of Allander Institute is a more sober assessment than previous productions and we welcome the better projections contained therein whilst still holding reservations about some of the assumptions made in that report. That report takes as its input some estimates produced by others, including Johnston Carmichael, and we have scrutinised those briefly.
- 1.7 It is interesting to note that in places the revised economic impact differs markedly from figures advanced previously. This is possibly a tribute to the inexactness of the science, but perhaps also due to changing estimates and the involvement of new parties.
- 1.8 Bearing this in mind I propose chiefly to address the bigger issues relating to the economic case. Before doing so I will touch on a couple of points in the base estimates.

2 Base Estimates

- 2.1 Whilst not wishing to delve in too much detail some simple figures emerge from the applicants economic case.
- 2.2 The 500 houses are estimated as 150 m² at a build cost of £1238 / m² yielding an estimated build cost per unit of £187.5k. Whilst we can accept the build cost per m² the floor area of only 150 m² seems remarkably small for homes estimated to sell at prices up to £1M each. We have no particular comment to make beyond noting that it seems incongruous and thus raises a question of accuracy in our minds. For comparison the golf villas run at around £430k per villa and on an equivalent cost basis the floor area might be approximately 350 m².
- 2.3 The fully built cost quoted for the hotel is given at £234.9M which works out at £522k per room. Of course there are public areas to be accounted for, and regulatory demands applicable to public buildings, and no doubt they account for a significant amount of the expenditure. Nevertheless the figure seemed quite high to us.

3 Treatment of Economic Claims

- 3.1 We argue that the economic case put forth by the applicant should be viewed in four distinct compartments and that each of these should be approached separately. These divisions are:
- ◆ Employment created by the construction of the golf course, hotel, holiday apartments, golf villas, and houses

- ◆ Employment created by the operation of the golf course, hotel, and holiday apartments, and golf villas
- ◆ Secondary benefits from tourist spend in the area
- ◆ Occasional benefit from major events hosted at the course

3.2 Construction phase

3.2.1 The capital expenditure on the construction phase was originally reported to committee as £953M with estimated construction employment of 9970 man years. The recent Fraser of Allander report estimates £720M with employment in Scotland estimated between 4700 and 7050 man years.

3.2.2 We argue that:

3.2.2.1 If employment for construction is to be considered admissible for this application then it should in the future be considered for all applications. All development can be considered to create employment for construction and indeed the gross annual value of development activity in Aberdeenshire significantly exceeds the value attributed to this application.

3.2.2.2 The provisional draft structure plan currently in development cites an expected growth of 72,000 houses by 2030 which translates into an annual growth of around 3,300 homes per annum. Estimating build costs at today's prices (and excluding land costs and developers profits) of an average home at say £140,000 the total build costs of new homes over that 22 year period would amount to £462M per annum. Commercial building would of course add to that.

3.2.2.3 The development that has been proposed at Menie is stated as costing £720M. Assuming that the main core of the development project extends over (say) three years with perhaps £100M left to spend after that we can see that the average spend per annum in that period would be of the order of £210M per annum. That is approximately 45% of the *annual* amounts that would be spent in constructing new homes in Aberdeenshire.

3.2.2.4 These figures are necessarily broad estimates but they serve to illustrate these points.

- ◆ First, that this planning application seeks to justify itself in part by the creation of *construction jobs* - a justification that would not be accorded to any other developer pursuing the ordinary processes of development in Aberdeenshire. Bear in mind that other projects that are each year worth

more than twice the construction spend of this application do not seek to justify themselves in terms of construction jobs. They have no need to because in general they recognise the importance of conformity to the Aberdeenshire Local Plan and thus have no need to produce exaggerated claims about their contribution to the local economy.

Many of the existing jobs in construction owe their existence to ongoing need for housing development. Each single house contributes to that demand and when aggregated together they amount annually to a great deal more than this project ever will. Many of those houses can however be turned down for planning consent individually, yet following the argument advanced by the applicant each one might argue its case on its contribution to the *construction economy* of Aberdeenshire.

The sole justification here is that the buildings comprised in the application are pre-aggregated into one application, and that is no justification at all.

- ◆ Second, the scale of the project in comparison to other construction activities in Aberdeenshire means that it will inevitably compete for resources against those of other developments.

This leads to our next argument:

- 3.2.3 The activity of construction will not create the claimed number of new jobs in construction. In effect homes built in an inappropriate location will be substituted for homes built in places agreed through the development plan process.
 - 3.2.3.1 At paragraph 6.15 in the report to Formartine Area committee it states quite clearly “... *it is not apparent where these people will be sourced as Aberdeenshire has a very low unemployment rate*”. Official statistics suggest around 1,000 males and 450 females are unemployed.
 - 3.2.3.2 Unemployment in Aberdeenshire is very low, and particularly so in the construction industries. The effect of the proposed development will be to out-compete other construction works and hence displace other construction activities until the completion of the project.
 - 3.2.3.3 Thus, even if we were to allow the claim of construction jobs as a valid justification, the number of real positions created will be small compared with those claimed. Many positions will arise through displacement - the process by which one project consumes staff at the expense of another project. That is not job creation. It is simply competition in the employment market.

- 3.2.3.4 Because competition for workers will be high it is very likely that any jobs that are created for the duration of the project will primarily involve the use of transient / migratory labour. The time scale of the project broadly coincides with major construction activities in Glasgow for the Commonwealth Games and in London for the Olympics. Each will place demands on the national capability to deliver, and will entail risks to national prestige should they fail. Time is of the essence in both of those cases which further raises the pressure. We therefore argue that there will be very significant leakage and that the allowances for leakage in the models should be very much higher than assumed - perhaps as high as 50%.
- 3.2.3.5 Because the housing element has been claimed as necessary to fund the leisure development it is quite extraordinary that any economic claim should be attached to the work of developing those properties. Rather than contributing to the economic well being of the shire those properties are required to extract revenue from the economy of the shire in order to fund other works.
- 3.2.4 The supposed economic benefits arising from construction are far from impressive in the context of Aberdeenshire. Even if allowed at full cost they still amount to a lot less than the aggregate annual development in Aberdeenshire none of which is justified on the jobs supported by the act of development. All of these amounts, much publicised though they have been, should be dismissed from consideration of the economic argument.

3.3 On-site Operations

- 3.3.1 The operation of the resort is estimated by the applicant to create up to 1450 on-site jobs on an ongoing basis.
- 3.3.2 We agree that the economic benefits of year-on-year activity of operating the resort is admissible as a material consideration. The employment created by a new factory, office, or hospital would be a material consideration because it offers the prospect of long-term sustainable jobs that integrate into the economy of the shire. By the same token, employment in the proposed resort can also be considered admissible as a material consideration.
- 3.3.3 We would however sound the following notes of caution in arriving at a fair estimate of operations jobs:
- 3.3.3.1 Since unemployment in Aberdeenshire is exceptionally low a very significant proportion of the employment so created will be taken up by transient / migratory labour and therefore create significant economic leakage. Once again, according to recent statistics, migrant labour sends a significant part of

its earnings home thus further contributing to leakage. Seasonal work patterns and the seasonally itinerant nature of many hotel jobs serves to reinforce this leakage.

- 3.3.3.2 The operation of the staff hostel will serve to re-capture some revenues from staff into the accounts of the operator thus depressing off-site spending by staff. The fact of the hostel is also somewhat suggestive of an expectation of itinerant / migrant staff. We believe that a fairer assessment would put the level of leakage as high as 50%.
- 3.3.3.3 Dependent on the exact nature of the golf operations it might be possible to concede a lower level of leakage in that area. However we think that the assumption of no leakage is not sustainable. The same would also apply to the operation of the holiday homes, where, we believe, jobs are likely to divide between building maintenance and cleaning / servicing of apartments.

3.4 Secondary Off-Site Activity

- 3.4.1 The presence of a tourist facility can be expected to bring with it ancillary spending in the North East and in Scotland. Examples of such spending include taxis and other transportation as well as shopping, dining, and visiting existing attractions.
- 3.4.2 Again we are content to agree that this impact is an acceptable material consideration in the determination.
- 3.4.3 We would however note that the applicants Transport Assessment indicates a comparatively low volume of traffic entering and leaving the resort suggesting that the resort proposes to satisfy most tourist needs within its own boundaries thus capturing revenue that might otherwise be available to the broad range of businesses in Aberdeenshire and the North East. Whilst we can accept that *some* off-site spending will occur - guests will presumably not be prisoners of the resort - it raises the question of whether much economic spill-over will in fact occur into the surrounding countryside.

3.5 Events

- 3.5.1 The facility has been claimed as a potential attractor of major sporting events with the implied potential for further economic benefit. We note that the Fraser of Allander report declines to speculate in this area and we commend that report for doing so.
- 3.5.2 There are sound reasons for treating any claims, that may have been circulated in the wider public arena, with scepticism. We note that:

- 3.5.2.1 There is no objective evidence to support the assertion that sporting events would choose this resort. To the contrary, the assertion is circumscribed by the applicant as being of only provisional potential and highly dependent on his own personal attributes. PAN 43 (ISC9 Para 21) is sceptical about new developments breaking into the established championship circuit.
- 3.5.2.2 The site is frequently subject to extended periods of advection fog (haar) in summer, rendering it a significantly risky locus for major competitive events and therefore likely to be dismissed as unsuitable by the major tournaments.
- 3.5.2.3 The applicant declined to submit either a Transport Assessment or an Environmental Impact Assessment in respect of major sporting events on the grounds that the matter was too uncertain. We agree that it is too uncertain.
- 3.5.3 It is profoundly regrettable that media stories have whipped up a degree of expectation in this regard. The applicant clearly regards the idea as too uncertain to merit any formal plan / assessment and we agree with that reticence.
- 3.5.4 Any economic benefit claimed from such events should be dismissed as entirely speculative.

4 Hidden Assumptions

- 4.1 As with any process of estimation the economic figures depend on the underlying assumptions made. For example, we have already referred (e.g. at 2.2 above) to explicit assumptions such as build costs and house sizes.
- 4.2 Other assumptions remain unstated and indeed it is commonplace for many assumptions to be so, either because no rational person would doubt them, or because it is not reasonable to try to plan for every unforeseeable disaster.
- 4.3 The applicants economic case makes no specific reference to future shifts in the global economy. The assumption appears to be that the future of our economy will be similar to the past.
- 4.4 It is, however, now widely accepted that the global economy faces challenges that threaten our present long-haul lifestyle. Oil is trading at well over \$100 / barrel when only a decade ago it languished at nearer \$7 / barrel. Recently, the price of aviation fuel has more than doubled and airlines are increasingly applying fuel surcharges.
- 4.5 Globally, increasing efforts are being made to plan for a sustainable future because governments now recognise that our oil based economy must find alternatives as peak oil approaches and economic forces bite.

- 4.6 In this context we have to ask whether the market for long-haul transatlantic golf holidays is going to hold up. It is by no means clear that it will and to that extent it forms a hidden economic assumption.

5 Conclusion

- 5.1 The economic case made for the application should be restricted to benefits arising from on-site operations and secondary off-site economic activity.
- 5.2 The economic argument of benefit arising from the *construction* phase should be disregarded because it is not an admissible argument for any other applicant, and because the economic case for local benefit is largely dissipated by displacement and leakage.
- 5.3 The economic claim of attracting major sporting events should be dismissed as speculative and ill-founded having been hedged with caveats by the applicant and declared by him to be too uncertain.
- 5.4 The operation of the resort will have some positive economic impact but at a scale very much less than that put forth by the applicant.
- 5.5 The case for the application turns almost entirely on the balance between the many adverse planning considerations, the serious implications for precedent in future applications, and the forecast economic benefits.
- 5.6 The mention of numbers which are, at a superficial reading, large, does not mean that the economic case is made. That is the stuff of media headlines. It is profoundly regrettable, but perhaps hardly surprising, that certain elements of the media have promulgated a range of grossly exaggerated numbers without placing them in proper context.
- 5.7 Rather, the figures need to be placed in context of both the local and national economy. The Gross Domestic Product of any medium sized village in Aberdeenshire exceeds the alleged economic benefits of this development.
- 5.8 We consider that the admissible on-going economic values are not significant in national and local terms representing around 0.2% of the GDP of Scotland and 1.1% of the GDP of Aberdeenshire.
- 5.9 The Scottish Government has stressed that this application is *not* of national importance. The admissible economic values fail the test of over-riding national or local significance and cannot be accepted as excuse for ignoring the Aberdeenshire Local Plan, nor for the destruction of land that has been designated for protection after mature and proper consideration of its importance to natural science.

5.10 In closing I would like to reiterate that the councillors who dismissed the application on 29th November did so because they did not think that it merited approval in the form that it came before them. Everybody welcomed the potential for a leisure development. We did not, however, accept that it merited the breach of the local plan when it appeared to us that a development could be possible that conformed to the local plan and without those significant and unacceptable breaches.