

Summary 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. 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 was briefly presented in the public papers at Formartine Committee on 18 September 2007.
- 1.2 An independent analysis was 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.
- 1.3 The appraisal of benefit differed significantly, with the independent EKOS review adopting a more conservative perspective.
- 1.4 The EKOS paper was discussed briefly in the report to Formartine Committee on 20 November 2007. 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.
- 1.5 Recently, the applicant has lodged new economic impact reports prepared solely for the purposes of this enquiry.
- 1.6 It is interesting to note that in places the revised economic impact differs markedly from figures advanced previously.
- 1.7 Bearing this in mind I propose chiefly to address the bigger issues relating to the economic case.

2 Base Estimates

- 2.1 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. We can accept the build cost per m² but 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.
- 2.2 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. Nevertheless the figure seemed quite high to us.

3 Treatment of Economic Claims

- 3.1 We argue that the economic case should be viewed in four distinct compartments and that each should be approached separately. These divisions are:
- ◆ Employment created by the construction phase
 - ◆ Employment created by the operation of the resort
 - ◆ Secondary benefits from local tourist spend
 - ◆ Occasional benefit from sporting events

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 Fraser of Allander report estimates £720M with employment estimated between 4700 and 7050 man years.
- 3.2.2 We argue that:
- 3.2.2.1 *All development* creates employment for construction. 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 cites an expected growth of 72,000 houses by 2030 which translates into around 3,300 homes per annum. Estimating build costs of an average home at say £140,000 the total build costs of new homes would amount to £462M per annum. Commercial building would add to that.
- 3.2.2.3 The Menie development is stated at £720M. Assuming the main core of the development project extends over three years, with £100M left to spend after

that, the average spend per annum in that period would be around £210M per annum or about 45% of the *annual* amounts that would be spent in constructing new homes in the North East.

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 in Aberdeenshire. Other projects worth more than twice the annual construction spend of this application do *not* seek to justify themselves in terms of construction jobs because they recognise and respect the Aberdeenshire Local Plan, and have no need to produce specious and exaggerated claims about jobs.

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 be turned down for planning consent individually, yet each might claim to *create* several jobs.

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

3.2.3 The scale of the project means that it will compete for resources against other developments. Thus it will not create the claimed number of new jobs in construction. Homes built in an inappropriate location will be substituted for homes built in places agreed through the development plan process.

3.2.3.1 In the report to Formartine Area committee it states “... *it is not apparent where these people will be sourced as Aberdeenshire has a very low unemployment rate*”.

3.2.3.2 Unemployment in Aberdeenshire is very low. Official statistics suggest around 1,000 males and 450 females unemployed. The effect of the proposed development will be to out-compete other construction works and displace other activity.

3.2.3.3 The number of real positions created will be small compared with those claimed. Many 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 jobs will 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. Time is of the essence in both of those cases. Each will place exceptional demand on the national capability to deliver. We argue that there will be very significant jobs leakage and that the allowances in the models should be very much higher than assumed - perhaps as high as 50%.

3.2.4 The alleged economic benefits from construction are far from impressive in the context of Aberdeenshire. Even if allowed at full cost they still amount to much less than the aggregate annual development in Aberdeenshire.

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 operating the resort is admissible as a material consideration.

3.3.3 But we sound the following notes of caution:

3.3.3.1 Unemployment in Aberdeenshire is exceptionally low. A significant proportion of the employment created will be taken up by transient / migratory labour and therefore create significant economic leakage. According to recent statistics, migrant labour sends much of its earnings home thus further contributing to leakage. The seasonally itinerant nature of many hotel jobs serves to reinforce this leakage.

3.3.3.2 The fact of the hostel is also suggestive of an expectation of itinerant staff. We believe that a fairer assessment would put the level of leakage as high as 50%.

3.3.3.3 The assumption of no leakage is not sustainable.

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.

3.4.2 We are content to agree that this is a material consideration in the determination.

3.4.3 We note that the applicants Transport Assessment indicates a comparatively low volume of traffic entering and leaving the resort suggesting that they propose to satisfy most tourist needs within the resort. 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 spend will spill-over into the indigenous economy.

3.5 Events

- 3.5.1 We note that the Fraser of Allander report declines to speculate on revenues from sporting events. We commend that report for its caution.
- 3.5.2 There are sound reasons for treating any claims 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. PAN 43 (ISC9 Para 21) is sceptical about new developments breaking into the established championship circuit and the applicant is similarly reticent - at least in their formal submissions.
 - 3.5.2.2 The site is frequently subject to extended periods of advection fog in summer. This makes it a risky locus for major competitive events.
 - 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 regrettable that media stories have whipped up unrealistic expectations. The applicant clearly regards any sporting events as very uncertain.
- 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.
- 4.2 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.
- 4.3 It is 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.
- 4.4 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.

- 4.5 In this context we ask whether the market for long-haul transatlantic golf holidays is going to hold up. It is by no means clear that it will.

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 activity.
- 5.2 The claim of benefit arising from the *construction* phase should be disregarded. It is not an admissible argument for others, and any case is largely dissipated by displacement and leakage.
- 5.3 The economic claim of attracting major sporting events should be dismissed as speculative.
- 5.4 The operation of the resort will have some positive economic impact but at a scale very much less than that claimed 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 The figures need to be placed in context. The GDP 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.
- 5.10 In closing I would 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 that a development could be possible that conformed to the local plan and without those significant and unacceptable breaches.