Reported items in CAH2 Tuesday 28th November 2023

Comments made on Agenda Item 3

• Applicant and Luton Borough Council to provide update on negotiations for purchase or leasing of Wigmore Valley Park and future management of replacement open space.

We believe that the applicant has an unfair advantage over other parties interested in leasing/purchasing WVP.

LBC will not entertain any other applications for the park, yet there are two local Parish Councils with Assets of Community Value lodged, (Kings Walden and Offley Parish Councils).

The applicant says it will pay market value for the land, but how it funds that is also an unfair advantage.

For the Parish Councils to bid, they would have to raise the money from public donations, and commercial loans at market rates.

The applicant has access to a £199 Million solvency fund made available to them by LBC, which LBC have borrowed from the Public Works Loan Board. Therefore, we would suggest that it is the UK taxpayer who is funding this purchase not the applicant.

Let us not forget that the applicant is currently not paying a dividend to LBC service budgets from its concession income, as it has to redirect those funds to service their debt interest payments to LBC.

How is this a fair playing field to these Parish Councils?

Whilst these facts may not have relevance within the strict structure of this examination, they are of crucial importance when looking at this project, as they clearly show that finance plans of the applicant are of such risk that they would place not only the public ownership of the airport by the residents of Luton at risk, but the actual financial viability of LBC at risk too.
In both cases this brings a huge financial burden on the residents of Luton, as we will be asked to pay more to cover the financial mismanagements of both LBC and the applicant.

We also wish to place on record, the fact that since 2018/19, LBC accounts have not been signed off by the external auditors, as they have raised questions as to how the applicant and LBC have recorded the funding for this application. Both LBC and LR auditors, Ernst & Young and PriceWaterhouseCoopers have resigned as auditors over this issue, and the valuation put on the airport in accounts.

Whilst we appreciate that these issues may not fall within the scope of your investigation, we wished to inform you of the background to the applicant's purchasing scheme for WVP, as we clearly feel it to be both unsustainable and unviable.

• Review the need to acquire Wigmore Valley Park and the replacement land.

Under Phase 1 of this application, the only use of WVP is for airport car parking. The hotel complex is not required, as there is already outstanding permitted development for current on-site hotels, and for the building of a new hotel on the airport site.

This just leaves the extra car parking.

The main through road for the airport is Percival Way, to the north side of this road from Provost Way to Prospect Way; the land usage consists of a few industrial units, the vast majority unused, various small non passenger use car parks, and unused derelict space.

This land is ideal for development of a multi-storey car park complex. It is already within the airport footprint, so requires no purchase requirements.
It can be developed with no intrusion into current airport operations, and more crucially, no intrusion into the local roads and communities along Eaton Green Road/Wigmore Lane.
Passenger routes would be via the same access points as now, as the current route to the Long-Term Car Park runs along Percival Way.

We believe this shows that WVP does not need to be removed from public use until Phase 2 of the application is actually required, and adequately funded.

• Review potential informal use of the replacement land and recent signage

This land has been in public use for decades; the signage recently applied by the applicant in our opinion shows that they have no idea as to how the public have used that land, because they have had no interest since they acquired that land in 2015.

We believe that the inquiry should be made aware that when the applicant acquired this land in 2015, it did so from concession fee income which could have gone to service budgets through the dividend. The actual dividend paid in that year by the Board of Luton Rising was £1.25 Million.

• Review of anticipated experience by users of the replacement land over time from the point that it is ‘accessible to the public’, including potential loss of pathway from Eaton Green Road.

The replacement land has been a wilderness of weeds since the applicant acquired it, with a few cuttings per year. It has made no effort to enhance the site since 2015, knowing full well that it is the site of the replacement park. There could have been planting and enhancements done within that timeframe to give the replacement land a head start for when WVP was removed from public access, particularly as we note that 90% of DCO applications are granted.

We believe that the omission of the footpath into WVP from Eaton Green Road shows the laxness in the small details of the application.

Comments made on Agenda Item 6

On this item we made several observations.

The first point was that the Concession Fee paid by the airport operator to Luton Rising, is not just for terminal passenger throughput, but also includes a fee for cargo. The details of that concession agreement can be found on Page 31 of the 2021/22 accounts on the Companies House website:-

https://find-and-update.company-information.service.gov.uk/company/02020381/filing-history

The second and third points were about the dividend paid by the Board of Luton Rising to Luton Borough Council for service budgets. The applicant advised you that since 2019/20 they have not paid that dividend. They have stated previously that they do not anticipate paying one before 2025/26.

This dividend is the only true income stream from the applicant to service budgets.
The other outgoings from the concession fee are tax/charity/staff costs and debt interest servicing/LR projects. The dividend has always been a fluctuating figure, and there appears to the outside scrutineer no formula or reasoning in place.

We would like to therefore ask if as part of any conditions added to the granting of this application, they could include a fixed percentage figure for the dividend payment, possibly as part of the Section 106 agreement.
We would like to suggest a figure of 40% of the concession fee, after tax/charity outgoings.
We feel this would protect those service budgets from being sidelined for debt and expansion spending.

We also mentioned the staff costs at the hearing, which the applicant has not spoken about, which are met from the concession fee.

We referenced front line job cuts at the Council, whilst the applicant paid the airport operator money to save jobs there. There are several links to these actions on the BBC website/media outlets, but we believe those links are not accepted by the Inquiry, so we will detail them for the record.

In June 2020 the applicant agreed to give the airport operator £45 million over three years to save 250 directly employed staff. For the record, the airport operator is a joint venture between two multinational companies, who have billions of pounds of reserves.

In July 2020, LBC announced 14 % cuts/outsourcing of staff as it needed to cut £22 Million from its budgets, due to the loss of the airport concession fee income.

No staff cuts were made by the applicant.

Administrative expenses/staff costs were listed in the 2019/20 accounts as £16.1 million.
For 2021/22 they are listed as £30.9 million.

We believe that this shows that the applicant's job creation figures should not be taken literally, as in a time of great stress on the public services of Luton, in both staff numbers and income for services during Covid-19, and that the applicant has protected and grown its own non-public facing staff at the expense of actual front line staff and services.

Our final point was a response to the applicant's details on how the costs of the development would be recovered from airport income.

We made the point that as an airline grows passenger capacity at any airport, it will negotiate a lesser fee for passenger charges, than its current contract. This practice has been in use for decades, as of course the premier reason of any airline, is to increase its profits before others.
This of course means that to recover costs, the applicant will encourage rapid growth, and that therefore in turn puts their green controlled growth limits at risk.
It could bring the need for the Terminal 2 capacity forward, so the resulting development would happen to a quicker construction timetable, which in turn would condense the effects on the surrounding residents, making them more intrusive and polluting.
The fleet reorganisation to Neo aircraft by airlines may also not have matured by this time, so older more polluting aircraft will fill those slots.

As previously submitted to the inquiry, such behaviour is not unknown to the applicant, as the 19 million passenger inquiry showed that it was they who drove the passenger growth through their incentive scheme. This scheme of course, was also funded from concession fee income.

The applicant also stated that increased spend by passengers on food/drink/shopping in the terminal would increase income, as those costs would rise in line with current inflation.

We find this yet another odd statement from the applicant.

Firstly there is the demographic of the passenger throughput. It is solely holiday traffic and the East European labour market. To suggest that on such relatively short flights they would increase their terminal spend is speculative to say the least. They are low-cost flights, so the spending power of those passengers is not that of business class/long haul passengers.
Also any extra spend will be split many ways from the supply chain to the retailer, so the actual extra income to the applicant will be negligible to say the least.