**Strange times**

LLATVCC News-Sheet

**Newsletter 58 : May 2020**

This is a somewhat different Newsletter, with the prepared draft for it having been scrapped altogether as a consequence of the very unfortunate times in which we all find ourselves, with individual and corporate liberties constrained with the aim of preventing death and the collapse of the NHS through gross overload. The consequences for the aviation industry: which was revealed as the ultimate super-spreader of the virus, have been sudden and drastic, and the consequences in terms of passenger numbers over the next several years are the subject of more crystal-ball gazing than one could imagine.

The very short-term consequences in our part of the world have been the virtual cessation of flights from Luton, Stansted and Heathrow: as a result we've been enjoying clear blue skies unblemished by con-trails, and virtually no aircraft noise disturbance, especially at night. Virtually, because the airports were never fully closed – at Luton some cargo flights continued, some bizjets still flew and, latterly, in blatant indiference to Government guidelines about essential travel, personal spacing and accommodating inbound passengers with unknown health states and zero ability to track and trace them, or quarantining them once in the UK, one of Luton's operators has been shuttling to and fro between Luton and eastern Europe two or three times a day. Thanks, Wizzair and Luton Airport, for endangering the health of all of us who've been following Government guidelines. Another benefit to the economy is the virtual absence of a tourism spending deficit – one of the numbers the aviation business doesn't like to talk about, but the Office of National Statistics tells us that the **net** cost to the UK economy of British holidaymakers travelling abroad is well above £20 billion a year.

**“Work in progress” and those crystal balls**

A number of expansionist pieces of work-in-progress have suffered crash-landings though no official announcements have yet been made. All of them: by way of reminder, planning applications to ease the terms of the noise planning conditions; imminent applications to raise the annual passenger throughput to 19 million, another to raise the passenger limit to 24million – all through the existing terminal; in advance of the Development Control Order (DCO) which was to build a second terminal and thus to reach well north of 32 million passengers a year.

All of those applications, including the DCO, must contain environmental statements which incorporate forecasts of passenger and air transport movements and, particularly relevant to the noise issue, aircraft types – it was largely a result in the delayed appearance of less-noisy replacements (effectively, re-engined versions of Airbus A320/321 and Boeing 737/8/900) and the airport owners direct stimulation of passenger growth since 2014 that the planning limits for noise have been violated for the last 3 years. But the crystal balls have clouded over. Who knows what degree of enthusiasm there might be for passing through airports which are already declaring that self-separation standards cannot be achieved, then being confined in an aluminium tube and wearing a face-mask for some hours, particularly if the Government requires incoming passengers to put themselves into quarantine for 14 days? So the passenger forecasts are somewhat shaky.

As to these less-noisy aircraft types that might turn up at Luton: Airbus has drastically cut their production rate, and there's some unseemly arguing at Board level within easyJet, with the original founder Stelios disputing the need for further purchases from Airbus, and the ill-fated Boeing 737Max remains firmly grounded though continuing problems over its certification. In any event it's also far from clear whether airlines will have the funds to acquire newer aircraft even if the passenger numbers were to recover. So a whole lot of hard sums need to be done, and new consultations be carried out against the new background, before any approvals can be made.

One large straw in the “expansion” wind has been the decision by Heathrow management that their “third runway” scheme has been put on ice for the next several years. The Civil Aviation Authority may well have forced that decision on them as one consequence of its preparations for the next round of economic regulation of the airport, for which the CAA is responsible. CAA recently updated its thoughts on the forthcoming exercise (published as CAP1914, for those interested to see the report in its entirety) which summarises the Authority view – this short extract says it all:

*In the light of this uncertainty and the Court of Appeal’s decision on the NPS* (the aviation national policy statement), *it is unclear whether capacity expansion will proceed and at the very least there will be significant implications for the timeline of the capacity expansion programme. Nonetheless, HAL and airline stakeholders have told us that they want us to continue work on HAL’s next price control, but with a focus on the “two runway” airport.....*

It would be helpful to see a statement from Luton Borough Council, the owner of Luton Airport, that it, too, has given up its over-enthusiastic expansion bid.

This is what the Borough Council has told us:

Plummeting passenger numbers at Luton Airport are contributing to a £49m shortfall at the council that owns it. Luton Borough Council has projected a £37m drop in airport revenue amid a "catastrophic drop" in passengers.

Chief executive Robin Porter said further shortfalls in tax, rents, fees and charges would add to the figure.

The government has offered councils more than £3bn to deal with Covid-19, but it is unclear if lost commercial income will be reimbursed. Luton Borough Council, which uses profits from the airport to fund local services, has written to government ministers asking for emergency funding.

Mr Porter said there was a risk the authority may need to issue a Section 114 notice banning all new spending. The last council to take such measures was Northamptonshire County Council, when it ran out of cash in 2018.

**Definition of a Section 114 Notice**

Within the Local Government Finance Act 1988, Section 114 (3) dictates that:

“The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure”.

In general terms this means that for Local Government, it is the Chief Finance Officer or Section 151 officer who has the role under law of being the most senior financial advisor to the wider Council’s leadership on its financial plans. Uniquely across the public sector however, the CFO also has the power and responsibility to legally suspend spending for a period of time if they judge the Council does not have a balanced budget or the imminent prospect of one.

**What Happens when a S114 Notice is Issued?**

It means that no new expenditure is permitted, with the exception of that funding statutory services, including safeguarding vulnerable people, however existing commitments and contracts will continue to be honoured.

Council officers must therefore carry out their duties in line with contractual obligations and to acceptable standards, while being aware of the financial situation. Any spending that is not essential or which can be postponed should not take place and essential spend will be monitored.

The only allowable expenditure permitted under an emergency protocol would include the following categories:

 existing staff payroll and pension costs

 expenditure on goods and services which have already been received

 expenditure required to deliver the council’s provision of statutory services at a minimum possible level

 urgent expenditure required to safeguard vulnerable citizens

 expenditure required through existing legal agreements and contracts

 expenditure funded through ring-fenced grants

 expenditure necessary to achieve value for money and / or mitigate additional in year costs

Councillors have 21 days from the issue of a Section 114 notice to discuss the implications at a Full Council meeting. It would be most interesting to be a fly on the wall at such a meeting: especially since it would have to be a full council meeting rather than the sub-set of councillors which has tended to make the decisions behind closed doors where the airport is concerned. Luton Borough Council are, as we said in our March newsletter, finding a bit of trouble at t'mill: specifically the level of debt already being carried by the Council. Rather more than chickenfeed - £200 million and heading north for the delayed DART people-mover, and the likely cost of a dual-carriageway access road, approved with the cover story that it was needed to provide access to the small mixed-use New Century Park. There's also the cost of building the proposed second terminal...... It's suggested that the cost of servicing the current levels of debt, even on the gentle terms of the Public Loans Fund, are likely to cause local services to be cut.

**Any aviation-connected lessons from the past?**

In [Greek mythology](https://en.wikipedia.org/wiki/Greek_mythology), **Icarus** is the son of the [master craftsman](https://en.wikipedia.org/wiki/Master_craftsman) [Daedalus](https://en.wikipedia.org/wiki/Daedalus), the creator of the [Labyrinth](https://en.wikipedia.org/wiki/Labyrinth). Icarus and his father attempt to escape from [Crete](https://en.wikipedia.org/wiki/Crete) by means of wings that his father constructed from feathers and wax. Icarus' father warns him first of complacency and then of [hubris](https://en.wikipedia.org/wiki/Hubris), asking that he fly neither too low nor too high, so the sea's dampness would not clog his wings nor the sun's heat melt them. Icarus ignored his father's instructions not to fly too close to the sun; when the wax in his wings melted he tumbled out of the sky and crash-landed into the sea where he drowned.

Has Luton Borough Council previously chosen to fly a bit too close to the sun?

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***Your comments and contributions are always welcome – you can contact the EDITOR at The Old Bakery etc.***

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