

# The Trump development in Aberdeenshire: what are the issues?

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## Introduction and background

The development company set up by Donald Trump, Trump International Golf Links Scotland (TIGLS), set out plans in 2007 to create a high-quality golf, hotel and housing development at the Menie Estate in Aberdeenshire. The key facilities involved in the development are:

- 2 championship quality golf courses, capable of hosting major tournaments
- A golf clubhouse
- A short game area/driving range
- A golf academy
- A 5-star, 450 room hotel
- A conference area
- Spa
- 36 Golf Villas
- 950 Holiday Homes
- 500 Private Residential Houses
- Staff accommodation

The original planning application for Menie was controversially rejected by Aberdeenshire Council<sup>1</sup>, one main reason being that the TIGLS proposal involved the use of a Site of Special Scientific Interest (SSSI, see below)<sup>2</sup>. Since then, the development process has continued with the setting up of a public enquiry into the Trump plans. The enquiry, which sat in June this year and is expected to report in the autumn, gave all sides an opportunity to publicly air their views on the issues surrounding the Menie proposal. While the reporters' decision will concern only whether this specific development should be allowed to proceed or not, it is interesting to consider the issues raised at the enquiry within a wider context - in particular, the Trump enquiry illustrates, more than any other issue seen in Scotland in recent years, the wider question of how to weigh the economic benefits that such developments can bring against any environmental costs that might ensue. This article attempts to examine the economic and

environmental views forwarded during the enquiry and to assess how, in practice, decisions should be made in situations where conflicts of this nature occur. Attention will also be directed to whether any guidance is available from environmental documents published by the Scottish Government.

## Economic benefits

From a local economic viewpoint, the proposed Menie development is significant in two ways. The first is simply the size of the investment planned at Menie. The second, discussed further below, relate to how it might impact on certain longer term economic issues in the North East.

Firstly, an assessment of the economic benefits of TIGLS plans for Menie<sup>3</sup> shows that the project is expected to create a substantial amount of employment and make a significant contribution to Gross Value Added<sup>4</sup> (GVA), both across Scotland and in the surrounding local economy<sup>5</sup>. Assessments were made of two aspects of the proposed development, the economic activity created during the construction phase and the more long-lasting employment and GVA created once the ranges of facilities outlined above are operational.

## Construction impact

Construction impacts are of course short term but, given that the proposed facilities are estimated to cost around £720 million, they clearly will provide a significant boost to construction demand - estimates suggest that the net employment created across Scotland by the construction at Menie will be between 4,694 - 7,042 Full Time Equivalent (FTE) jobs<sup>6</sup>.

The spread of the employment estimates (the upper and lower estimates differ by 2,348 FTE jobs) reflect uncertainty about the extent to which the Trump development may displace other activity (i.e., may take market share from firms in the construction sector). Uncertainty regarding this was taken account of by adopting two different assumptions regarding displacement (both of which were quite high, the argument being that adopting a conservative assumption reduced the risk of overstating the economic impacts attributable to the project). Using English Partnerships guidance<sup>7</sup>, displacement was assumed to be either 25% or 50% - the first assumption causes the net activity created to be reduced by 25% while the 50% assumption assumes that construction activity elsewhere in Scotland will fall by 50%.

The estimates also made some allowance for leakage (assumed to be 20%) because some of the jobs created at Menie may be taken up by residents from outwith the area. Finally, no allowance was made for additionality. Additionality is generally measured within the context of

government policy interventions in the economy, and attempts to measure the net impact of such interventions. However, as no policy support is proposed for the Menie development, any activity created is thus wholly additional – the assumption is that the activity estimated for the Menie development would not be generated if TIGLS does not invest the money required to create the facilities at Menie.

GVA estimates were also produced on the same basis as above (25% and 50% displacement, 20% leakage and 100% additionality) and, on these assumptions, the construction of the Menie development was estimated to create an additional amount of GVA of £400 million (25% displacement) and £267 million (50% displacement).

Locally, construction of the facilities at Menie was estimated to create between 2,165 and 1,443 FTE jobs and between £120.7 million and £80.5 million worth of additional GVA.

### **Operating impact**

As noted, the construction impacts outlined above are short-term, since they will be created only during the period that the development is being constructed. In contrast, the operational impacts are ongoing and represent annual estimates of the extent to which the Trump development will add to activity, both in Scotland and locally, as long as the Menie development continues to operate. These estimates show how the development is locally significant, in terms both of its size and its longer term effect on activity in the North-East economy.

Using a similar set of assumptions to those outlined above, it was estimated that the development would create between 1,856 – 1,237 FTE jobs and between £49.2 – £32.8 million worth of GVA in Scotland. In the North-East (Aberdeenshire/Aberdeen City), the Menie development was estimated to create 1,418-945 FTE jobs in and between £33.5 million (25% displacement) and £22.3 million worth of GVA (50% displacement).

### **The structural impact on the local economy**

Also significant, however, is that the Menie development may help to address what local policymakers recognise as one of the key threats to the North-East economy, the projected decline in activity and employment in the oil industry. Oil and gas production from the North Sea has fallen considerably in recent years - the Royal Bank of Scotland Oil and Gas Index records that the amount of oil extracted from the North Sea has fallen continuously, from 28.9 million barrels per day (bpd) in 1999 to 15.6 bpd in 2007, a fall of just over 46%. While recent increases in oil prices may prolong the life of the local industry to some extent, it is clear that oil extraction cannot in the long-term continue to act as a major local economic driver. The potential employment decline has been well-recognised by

local agencies with, for example, North East Scotland Economic Research predicting a fall in oil and gas employment from 39,000 (2006) to around 25,000 by 2021<sup>8</sup>.

Several local policymakers emphasised to the Trump enquiry the consequent need to diversify the North East economy in order to attract jobs to replace those that will go as oil and gas declines. They argued that the Menie development could make a significant contribution to this process, particularly as the tourist aspect of the Menie development fitted closely with the area's agreed development strategy. For example, Councillor Anne Robertson, the leader of Aberdeenshire Council, referred to a Council policy document<sup>9</sup> which identifies one council objective as being to acquire a world class reputation for recreational tourism by 2011. She argued that the Menie development will enhance the areas reputation globally by providing Aberdeenshire with a world class tourist facility. Aberdeen and Grampian Chamber of Commerce argued that peripherality had meant that Aberdeenshire had always struggled with what it could offer in terms of tourism, and that the areas relative lack of world-class tourist attractions had hitherto been a barrier to developing local tourism<sup>10</sup>. While the size of the Menie development is significant in itself, local policymakers also made plain in their statements to the enquiry that the type of development involved was equally important, particularly in terms of the local diversification strategy.

As to whether developing tourism might represent a policy of "backing winners", recent figures appear to confirm that it may be so. Tourism activity in Scotland has grown substantially in recent years, and Scotland has also outperformed the UK in this respect. Scottish Government figures<sup>11</sup> shows that the number of employees in tourism grew by 19.1% between 1998-2005, and the proportion of all UK tourism turnover accounted for by Scottish tourism increased from 6.6% to 7.7% over the same period. Local feelings surrounding the appeal of tourism also appear to chime with the Scottish Government's plan to increase the number of tourists visiting Scotland. In "Scottish Tourism- the Next Decade"<sup>12</sup> the Government points out that global growth in tourism is expected to be between 4-5%, and Visit Scotland has made encouraging golf tourism a primary focus of marketing activities.

### **Environmental issues**

While the proposed Trump development therefore promises substantial economic benefits for the local area and also appears to be highly consistent with the perceived future strategic needs of the North-East economy, the enquiry also addressed potential environmental losses, argued to be both nationally and locally significant. What were the views of those environmentalists who argued against the development?

The key objection advanced by, among others, the Royal Society for the Protection of Birds (RSPB), was the potential for the Menie development to adversely affect the area's natural heritage. Their argument principally concerned the importance of the landforms and habitats within the site, which includes two of the largest mobile sand dune systems in NW Europe, one of which is designated as a Site of Special Scientific Interest. The RSPB also pointed to the dune habitats, which it argued were "outstanding" and which sustained many of animal and plant communities of high biodiversity value. Its overall argument concerned the need to preserve the whole ecological community, that is the sum total of the species and their supporting habitat, arguing that this was rare in a Scottish, UK and European context and was of high scientific value. The RSPB's evidence can best be summed up in the question they posed to the enquiry:

"We should ask ourselves whether serious environmental damage and disruption to natural processes is a necessary and inevitable sacrifice to be paid to achieve perceived economic benefits"

What is probably the key point is that part of the development area is designated as an SSSI. An SSSI is an officially designated area<sup>13</sup> (under the Nature Conservation (Scotland) Act 2004) and an SSSI designation aims to protect "the best of Scotland's natural heritage"<sup>14</sup>. SNH's main concern over the Menie development was that the stabilisation work required on the dunes in order to develop the golf course would so compromise the natural integrity and scientific value of the site that this could result in the SSSI designation being withdrawn.

The local council also recognises the importance of SSSI's. The Aberdeenshire Local Plan argues that SSSI's "are a very valuable resource, and therefore need protection against damaging development". Furthermore, the local plan also states explicitly that where a development will adversely impact on an SSSI, it will:

"Be refused unless the developer proves that any significant adverse effects on the quality for which the area has been designated are clearly outweighed by social and economic benefits of national importance"<sup>15</sup>.

The SSSI issue reflects the key problem facing the reporters to the Menie Enquiry. This is well expressed in the quotation from the RSPB submission above, and can be summed up whether the economic benefits that would undoubtedly result from the Trump development outweigh the environmental cost of the loss of a natural asset? The

Menie dunes have been designated as an SSSI because, in the opinion of the official designating body representing the interests of the Scottish population, they are argued to be a unique part of Scotland's natural heritage. The proposed development would necessarily mean damage to an important natural asset, a point conceded by the developers, who accepted that it would result in "significant adverse effects on the environment" but argued that these would be outweighed by the economic benefits that the development would bring.<sup>16</sup>

### The source of the conflict

SNH also noted that it was the decision by TIGLS to develop on the SSSI "which triggers the obvious conflict between Mr Trump's ambitions and the protection of the environment in respect of which SNH has a responsibility"<sup>17</sup>. The enquiry was made aware of alternative designs that did not use the SSSI, but the key source of conflict remained that, in the opinion of the golf course architect,<sup>18</sup> it was necessary to use the SSSI part of the Menie site - failure to do so would mean that the development could not realise the key objective, which is to create "a world-class, championship links course, in traditional Scottish style, capable of one day hosting a major championship"<sup>19</sup>. In its final submission, TIGLS reiterated that creating the world class golf course that it envisioned required the SSSI land and that it would prefer to withdraw the application if this were not allowed.<sup>20</sup>

### Can we learn anything from policy documents?

Given that there is inevitably a conflict between the economic benefits and environmental costs of the proposed Menie development, it would be interesting to learn whether official policy documents contain any advice on how to proceed in the face of such conflicts. Unfortunately, this appears not to be the case. For example, the most recent official Scottish Government document on sustainable development<sup>21</sup> contains a good deal of material on the quality of Scotland's natural assets. For example:

"Scotland is blessed with some of the world's most precious and special natural environments ..... One of our key priorities must be to protect those natural resources for the long term and strengthen their role as part of our lives and culture"<sup>22</sup>

Similarly, the imaginatively titled document that outlines Scotland's marine and coastal strategy<sup>23</sup> argues that "the marine and coastal environments around Scotland are vitally important to the sustainable future of our country". Unfortunately however, neither document outlines the appropriate action to take in situations where the desire to

conserve natural resources is in direct conflict with the possibility of a substantial economic gain.

### How should we make the decision?

It does appear that the reporters have a difficult decision to make. On the one hand there will be a substantial economic gain from a project that fits closely with long term local development needs. On the other, this will inevitably lead to the loss of a natural asset, one which the official heritage body considers to be a part of the best of Scotland's natural heritage. How should one be weighed against the other?

Clearly, the decision should be made by comparing the benefits that result from the development against the costs that will ensue. We do have a considerable amount of evidence on what the development means to the Scottish and local economies - the amount of GVA produced by the development measures the economic value created, and so measures what it is "worth", both across Scotland and locally. However, no comparable estimate was available about the value of the dunes. Since we have no evidence on how people value the natural asset, we have no common standard against which to compare costs and benefits.

This situation is unfortunate, especially as there are well-known economic techniques, chief among which is Contingent Valuation (CV), that are able to measure the value to society of natural resources. CV has the added benefit that it estimates a monetary value for the natural asset, and so produces a common standard of comparison between the economic and environmental consequences of a project.

### Contingent valuation

Contingent valuation measures the public's valuation of a natural resource asset. In general terms, the economic value to society of any good or service is measured by what people are prepared to pay for it. If, for example, someone is prepared to pay £1 for a bus journey or £30 for a meal, then what the person is prepared to pay measures the value that he or she places on that good or service.

The argument that underlies contingent valuation, however, is that what people pay to purchase something does not necessarily reflect its total value to society - market prices do not necessarily reflect the value that individuals (or, by aggregation, society as a whole) place on some things. A simple example would be where a person values a dramatic view of a mountain. As it is not possible to sell the view, however, there is no market price and so no market valuation of what the view is worth to that person. The Menie dunes are clearly another example of this type of natural asset.

This problem arises because the mountain view is what is known as "non-excludable" – it is either not technically possible or it is prohibitively costly to prevent anyone from appreciating a particular piece of scenery. Since people cannot be prevented from consuming it, it is not possible for a company to supply it hence there is no market and no price for the asset.

Contingent valuation argues that market prices reflect only what are termed "use values"<sup>24</sup>. Use values reflect what people will pay to actually consume ("use") something such as a bus journey. However, natural resource assets may also generate so-called non-use values, where people value something even if they do not actually consume it themselves. Non-use values arise because people may value an aspect of some goods that cannot be bought or sold through markets for the reasons discussed above. For example, people may not actually visit a natural asset but may still be willing to pay to have it preserved for the following reasons<sup>25</sup>:

- Existence value – they may feel that the site is worth conserving for its own sake;
- Option value – people may want to leave open the possibility that they will visit the site in the future;
- Bequest values – there may be a desire for the site to be preserved for future generations.

The technique thus attempts to estimate the total value of an activity to society by estimating both use and non-use values.

Information on the amount that people in Scotland would spend to preserve the Menie dunes would thus allow us to weigh the known value that the Trump development will contribute to the Scottish economy - the amount of GVA created at Menie - against the value that people in Scotland place on preservation of the dunes. The Trump development is a classic example of how economic development may conflict with a desire to protect the environment. Given an increased interest in environmental issues, conflicts of this nature are likely to occur again and it would be useful if these type of economic valuation techniques were applied more widely in the future.

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### Endnotes

<sup>1</sup> The decision to refuse the application was taken by the Council's Infrastructure and Services Committee.

<sup>2</sup> See the precognition to the Menie enquiry by Councillor Martin Ford.

<sup>3</sup>"The Economic Impact of the Menie Estate Development on the Scottish and local economy", Fraser of Allander Institute, 2008.

<sup>4</sup>Equivalent to the development's contribution to Gross Domestic Product (GDP)

<sup>5</sup> The local economy is defined here as the area covered by Aberdeen City Council and Aberdeenshire Council.

<sup>6</sup>Construction and operational cost estimates for the Menie development were provided by Johnston Carmichael on behalf of TIGLS.

<sup>7</sup>See English Partnerships, *Additionality Guide*, 2004.

<sup>8</sup>North East Scotland Economic Research is run in partnership with Aberdeen City and Shire Economic Forum, a public and private sector economic partnership in the North East.

<sup>9</sup>"Economic Development Priorities to 2011", Aberdeenshire Council.

<sup>10</sup> See the precognition to the Menie enquiry by Aberdeen and Grampian Chamber of Commerce,

<sup>11</sup>See "Profile of Scottish Tourism-Related Sector", Scottish Government, September 2007.

<sup>12</sup>Scottish Government (2006).

<sup>13</sup>Scottish Natural Heritage (SNH) is the official Scottish designating body.

<sup>14</sup>See "Sites of Special Scientific Interest", Scottish Natural Heritage website.

<sup>15</sup>Aberdeenshire Local Plan, Chapter 3, "Environment", page 12.

<sup>16</sup>See "Trump rejection would be tragic", BBC News website, North East Scotland, 4<sup>th</sup> July 2008.

<sup>17</sup>Menie Enquiry, Closing submission, Scottish Natural Heritage.

<sup>18</sup>Dr Martin Hawtree.

<sup>19</sup>Martin Hawtree's precognition to Menie Enquiry, page 3.

<sup>20</sup>TIGLS, Final Submission to Menie Enquiry, page 13.

<sup>21</sup>See, for example, "Choosing our future: Scotland's sustainable development strategy", Scottish Government 2005.

<sup>22</sup>Ibid, p 43.

<sup>23</sup>"Seas the Opportunity", Scottish Government 2005. The quotation is from page 9.

<sup>24</sup> See, for example, Santagata, W and Signorello, G. (1998), "Contingent Valuation and Cultural Policy Design: The Case of 'Napoli Musei Aperti'"., *Journal of Cultural Economics*, Vol. 24 , pp 181-204

<sup>25</sup>See "Why Value Cultural Heritage?" Ready, R and Navrud, S, in "Valuing Cultural Heritage", Ready and Navrud (Eds.), Edward Elgar, 2002.