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NERA Response to Blackpool

NERA
Economic Consulting

Project Team

John Dodgson
Leela Barham
Simon Maunder

NERA Economic Consulting
15 Stratford Place
London W1C 1BE
United Kingdom
Tel: +44 20 7659 8500
Fax: +44 20 7659 8501
www.nera.com

Contents

1.	Introduction	1
2.	The State of the Blackpool Economy	2
3.	Pion's Response to NERA's Estimates of Employment Effects of a Regional Casino	10
3.1.	Pion's Methodology	10
3.2.	Casino Floorspace	12
3.4	Leakage from the Local Economy	18
3.5	Displacement Effects	20
4.	Sir Peter Hall's Memo	21

1. Introduction

This document is NERA's reply to Blackpool's response to our report dated September 4th 2006 *The Case for Locating a Regional Casino in Blackpool: a Critique*.

In particular in this document we address:

- Blackpool's response in the letter dated September 29th (from Mr Weaver, to Valerie Curtis at the CAP) to the material in Section 3 of our report, where we questioned whether the picture that Blackpool Council had painted of its town was so gloomy, the new information on visitor numbers set out in Mr Weaver's letter dated September 29th and the summary material from the Populus survey of preferences for super-casino location that is available on the CAP website.¹
- The Pion response to NERA's critique of their analysis of potential regeneration impacts of a casino in Section 4 of our report (particularly our critique of the Pion Economics March 2006 report Blackpool Casino Submission, Economic Impact Assessment, Final Report – henceforth Pion March 2006 - as set out in their document Pion Economics Casino Advisory Panel Note: Pion Economic Impact Model for Blackpool Regional Casino Proposal – henceforth Pion September 2006).
- Sir Peter Hall's memo 'Test of Social Impact'.

¹ At http://www.culture.gov.uk/cap/eip/eip_docs/blackpool/post_info/Blackpool_Populus_Survey.pdf

2. The State of the Blackpool Economy

In Mr Weaver's letter of September 29th to the Panel he asserts that: 'NERA Economic Consulting claim that Blackpool is not a town in decline'.² Furthermore, he argues that our report contains 'a partial and selective use of statistics'. We strongly dispute this and believe that the comments misrepresent the work we undertook and the objectives of Section 3 of our report, to which Mr Weaver makes reference.

NERA's report clearly acknowledges the challenges that Blackpool faces, both in terms of social and economic problems (see p.7 of our report). However, our core argument is that it is Blackpool Council itself who had made use of selective and, in some cases incorrect, statistics to paint a very bleak picture of 'terminal decline' in the town within its submission to the Panel. Our arguments show that the trends in Blackpool do not indicate that the town is in 'terminal decline', that the conditions in Blackpool are not as bad as the Council paints them and, importantly, that the town's long term success is not dependent upon the construction of a regional casino.

In terms of Mr Weaver's accusation of selective use of statistics, the indicators we used (primarily from the ONS' NOMIS database) were broad and based largely on those used by the Council in its original submission to the Panel. However, the difference between our analysis and that of the Council is that, whereas Blackpool Council often focussed on the static picture, we typically expanded this analysis to consider recent trends in the data. We believe this to be wholly appropriate in assessing the extent to which an area is heading for terminal decline, as the Council asserts.

In the remainder of this section we address each of Mr Weaver's points with regard to Section 3 of our report.

Population trends

In Mr Weaver's comments on population trends, it appears that Blackpool Council accepts our argument that it had, in its bid document to the CAP, overstated the extent of the decline in population between 1981 and 2004. Previously they had argued that the decline was 9,100 people over the period. We demonstrated in our report that the Office of National Statistics reports that the actual population decline for that period was 6,400 people, almost a third less than claimed in its bid document to the CAP. We are pleased that Blackpool recognises this discrepancy in its data.

However, the principal argument made by Mr Weaver is that the rate of decline in Blackpool's population over this period (1981-2004) was double that of the North West region as a whole. In our report we acknowledge that the decline in the North West population was 2 per cent compared to 4 per cent for Blackpool. But our substantive point regarding population, which Mr Weaver has not disputed in his letter to the CAP, is that, considering recent trends, Blackpool appears to have a growing population: we refer to the data regarding population trends in Section 3.2.1 of our report which indicates that between 2002 and 2004 the total population grew each year. In addition, Blackpool Council's bid

² Letter, p.5.

document acknowledges that ‘Blackpool is the main retail, public administration, cultural, and service centre for some 250,000 people in the growing Fylde coast agglomeration’,³ so the town’s economic prosperity will depend on a wider catchment not just the population residing within the Borough boundary.

Unemployment

We welcome Mr Weaver’s clarification of the misleading use of the quote ‘Worklessness levels are high; almost 40% of people of working age are economically inactive’ in the original submission to the CAP. Mr Weaver’s explanation is that this statement refers to the resort area, and not the local authority as a whole. The bid document to the CAP does not say that this was what was intended, so we welcome the clarification.

Mr Weaver however goes on to assert that, for the period from January 2005 to December 2005, economic inactivity in Blackpool was 23.8 per cent, representing an increase of 1.2 per cent on the period from October 2004 to September 2005. Furthermore, he argues that this compares with the Northwest region now at 23.4 per cent and Great Britain at 21.6 per cent.

We believe that this is a selective use of the statistics by Mr Weaver. Firstly, upon examination of the official statistics to which Mr Weaver makes reference, the panel will see that when the January 2005 to December 2005 (23.8 per cent) figure for Blackpool is compared to that for January 2004 to December 2004 (24.2 per cent), there has in fact been a decline in the inactivity rate over the year.

Secondly, Mr Weaver’s comparison with the Northwest and Great Britain fails to acknowledge the drivers of the relatively higher rates in Blackpool. Economically inactive people are defined by the ONS as ‘those who are neither in employment nor unemployed, for example, all those who were looking after a home or retired’.⁴ The category is then split into those wanting a job (but not classed as unemployed) and those who do not want a job (eg retired).

While Blackpool’s economic inactivity rate is higher than the Northwest and Great Britain, this is driven by a higher proportion of people who do not want a job (eg are retired) than those that want a job but are unable to get one.⁵

Size of the labour market

We welcome Mr Weaver’s acknowledgement that Blackpool’s economically active population has grown, and the economically inactive population has fallen between March 1999 and January 2005.

We would again argue that a growing labour market does not appear to be compatible with a town in ‘terminal decline’.

³ Blackpool Council bid document, p.2.

⁴ <http://www.nomisweb.co.uk/reports/lmp/la/2038432052/report.aspx?cl=2013265922&c2=2092957703>

⁵ NOMIS data for Blackpool (Jan 2005-Dec 2005) shows that, of the 23.8 per cent of the working age population who are economically inactive, 4.3 per cent want a job and 19.5 per cent do not want a job. This compares to 4.7 per cent and 18.8 per cent respectively for the Northwest.

Share of economic activity

We acknowledge that the use of any statistics, including those used by Blackpool, that are based on survey data will be subject to margins of statistical error. We also accept that the confidence intervals relating to the data for the years to which Mr Weaver makes reference mean that it is difficult to draw any firm conclusions.

However, we would point to the longer term trend in the data which shows that between March 1999 and February 2000 the economic activity rate in Blackpool was 72.3 per cent. But by October 2004 – September 2005 this had risen to 77.4 per cent. Given that this trend has been observed over a number of years, it suggests that the trend observed is not a statistical anomaly.

Further, if we take the 2.6 percentage point confidence intervals quoted by Mr Weaver and apply it to these two estimates, assuming the March 1999 estimate is at the bottom of the confidence interval, and the October 2006 value is at the top, by adjusting for the 2.6 percentage points we find that the value for both years is 74.8 per cent. Therefore, even assuming the lowest confidence levels for these figures, the evidence does not indicate that Blackpool is a town in ‘terminal decline’.

Claimant counts

We accept the cyclical nature of unemployment in Blackpool is greater than for the economy as a whole. However, we think it is misleading of Mr Weaver to focus on Blackpool’s unemployment in the winter for comparisons to the wider economy. It seems more appropriate to take the average unemployment level for the year as a whole. Taking averages of the claimant counts percentages for the four months reported by Mr Weaver (ie June, April, July and October) from NOMIS for the period October 1999 to July 2006 we find that, over each year as a whole, the rates for Blackpool tend to be around 0.6 percentage points higher than for the North West as a whole, lower than the 1.0 percentage points Blackpool Council claims when only comparing the winter.

However and more importantly, taking these annual averages for 1999/00 through to 2005/06,⁶ we observe that the annual rate has declined from 3.9 per cent to 3.5 per cent, again, not a trend we would associate with an economy in ‘terminal decline’. We observe that, as in the previous instances cited above, Mr Weaver’s failure to address the issue of trends in Blackpool’s economy misrepresents the town’s economic outlook.

Employment sectors

In its bid document addressed to the CAP, Blackpool Council claimed that almost 45 per cent of jobs in the town are in the tourism industry. We pointed out that the Office of National Statistics suggested a much lower percentage of jobs in that industry. Around 19 per cent of jobs were in the tourism sector as defined by the ONS. However, Mr Weaver claims that many more jobs in sectors like retail distribution or transport are linked to tourism, but he

⁶ NOMIS data on the claimant count measure of unemployment (http://www.nomisweb.co.uk/reports/lmp/1a/2038432052/subreports/jsa_time_series/report.aspx). Average of observations over the year.

does not provide any evidence to support Blackpool Council's assertion that almost 45 per cent of the town's jobs are in the tourism industry.

Job opportunities

Mr Weaver suggests that we have relied almost exclusively on job vacancy data to draw our conclusions. This is not the case. We acknowledge that vacancy data is not a perfect indicator in its own right. However it does provide a useful indicator of the patterns of employment and unemployment which, when combined with the other indicators reported (as noted in Section 3 of NERA's report), helps us to examine Blackpool's assertions regarding the town's terminal decline.

Skill base

We do not dispute the fact that Blackpool faces a skills gap with the rest of the UK. Indeed we note on page 13 of our report that: 'Qualification levels for all categories are lower than for England and Wales and, in addition, a greater proportion of people have no qualifications'

Instead our argument focuses on the use of unnecessarily pessimistic statistics by Blackpool Council to create an overly bleak picture of the state of skills in the town. By including retired people in their estimates of those without qualifications, Blackpool inflated the proportion of the population without any qualifications to 37.8 per cent, compared to just 21.5 per cent when only the working age population (which is more relevant) is taken into account. The use of statistics in this manner is, in our view, misleading and, in the context of other discrepancies in Blackpool Council's presentation of its case and its data, seriously undermines the case.

Blackpool Council is right however to point out in its letter that, whatever the exact proportion of the population without qualifications is, the important issue is how to reduce this proportion going forward. However, we find it hard to see how a casino will assist in this process. By increasing the focus of the town on hospitality and leisure, a sector that typically has lower qualification requirements, would seem to be a strategy for continuing Blackpool's current position. In this context we note that Blackpool Council acknowledge in its bid document to the CAP (at page 8) that 70 per cent of the jobs are expected to require NVQ level 2 or lower qualifications.

Earnings

Again, we acknowledge that earnings in Blackpool are below the national average. However, as we argue in our original report, this reflects the structure of the Blackpool economy. An economy that is based on hospitality and entertainment, a feature which the casino-led regeneration plans will reinforce and entrench, will inevitably lead to Blackpool having lower wages than the national economy, as this industry is a particularly low wage sector with little prospects for career progression. Data from the Labour Force Survey for quarter two of 2006 shows that average gross weekly earnings for all full time employees nationally (ie across all

industries) was £476.⁷ However, for those working in distribution, hotels and restaurants (SIC codes G to H) it was £354 (ie 25 per cent lower).

GVA

Our use of real GVA growth data for Blackpool in our report was not to rank areas that are being considered by the CAP, but to highlight that Blackpool's economy is growing in real terms, rather than shrinking as Blackpool appears to suggest in its bid document to the CAP.

Taking all of these measures into consideration, we strongly dispute the overly pessimistic picture of Blackpool's social and economic position that Blackpool Council continues to propagate. We acknowledge that Blackpool does face challenges when compared to the nation as a whole. However, it is unclear to us how the skills and earnings gaps will be addressed by further reinforcing the town's reliance on the hospitality and entertainment industry. Blackpool Council has not addressed this concern as 70 per cent of the casino jobs are anticipated to be low skilled jobs,⁸ and suppress earnings in the town.

Visitor numbers

This subject is of considerable importance to an assessment of the Blackpool bid.

It is the suggested size of the decline in Blackpool's visitor numbers which the Council suggest lies at the heart of many of the town's problems whether as a cause or effect of a lack of investment.

More importantly, it is the increase in visitor numbers that the Council attribute to the prospect of a regional casino which, combined with the assumed average spends per head, drives, in part, the number of direct jobs that the casino will provide; the 'inputs' (supplies of goods and services) that the casino and associated development may create; the resulting indirect jobs; and overall, the GVA that is attributed to the Council's plans.

We will review this subject in more detail in next section of this response but, here, review the information that the Council has now provided (in its evidence to the EIP and in Mr Weaver's letter). Dealing with the existing visitor numbers, Mr Weaver admits to the difficulty of providing accurate figures on their trend. 'Many research reports, not all commissioned by the Council, within the public realm have tried to establish a clear picture employing a range of different methodologies. None of these studies, when taken in isolation, provide absolute clarity on trends.'⁹ He shows figures in Table 1 of his letter derived from what he describes as 'the most recent attempt to track a trend in visitor/visit numbers was established in 1999 when the Blackpool Challenge Partnership commissioned a Blackpool 'Omnibus' Visitor Survey to replicate work carried out for Blackpool Council in 1989. Repeat exercises were carried out in 2001, 2003 and 2005. These surveys involved a survey of a representative sample of the adult population of Great Britain to estimate the proportion who had made a visit to Blackpool in the previous 12 months. This shows a reduction in all

⁷ Source: ONS Labour Force Survey (http://www.statistics.gov.uk/downloads/theme_labour/LFSHQ/37.xls)

⁸ See Blackpool Council bid document, p.8.

⁹ Letter, p.5.

adult visits from 12.01 million in 1989 to 9.86 million in 2005. However, these figures are not internally consistent. The table shows two measures, namely 'residents making at least one trip to Blackpool' and 'all adult visits'. While all adult visits decline over time, the number of residents making at least one trip to Blackpool increases by 12.5 per cent between 2001 and 2003, and then falls by 22 per cent from 2003 to 2005. We cannot see that this can be consistent with all adult visits falling by one per cent between 2001 and 2003, and by a further 8 per cent between 2003 and 2005.

As to visitors who may be attracted to the resort if a single regional casino is developed, we note that:-

- At the EiP, in answer to a question from Mr Sagar, 'tell us how you arrived at your visitor number estimates, is it through surveys?' Mr Weaver stated that 'Populus were commissioned to conduct two surveys which revealed that 9.25 million adults were more likely to come to Blackpool with a regional casino and 4.4 million who had been to Blackpool would return to Blackpool for the regional casino.' In response to Mr Fromberg's request, (part of) the Populus survey has only just been received from the CAP's website:
- Mr Weaver, in answer to a further question from Mr Fromberg, '... we want to know whether Blackpool will pull in gambling visitors', concluded his answer with the statement 'have we conducted a visitor number survey? No we have not';
- Separately, Mr Twomey, of Pion Economics, in answer to a question from Mr Fromberg said, 'we obtained information from the operators and we assumed some visits to the town would not be gambling visits. We assumed 1-1.5 million new visitors who would not gamble in the casino based on an Ipsos/Mori study that 8/9 million people would be attracted to the resort.' Pion has now clarified that it did not 'obtain information from the operators': rather Re-Blackpool did (see Outline of Impact Assumptions on page 4 of Pion's September CAP Note).¹⁰ Mr Haslam's evidence to the EiP did not relate to the total number of visitors but to the rate of visitation at different times of the year. Nevertheless, it seems from Mr Weaver's letter (page 11) that it was Mr Haslam who received information '... garnered from the UK and international casino operators' as to 'visitor numbers for both the regional casino complex and the mixed leisure development of which it will form part';
- The above mentioned Pion 'Outline of Impact Assumptions' makes it clear that the Council's assumption is that there will be '2.4 million/3.5 million' 'gambling visitors to the casino' of which 20 per cent will be 'non-gambling visitors' – i.e 480,000 to 700,000.

Having recorded the apparent source of these important numbers we make the following observations:-

- The extent of reliance on the Populus Survey is unclear. Mr Weaver is equivocal in that his reliance on the survey at the EiP was effectively abandoned after Mr Fromberg's request for it do be disclosed and he makes no further reference to it in his letter. The

¹⁰ We believe that at the EiP, and in their latest CAP Note (page 11), Pion confuse Ipsos/Mori and Populous. As far as we are aware Ipsos/Mori conducted only a residents survey.

survey, in any event, seems to have been a wholly inadequate means of estimating visitor numbers as, we understand, Leaguenotion will explain in their own further representations. In any event, the Council has not explained the connection, if any, between the numbers produced by Populus and the numbers relied on by Pion, conveyed to them by the Council via unspecified operators;

- Mr Weaver's letter asserts (page 11) that having received potential visitor numbers from 'operators', the Council 'also (took) a 'bottom-up look at visitor numbers in part to test the operator's figures and also to determine potential trip generation numbers and tidal flow patterns and identify potential transport issues and solutions. This exercise was commenced during 2005 and has been interrogated, developed and refined as part of the transport impact assessment work carried out in preparing the current planning application for the entire Conference Leisure Quarter'. We do not know what is meant by 'bottom-up' but, certainly, examination of the transport impact assessment referred to does not suggest that the Council has done anything at all to test the headline visitor numbers ostensibly suggested to it by operators.
- Similarly, figures at Tables 6-11 in Mr Weaver's letter do no more than apportion the total annual figures across different days, months and seasons. If that exercise is the 'bottom-up look', it does not serve to test, in any way, the operator's total figures.
- Consequently, it appears that there has been no forensic or market testing of the operator based assumptions. In addition, the number of visits (as opposed to Pion's calculation of jobs) appears not to make any allowance for displacement. The Council is equivocal on that subject, alternatively appearing to suggest that existing gambling operators, Leaguenotion in particular, will be unaffected by the 'casino complex and the mixed leisure development' (page 16 in Mr Weaver's letter) while also acknowledging that 'our economic impact model suggests that the local market will generate around 180,000 casino visits/year ... (accounting) ... for some 7 per cent of customers to the regional casino complex. The model assumes that 10 per cent of these local customers will be existing casino gamblers; 54 per cent existing (non-casino) gamblers; and 36 per cent new gamblers' (bid document para 5.8).
- Even ignoring the visitors who make up the overwhelming majority of Coral Island's business, taking Pion's assumed average spend per head of £50, a simple extrapolation suggests that existing non-casino gambling venues, of which Coral Island is by far the largest and the most proximate to the proposed site of the regional casino, will sustain a significant diversion of visitors and hence revenue to the casino itself (disregarding the wider mixed leisure development).¹¹

Investment prospects in Blackpool

At page 10 of his letter Mr Weaver protests that the lists of projects in section 3.3.1 of our September report and the value of £638m to which we referred "... is grossly overstated and an inaccurate picture".

¹¹ 180,000 local visitors x 54 per cent (existing non-casino gamblers) = 97,200 visits x £50 = £4.86 million

It is, in fact, Mr Weaver who seeks to present ‘an inaccurate picture’.

First, the figure of £638 million only reflected the cost of those schemes the value of which had been publicly declared. Were to have added the potential value of the schemes to which costs have not been publicly attributed, the figure would have been very substantially higher.

Second, even if Mr Weaver's letter is correct, the value of completed and or committed development is £189 million. That is 30 per cent of £638 million, not 20 per cent as suggested by Mr Weaver.

Third, there are several major areas of potential investment which deserve particular mention:-

- The residual public sector investment on the seafront of £38 million – not only was the source of our information on the £100 million of expenditure, the Council's / Re Blackpool's master plan update, but we note that Mr Weaver does not suggest that this remaining investment will not be secured;
- The £228 million Talbot Gateway investment has been heralded for some time by the Council and, to our knowledge, has never previously been predicated on the success of Blackpool's casino bid. The (as yet unseen) Carillion letter again does not appear to represent a threat by Carillion to withdraw as preferred developer if the casino bid is lost. Indeed, on such an unrelated project it would be surprising if that was their real view. Again, the source of our information was Re Blackpool and their appointed advisors. We believe that it is the Council who are exaggerating in suggesting that the development will collapse if the casino bid is lost.
- The ‘phase 2’ extension of the Hound Hill shopping centre at a cost of £90 million – the CAP will note that this proposal was not included in our original list of projects and its cost formed no part of the £638 million.
- The £96 million four year plan for the Tramway improvement – though Mr Weaver says that ‘only £11.8million funds are secure’, he does not suggest the balance would be lost if the casino bid fails;
- Again, information in relation to the four year residential neighbourhood project (£65 million) came from Re Blackpool. It is noted that Mr Weaver does not say the outstanding £55.75 million will not be forthcoming if the casino bid fails. Indeed, given that the project has no connection or synergy with casino development that is hardly surprising.

In summary, Mr Weaver's dispute of the likelihood of these various schemes and their attendant investment, is contradictory to the various public statements made in other contexts by both the Council and Re Blackpool. There is very substantial ongoing regenerative investment in Blackpool, wholly independent of the casino bid.

3. Pion's Response to NERA's Estimates of Employment Effects of a Regional Casino

Pion have produced a new report which criticises our estimates of the impact of a regional casino in Blackpool.¹² We can divide our response to this into the following points:

- Pion's purported justification of their use of a complicated methodology is weak and does not stand up to scrutiny;
- Pion's criticisms of NERA's assumptions about the size of a regional casino in Blackpool are based on a false premise that they know what the size of the regional casino will be;
- Pion's admission that they did not take any account of leakage from the local economy in their calculation of employment impacts in Blackpool is a startling one, and their suggestion that NERA's estimates should be adjusted to exclude leakage as well is completely unacceptable;
- Pion's argument that NERA has used different methodology in assessing the impact of a casino in Blackpool compared with the methodology we used in Brent is wrong;
- Pion's explanation of the breakdown of their figures was misleading;
- Pion's arguments that we have both understated and overstated displacement is contradictory.

3.1. Pion's Methodology

In our report we criticised Pion's methodology as being 'opaque'. Pion instead claim that their methodology is both more sophisticated than ours and that it has been subject to independent review.

We believe that using a sophisticated methodology in comparison with a simpler one is only acceptable if the sophisticated methodology is clearly explained so that the reviewer can clearly see how results have been generated. After all, the CAP will review the evidence and will require the tools to understand and evaluate the economic research proffered by all bidders for the regional casino licence. We remain of the view that, despite the additional information provided in response to CAP requests, Pion have not explained their methodology in a manner which would allow the reviewer to evaluate and test its conclusions. Pion note that the explanation of the NERA methodology in Appendix A of our report only involves four steps. But this means that the CAP can see clearly how we generated our results. We would like to make it clear that we do not critique Pion's methodology for its complexity per se, but rather for its opacity which does not permit any serious analysis of the credibility of its conclusions and recommendations.

In regard to the question of independent review Pion make much of the fact that their methodology was subject to review by Professor Leighton Vaughan-Williams. They note that Professor Vaughan-Williams said the following: 'In conclusion, I consider that the Pion

¹² Pion Economics *Casino Advisory Panel Note: Pion Economic Impact Model for Blackpool Regional Casino Proposal*, September 2006.

report presents a well-constructed economic impact study, albeit subject to the standard weaknesses and strengths of the modelling methodology used.' Professor Vaughan-Williams' review was published in full by the Joint Committee on the Draft Gambling Bill. This reveals the following:

- The work that Professor Vaughan-Williams reviewed was a study by Pion of the impact of the Gambling Bill, and not a study by Pion of the impact of the location of an individual casino in a particular town (Pion September 2006 notes that it was the overall Pion approach 'in an earlier guise'¹³); and
- The quote supplied to the CAP was one sentence in the final two paragraphs of Professor Vaughan-Williams' review. We repeat these two paragraphs in full so that the CAP can see that Professor Vaughan-Williams' endorsement was hedged with considerable reservations about the assumptions used by Pion in their work:

In summary, I have in this memorandum considered the analysis and conclusions contained in two reports, ie the Pion report (2003) and the Ernst & Young report (2003), and I have made passing reference to the Henley Centre report (2004). I have shown how the conclusions reached in the Pion Report are critically dependent upon the assumptions made and the modelling used. I have drawn upon the findings of independent academic analysis to explain why the assumptions used are at least somewhat debateable, and have drawn attention to the potential weaknesses of the modelling approach, whilst accepting that the techniques used in the report are respectable tools of standard economic impact analysis.

In conclusion, I consider that the Pion report presents a well-constructed economic impact study, albeit subject to the standard weaknesses and strengths of the modelling methodology used. I consider further that the conclusions of that report are critically dependent upon and sensitive to the (very debatable) assumptions employed. [Note by NERA: the remainder of this paragraph deals with Ernst & Young report and BISL support for revised taxing of betting exchanges, and is not relevant for the Pion report.]¹⁴

But, as noted, this independent scrutiny of Pion's work was not independent scrutiny of their work on assessing impact of casinos. We think it should be a matter of concern that Blackpool Council did not subject the Pion work on the impact of a casino in Blackpool to independent scrutiny. At the EiP Professor Crowe asked the representative of NWDA who is on the Steering Committee what critical analysis they had applied to the Pion report (of June 2005), noting that if it were an academic paper it would have been subject to a peer review. Nick Gerrard of the NWDA replied that the Pion report had been subject to robust discussion and analysis but that when they hired the experts to undertake the analysis, they were not going to commission another expert to critique the earlier one.

¹³ Pion, September 2006, p.3.

¹⁴ The quote is from Memorandum from Professor Leighton Vaughan-Williams (DGB 186) 'The consequences of gambling deregulation in the UK: a critical review of some theory and evidence' Evidence to the Joint Committee on the Draft Gambling Bill First Report. At <http://publications.parliament.uk/pa/jt200304/jtselect/jtgamb/63/63we91.htm>

In addition, it is our view that Pion describe their methodology in broad terms in order to prevent the reader from independently evaluating their overall results. For example:

‘Pion Economics impact models are substantially different from many other impact structures in that they are driven by detailed modelling of expenditure flows and are fully integrated so that GVA and employment impacts are consistent with expenditure patterns – they are determined within the model rather than defined by ratios ‘parachuted in’ from other studies.’¹⁵

‘Pion Economics impact models are substantially different from many other impact structures in that they are driven by detailed modelling of expenditure flows. In other words, they attempt to reflect decisions about expenditure made by groups of individuals connected to the study scenario rather than take convenient short-cuts to produce quick outcomes. This imposes significant modelling burdens but the attention to detail enables a much richer set of scenarios to be considered. The model is also fully integrated in that GVA and employment impacts are consistent with expenditure patterns and are determined endogenously – they are determined within the model rather than being parachuted in from other studies.’¹⁶

And we are really not sure what to make of the statement that: ‘Our view is that the model is actually quite simple in structure if one has the capacity to focus on the key assumptions rather than drown in the detail of the mechanics.’¹⁷ We repeat our objections, cited above, that we do not critique Pion’s methodology for its complexity per se but rather for its opacity which does not permit any serious analysis of the credibility of its conclusions and recommendations. We also repeat Professor Vaughn-William's advice that, whatever the virtues or vices of the methodology, ‘... conclusions ... are critically dependent upon and sensitive to the (very debatable) assumptions employed’. We urge the CAP to request Pion to furnish the model and the data employed by Pion in its economic analysis supporting Blackpool Council’s bid. It is only by seeing how the model reaches its conclusions from the data input that a proper evaluation of Pion’s work can be undertaken. We trust that the CAP has either the expertise within its members or suitable advisers who can analyse Pion’s model and test the credibility of its conclusions.

3.2. Casino Floorspace

Before dealing with this subject, it is worth setting its relevance in context, because it interlinks with the relevance of visitor numbers and spend per head.

The economic impact of any substantial development is generally estimated in terms of direct and indirect jobs and ‘inputs’ (the supply of goods and services generated by the development). The assessment, as we mention in this and our earlier reports, is then affected by ‘leakage’ and the equivalent impacts attributed to a suitable comparator.

¹⁵ Pion, September 2006, p.3.

¹⁶ Pion, September 2006, p.8.

¹⁷ Pion, September 2006, p.8.

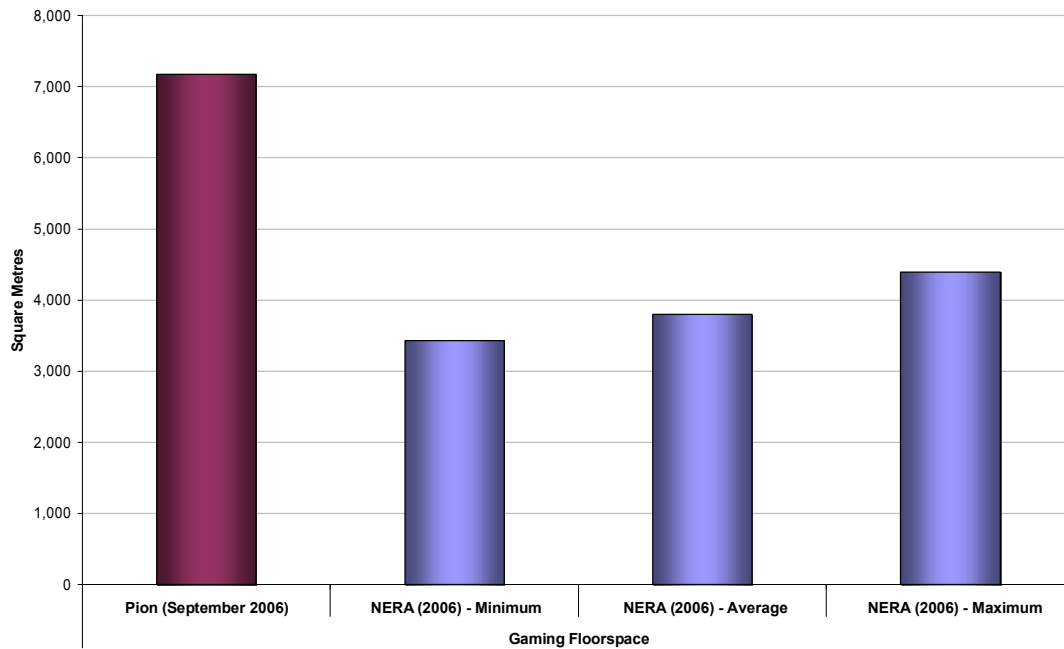
The numbers of direct and indirect jobs and inputs are inevitably interconnected but are substantially driven by the demand for, or visits to, the proposed facilities and by how much the visitors spend.

However, because prospective visitor numbers and spends per head are often uncertain, it is sometimes helpful to use job-to-floorspace ratios.

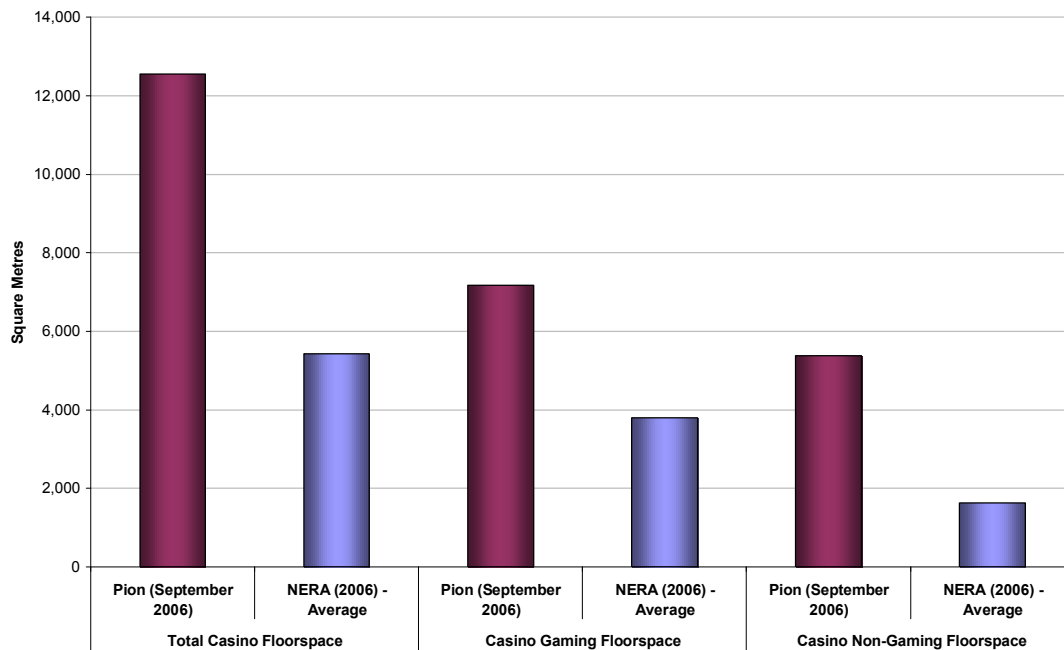
Some of Pion's criticisms of NERA's results are directed at our assumptions about casino floorspace. Figure 3.1 summarises NERA and Pion assumptions about gaming and other floorspace in a regional casino in Blackpool.

Figure 3.1
NERA and Pion Floorspace Assumptions for Regional Casino in Blackpool

Comparison of Casino Gaming Floorspace Estimates



Comparison of Components of Total Estimated Casino Floorspace



Pion indicate that their results are based on assumed casino floorspace of 12,550 square metres (plus hotel floorspace of 22,050 square metres, and other floorspace of 16,290 square metres). It is anticipated that 7,178 square metres will be allocated to gaming.¹⁸ The basic impact of the regional casino is defined as 1,680 jobs and addition of the conference centre raises this to 1,890 jobs.

In their report Pion refer to 'actual' Blackpool floorspace, when what they mean is the Blackpool floorspace adopted in Blackpool projections.¹⁹ And on page 9 they refer to 'the Blackpool gaming area (7,178 square metres)' as if it were an undisputable given. Further, on page 16 they refer to 'actual proposals for Blackpool to have a gaming area of 7,178 square metres'²⁰: given that Blackpool do not have a developer lined up, these are not 'actual proposals' at all.

Consequently, it is perfectly appropriate to reiterate how we developed our alternative assessment of gaming floorspace areas of 3,433, 3,801, and 4,388 square metres. We started with the maximum number of gaming machines permitted by the Gaming Act 2005, namely 1,250 machines, assuming 50 table games, the legal requirement for the maximum number of machines. We then used data from Atlantic City to derive minimum, average and maximum gaming floor area per gaming machine. This gives the gaming floorspace figures in our three scenarios. The hotel room estimates again make use of the same data set from Atlantic City on the number of hotels and gaming floor space in their casinos. By estimating the average relationship between the number of hotel rooms and gaming space, we could use our three estimates of gaming space in Blackpool (ie the minimum, average and maximum) to estimate the possible size of the accompanying hotel.

We then used information from a 2003 Pion report to calculate non-gaming areas (based on ratio of gaming to non-gaming areas), jobs (based on ratios of jobs to floorspace), and hotel jobs (based on ratio of hotel jobs to hotel rooms). We think that use of these sets of ratios from their earlier work must be the reason for Pion's statement in the introduction to their September memorandum that 'the use of data from a previous Pion study based on an entirely free market environment and 4 to 5 unregulated, very large facilities in Blackpool, is simply not applicable to current circumstances, completely undermining the basis of much of the analysis in the report'.²¹ This is erroneous, since use of ratios rather than absolute levels means that our results are not primarily determined by the scale of activity originally proposed. Moreover, Pion themselves use ratios in their September memo, when they assume a ratio of one job per 5 square metres of space based on information from the Nevada Gaming Commission and the New Jersey Gaming Commission to translate their figure of 7,178 metres of gaming space to 1,440 jobs, which they say is 'consistent with soft intelligence about potential operating size provided by operators'.²²

¹⁸ Pion, September 2006, p.9.

¹⁹ Pion, September 2006, p.14.

²⁰ Pion, September 2006, p.16.

²¹ Pion, September 2006, p.3.

²² Pion, September 2006, p.9.

Our difficulty is that Pion's calculations in relation to direct jobs (and indeed indirect jobs) are extremely confusing and, we suspect, confused.

In their 'final report'²³ supporting the bid, Pion confirm that 'a high-spec regional casino can be expected to generate somewhere in the region of 1,500 jobs'. It is clear that the estimate is based not on any analysis but on 'views of operators'. The figure is broadly repeated at page 28 where Pion referred to 1,538 direct jobs in the 'Regional Casino and Conference Centre' to which they add 1,456 'Indirect/Induced Jobs' to reach a 'Total Jobs' figure of 2,994.

But at page 44 of the Council's *Response to further questions posed by CAP* on 19th July the Council referred to 2,500 total jobs (not 2,994) made up of '+ 1,500 direct jobs, + 303 direct jobs and multiplier related jobs, - 347 displaced jobs and + 1059 jobs from new additional visitors to the area'.

Apart from the fact that a difference of nearly 500 'total jobs' is itself significant, the difference in terminology is significant because while 'indirect jobs and multiplier related jobs' might be the product of the application of (possibly) standard methodology, jobs assumed to arise from 'new additional visitors' must be wholly speculative.

Finally, and belatedly, Pions seem to apply a purported cross-check to the direct jobs estimation at pages 4 and 11 of their September 2006 CAP Note. The text at the bottom of page 4 and starting in the middle of page 11 is the same and serves to further confuse.

Although the Outline Impact Assumptions chart on page 4 clearly presupposes 1,500 direct jobs in the Regional Casino Facility and 38 direct jobs in the Conference Centre (and at the bottom of page 9 Pion again assert the 1,500 figure as '... consistent with [we suspect drawn entirely from] soft intelligence', Pion in the succeeding text to each case suggests that the 'basic impact of a regional casino is defined as 1,680 jobs'. This seems to replace the 1,500 figure.

Further inconsistency arises with the 'addition of the Conference Centre (adjusted for existing business levels) [which] raises this to 1,890 jobs'. It is unclear how 38 conference centre jobs in the chart become 218 jobs in the succeeding texts".

More critically there is a serious inconsistency in Pion's estimate of jobs attributed to the speculative 'new visitors to Blackpool'..

As already noted, in their answers to the CAP's questions, the Council said that they had attributed 1,059 jobs to 'additional visitors to the area'. Pion now suggest that figure is 267.

We conclude that there is confusion surrounding Pion's estimates and can only redirect the CAP to our own estimates which were clearly set out in section 4 of our original (revised) report.

While our higher calculation of direct jobs (1,531) is not substantially different from Pion's figure based on 'soft intelligence', the fact that we reach that number using jobs to floorspace ratios (a methodology that Pion appear to have only latterly adopted) implies that 'operators'

²³ Pion, March 2006, p.6.

may well, in fact, intend to develop floorspace closer in size to our estimates than to those implied by the Council.

That in turn serves to distinguish our estimates in Blackpool from the study that NERA undertook for Brent Council.

In the Brent case both the scale of development and the direct job numbers were provided by the known operator, Quintain/Harrahs. NERA cross-checked their numbers using jobs to floorspace ratios. But it may well be that operators of the proposed Wembley casino took the view that because the location was within a far larger urban conurbation than Blackpool with, no doubt, different visitation rates and patterns, that a larger scale of development would be required.

In short there is no inconsistency between the work that NERA did for Brent Council and NERA's reports on Blackpool that have been supplied to the CAP.

We note that the actual planned number of direct jobs in Brent was lower than the number of direct jobs that would be calculated using the ratio of floorspace to employment.

As we also make clear in our report, it is differences in the treatment of leakage that causes the greatest difference in our results. In the next section we consider the differences in treatment of leakage.

3.3 Further Key Pion Assumptions

On page 4 of their CAP Note (September 2006) Pion repeat their 'key assumptions' in relation to assumed spends for regional/non-regional gambling visitors; new tourist visitors; the spends attributable to "enhanced casino visitor levels [by 20%] ... [consisting of] ... non-gambling visitors; and new visitors'.

We have already pointed to the doubt surrounding 'visitor numbers' but believe that there is also doubt about the assumed spends per head. There appears to have been no research into these assumptions (certainly none is revealed) and again it appears that Pion are likely to have received suggestions in this regard from 'operators' via the Council.

We believe that Leaguenotion are perhaps better qualified to deal with this subject because they have direct experience of UK casino spending levels and are also familiar with spending levels in Blackpool. We therefore leave them to deal with this subject in more detail in their separate representations. However, any doubt as to the reliability of the figures would impact very substantially on the GVA and indirect job estimates on which the bid relies.

At pages 5 and 12 of the CAP Note (the text is identical) Pion observe that 'additional work by the study team in its August 2006 supplementary report suggests that were the regional casino development to encourage increased private sector investment, every 10 per cent rise in investment would add some 240 jobs to the total'.

We observe that this 'supplementary report' has not been disclosed to Leaguenotion but that, in any event, as it appears that Pion may have overestimated the scale and value of the perspective private sector investment in the casino, this potential increase in jobs relative to 'every 10 per cent rise in investment' will be lower.

3.4 Leakage from the Local Economy

In Appendix A to the NERA report we set out how we derived our employment estimates. This shows the four stages of (1) direct employment (2) leakage (3) displacement (4) multiplier effects. We define leakage as an adjustment to take account of jobs being filled by people who live outside of the local area, which in this case is Blackpool Borough.

Pion claim that we should not have included a leakage stage, that is allowed for the fact that not all jobs generated will be filled by Blackpool residents. On this matter Pion state that 'NERA job numbers are adjusted for leakage – assumptions about the proportion of jobs likely to be taken-up by non-residents. The Pion Economics figures refer to jobs created in Blackpool and are not adjusted for leakage'²⁴ Later in their response Pion state that: 'Unless there are reasons to consider more than one scenario, we do not address the issue of leakage as this varies considerably across sectors and type of economy and, in many circumstances, can reflect agreements between employers and agencies with regard to 'targeting' take up from the local area. Hence Pion Economics estimates of job numbers in Blackpool are non-leakage adjusted'.²⁵ Pion then claim that NERA's figures should all be increased by 89 per cent to put them on the same basis as Pion's. We think that the 89 per cent is derived from our tables B.2, B.3 and B.4 which all show a ratio of 1.87 between direct employment and employment less leakage.

But in any event we don't accept that the calculations should not allow for leakage:

- English Partnerships guidance clearly states that 'leakage should always be assessed'.²⁶ English Partnerships suggest that only 'where a development takes place with no objective of attracting a specific group or sector and indeed is keen to attract newcomers to an area then leakage will be zero.'²⁷ We do not believe that not accounting at all for leakage is appropriate for Blackpool.
- We are surprised to learn from Pion that they did not include any leakage. First of all, their March 2006 report makes a number of references to leakage:
 - 'It [the report] starts by detailing the anticipated size of facilities, staffing profiles and associated salaries before detailing the technical basis upon which leakage from the local economy is to be expected.'²⁸
 - 'Not all salaries earned will be earned by workers living in the local area and not all expenditure of those living locally will remain in the local area due to leakages from goods and services imported from outside the local economy – smaller local areas can be expected to have higher leakages.'²⁹

²⁴ Pion, September 2006, pp.5-6.

²⁵ Pion, September 2006, p.19.

²⁶ English Partnerships (2004) *Additionality Guide: A Standard Approach to Assessing the Additional Impacts of Projects: Method Statement Second Edition*. p.7

²⁷ English Partnerships (2004) *Additionality Guide: A Standard Approach to Assessing the Additional Impacts of Projects: Method Statement Second Edition*. p.16

²⁸ Pion, March 2006, p.6.

²⁹ Pion, March 2006, p.9.

- ‘The final step is to take a view on the extent of local retention – the proportion of consumption spending that is likely to remain within the local economy (as opposed to leaving through imports from other areas).³⁰
- In our September 4th report we noted an earlier study by Pion of casino development in Blackpool which very explicitly took account of the location of jobs – only 37 per cent of employment and 29 per cent of expenditure would be in Blackpool borough.³¹
- Other studies have accepted that not all the impact of a regional casino would be of direct benefit to Blackpool. For example, the Lancashire Economic Partnership Development Programme for the Central Lancashire City Region notes that ‘the labour requirement for the casinos is unlikely to be met from Blackpool alone’ (*Central Lancashire City Region Development Programme*, p.15).
- Given the importance of leakage in assessing the benefit to the local area we drew on guidance from English Partnerships to include a leakage factor for Blackpool. The choice of the precise value of the leakage multiplier is down to judgement given that no regional casino has ever been built in the UK. We also note that in general there is a lack of information on the size of leakage. English Partnerships note that ‘It is perhaps somewhat surprising that there is a relatively limited amount of research relating to the size of leakage effects. This undoubtedly reflects the difficult conceptual and measurement problems that exist in seeking to derive good estimates. A study that provided a comprehensive insight into leakage from essentially property driven regeneration initiatives was the evaluation of the Enterprise Zone experiment (HMSO 1987, HMSO 1995 A and 1995 B). This study revealed that leakage effects depended heavily on the type of jobs created and thus the occupations of the people who got the jobs. Thus, the higher the number of managerial, professional and technical staff, the more likely it is that workers from outside the area targeted for regeneration would secure the jobs generated. Most other occupational groups had around 10 per cent of staff recruited from outside the local area with the exception of skilled manual workers where the equivalent figure is around 20 per cent. The study was also able to ascertain that in general companies in fairly deprived areas were filling about 40 per cent of their vacancies from unemployed people in the local area.’³²
- Pion criticise us for using the same leakage multipliers for Blackpool as for Brent, but we did not wish to be open to the alternative criticism that were using different values in the two studies. So we used the same values. We repeat that the really important thing is to make an allowance for leakage and not, as we now realise Pion have done, exclude it altogether.
- So we certainly strongly reject Pion’s assertion that the gap between NERA and Pion employment estimates should be reduced by adjusting NERA’s numbers upwards to exclude our estimates of leakage. A sensible adjustment would be to adjust Pion’s numbers downwards to allow for leakage.

³⁰ Pion, March 2006, p.10.

³¹ This Pion 2003 study did consider very large scale casino development, so Blackpool’s share might be expected to be lower than their share of a single casino, but it is the principle of leakage that is important here.

³² English Partnerships (2004) *Additionality Guide: A Standard Approach to Assessing the Additional Impacts of Projects: Method Statement Second Edition*. p.18

3.5 Displacement Effects

Pion claim that we underestimate displacement effects of the casino (even though a separate section of our report suggests that displacement effects can be quite substantial because of effects on closely-located local businesses).

We dealt with this issue in Section 4.7 of our report. While our use of multiplier analysis had generated an estimate of 111 jobs lost, we also pointed out that we thought that, based on information supplied by Leaguenotion, more jobs might be at risk because of the businesses, including ones operated by our client, located close to the casino site. However, we had not been able to verify the numbers included in Table 4.3 of our report independently, so we did not include these additional numbers of jobs at risk in our overall summary of additional jobs to be gained from a regional casino in Blackpool of 750 to 950 jobs (given in the third bullet point on page 36 in our conclusion to Section 4, and in Section 6.4 in our concluding chapter).

Pion want to claim that we have underestimated displacement because their estimate of displacement of 347 is higher than our figure of 111,³³ but if we accept this argument it would reduce our range of net jobs, from 750 to 950, to a range of about 550 to 750.

But Pion also wish to claim that our supplementary estimates are not legitimate, but this does not affect our range of 750 to 950 because these numbers are not included in this range in the first place. This is clear and unambiguous in our model and our report.

³³ 'The Pion approach takes substantial effort not to underplay the issue of displacement with an estimate of displacement three times higher than that produced by NERA' (Pion, September 2006, p.3) and 'The Pion expenditure-based model assesses displacement across 21 different client groups and defines potential displacement according to the origin, visitor type and gambling type of client' (Pion, September 2006, p.17).

4. Sir Peter Hall's Memo

Professor Hall's note seeks to redefine the CAP's criteria so that Blackpool's case meets them. That attempt is in some measure a recognition of the fact that Blackpool's case does not meet the actual criteria implicit in the CAP's terms of reference.

He claims that '... no single short listed location could present a completely representative test of social impact' (para 19).

This sidesteps the fact that establishing 'the best test of social impact' must require the identification of a location which in a broader (rather than a 'complete') sense is representative of locations which are most likely to be chosen for any future permitted expansion of regional casino provision.

Sir Peter then proposes that '... a future panel will need to have special regard to the position of ['the more deprived Northern Non-Core Cities'³⁴ (and to a lesser degree, with some of the less spectacularly successful Core Cities)' and], that in consequence many of them are likely to become future candidates for casino-led regeneration, and that in this respect Blackpool would provide the best test of potential impact of a regional casino'.

That approach is flawed but in any event, we do not believe that his paper successfully demonstrates his proposition.

Professor Hall's approach is flawed because ..

- It seeks to widen the present debate to include consideration of lots of different places which are not on the CAP's shortlist. This adds to the data considered, but cannot alter the fact that the 2006 CAP has to restrict its choice to places on the current short-list;
- It relies on a number of unsafe assumptions:
 - That operators will be willing to build regional casinos in 'Northern Non-Core Cities' despite smaller potential catchments and competition from other larger potential venues.
 - That a significant number of 'more deprived Northern Non-Core Cities...' will in 2013-2014 want to predicate their regeneration on regional casino development. His assumption seems, like Blackpool Council's, to be that there is unlikely to be a 'Plan B' in these places;
 - That the regeneration capacity of regional casinos will prove to be substantial. That remains to be tested and to assume it as a 'given' is to eradicate the purpose of the current 'test';
 - That Regeneration Need and (lack of) Regeneration Achievement are or will be the only issues to be considered. However we contend that social impact in the form of problem gambling is likely to remain a key component;

³⁴ We observe that, per Professor Hall's list, these are not restricted to 'Cities' but include many towns.

- That Regional Planning Policy is likely to guide regional casino development to smaller as against larger conurbations. This seems unlikely; and
- That none of the bidding ‘Core Cities’ have need of further regeneration assistance such as to justify their current bids. The CAP may conclude that Professor Hall is thereby too readily dismissing all the competing bids on a rather simplistic basis;
- He disregards the fact that the CAP, in 2006, must select between its short listed candidates and those that are not selected are the locations most likely to come forward for consideration in any future round of licences.
- His conclusion that ‘... in this respect Blackpool would provide the best test...’, does not follow from his assertion because all present evidence suggests that large urban conurbations are most likely to be the best locations for this type of development.

As the competing shortlisted bids show, because of their scale, regional casino developments are likely to be located on the edge of or just outside major centres. In those locations, they will be accessible to very large populations who will not need to make overnight trips.

From our understanding of developer and industry views, regional casinos in these locations are also likely to be commercially more profitable and reliant on larger visitor numbers. Visitor numbers and profitability will in turn drive such regeneration benefits as there may be.

We next turn to the data that Professor Hall relies on in support of his proposition. In Table One (Basic Demographic Variables), Professor Hall considers age; married/family status; and ‘BME’. But the analysis is incomplete in omitting a variety of other usual indicators such as a more meaningful set of age bands, and gender. Both these criteria are particularly relevant in examining problem gambling.

Similarly, Table Two (Measures of Deprivation) contains restricted criteria. Of particular relevance, for instance to Blackpool, are levels of transience and indebtedness.

More fundamentally, while Professor Hall explains the reason, the data that he does produce does not cover Scotland and Wales and thereby excludes two of the other principle bidding locations, it also excludes a variety of potential but deprived ‘Non-Core...’ towns/cities and ‘Traditional Seaside Resorts’.

It is unclear why Professor Hall has looked only at ‘East London boroughs’ and neither is the relevance of the ‘London’ classification explained.

As already mentioned, if Professor Hall's approach is to have any relevance then it is important that all relevant Core Cities are included, not just those in England.

It is assumed that Professor Hall's list of ‘Northern Non-Core Cities’ are chosen because they are perceived to be broadly speaking, ‘deprived’. First, many of the listed locations are not cities at all, and second, the list is incomplete without the inclusion of equivalent locations not just in Scotland and Wales but in other parts of England. There are numerous areas in the Southeast which might be included within this category e.g. Thanet and Portsmouth;

Again, Professor Hall's list of 'Traditional Seaside Resorts' appears to be highly selective and omits some notable examples such as Skegness, Great Yarmouth, Scarborough, Weymouth, Western super Mare and Margate.

It seems difficult to take Professor Hall's analysis seriously when the data upon which he relies is substantially incomplete. For that reason we have not incorporated within these representations the detailed analysis we have carried out of Professor Hall's data. However that analysis does establish that, compared to the other bid locations, Blackpool is atypical, applying the criteria to which Professor Hall refers.

Turning to Professor Hall's Table 3 ('Table 2 – Indices of Regeneration ...') it is again evident that the data is substantially incomplete.

Reliance on this data is, in our opinion, unsafe for the following reasons:-

1. As with tables 1 and 2 the classification of locations and the inclusion or omission of particular towns is highly questionable;
2. In relation to 'Regeneration Need', Professor Hall points out (para 14) that '... unfortunately... data for Regeneration Achievement are not available for individual London boroughs...'. This makes any meaningful comparison within the London boroughs, and indeed more broadly, difficult;
3. In turn Professor Hall's analysis of, the 'Core Cities' is questionable because for instance, (per para 10) the data may be affected by the way in which the particular city's boundaries are drawn. When referring to Leeds he notes that disparity may '... reflect more generous boundaries that incorporate affluent suburbs';
4. Similarly in para 16 he accepts that the data relating to the listed cities '... might have displayed even more (variations) if several had not been eliminated because of data aggregation problems';
5. Perhaps, most significantly, in dealing with 'Regeneration Achievement Indices' the data is not only incomplete but substantially out of date.

The data measures Regeneration Need, measured by indices of deprivation, and Regeneration Achievement, as measured by changes in different towns' position over the period from 1965 to 1998, published by Professor Hall and two colleagues in the journal *Regional Studies* in 2001.³⁵

The data records that Blackpool has dropped down the urban hierarchy in the period from 1965 to 1998, though so have lots of other places, including Sheffield, which is also on the CAP's short-list.

More to the point, as our main and subsequent reports establish, there is significant evidence of revival in Blackpool's economy which serve to rebut the suggestion that the town is in 'terminal decline'. That is a primary argument upon which the Blackpool bid is based and it

³⁵ P Hall, S Marshall, and M Lowe 'The changing urban hierarchy in England and Wales, 1913-1998' *Regional Studies*, 2001, vol 35, pp.775-807.

is incorrect. We note, however, Professor Hall's agreement (para 3) that 'trends' are a better indicator than any given 'snapshot'.

The data in Professor Hall's note also ignores very substantial Regeneration investment to which our main and supplementary reports refer amounting to some £700 million. To the best of our knowledge all of that investment has been subsequent to the dates listed in Professor Hall's Table 3.

But it is on deprivation that Blackpool fails to meet Sir Peter's test. He says 'It is one of the most deprived places in England'. But it is not, it is actually the 24th most deprived according to the Government's Index of Multiple Deprivation that he quotes in his paper, not nearly as bad as Manchester (2nd) and Birmingham (15th) and better than Newcastle (20th).

But we do not think that the CAP will make their choice on these two criteria, and we repeat NERA's own view of why Blackpool is not the most suitable location for the regional casino:

- Ninety per cent of the visitors will come from outside Blackpool so it will be particularly difficult to monitor the effect on them – particularly given such disparity in casino visits, spending and playing patterns between local residents and visitors.
- The areas of Blackpool that undisputedly suffer from social problems are located close by the proposed casino location so the casino will inevitably attract local people who are susceptible to problem gambling;
- Major new casinos do not inevitably lead to regeneration, and a regional casino in Blackpool will not solve the town's residents' skills shortages. We have shown that Blackpool Council's bid has significantly overestimated likely regeneration effects.

NERA

Economic Consulting

NERA Economic Consulting
15 Stratford Place
London W1C 1BE
United Kingdom
Tel: +44 20 7659 8500
Fax: +44 20 7659 8501
www.nera.com

NERA UK Limited, registered in England and Wales, No 3974527
Registered Office: 15 Stratford Place, London W1C 1BE