

**The Case for a Regional Casino in
Greenwich**

**Responses to questions raised by the
Casino Advisory Panel**

Greenwich Council

14th August 2006

General Note relating to responses:

Second hotel

Since submitting its proposal to CAP in March, the developer of the site AEG has provided information regarding the potential development of a second hotel as part of the full scheme. The economic impact of this hotel and associated services are not included in the figures set out in the responses to the questions. However, it is hoped that broad figures will be available in time for the Examination in Public.

PricewaterhouseCoopers disclaimer

PricewaterhouseCoopers LLP does not accept or assume any liability or duty of care for any other purpose for which this document may be used or in relation to any other third party or other person(s) or organisation(s), who may read and / or rely on this document, save where expressly agreed in writing with PricewaterhouseCoopers LLP. The reader is therefore advised to seek their own professional advice before placing reliance upon the contents of this document. Further this document has been produced subject to important qualifications, reservations and assumptions and, without prejudice to that set out above, it should be read in the context of those qualifications, reservations and assumptions.

I. Type of Area

Q1. What are the transport improvements planned in the area? What capacity issues and timing are relevant to the proposal? How important is Crossrail to the overall project?

The North Greenwich Transport Interchange adjacent to The O₂ is currently well-served by public transport services with the Jubilee Line underground service and buses, as well as by road. The planned improvements to the area would see an increase in capacity across all transport modes, in particular public transport. These are:

Jubilee Line

Capacity upgrades to the line up to 2009 are already underway. The first stage in the process was to increase the number of carriages on all trains from 6 to 7. This was completed in December 2005. Further improvements to signalling systems will allow up to 33 trains an hour to run between North Greenwich and Willesden allowing up to 54,000 pph in and out of North Greenwich. Overall, by 2009, the capacity will have been increased by up to 50% over the level achievable in mid-2005 and journey times reduced by 20%. In addition, extra escalators are being installed to manage the extra capacity resulting from the opening of The O₂ in July 2007.

Buses

London Buses have agreed to operate additional bus services totalling 47 buses an hour operating during normal peak periods, 31 of these operating after events at The O₂ which would also serve the casino.

The Greenwich Waterfront Transit scheme which will run from Abbey Wood in the east of the Borough to Greenwich Town Centre will shortly enter the detailed design stage for Phase 1 from Abbey Wood to the North Greenwich Transport Interchange. The indicative timetable for completion is December 2009. For Phase 3, from North Greenwich to Greenwich Town Centre, Transport for London (TfL) is planning to commission consultants to undertake work on the engineering feasibility and business case in late 2007/08. The indicative timetable for services starting is 2016.

River services

River services have the potential for large-scale expansion and demand is growing rapidly. There is one pier - the Queen Elizabeth II - to the South East of the development which is already built but currently without any regular services. A second pier, the Meridian, is planned for the north side of the development in association with the proposed hotel. The developer AEG has undertaken considerable research with a view to using the River Thames to provide access to and from The O₂. This includes discussions with operators

to reinvigorate services to the existing QEII Pier. In addition, AEG is currently proposing to invest in 6/7 new boats to service the QEII Pier and Central London. The extent of the services to be provided will depend on whether the casino and hotels are developed.

Road

- **Thames Gateway Bridge**

The Thames Gateway Bridge, linking Thememead in the east of the Borough to Beckton is planned to open in 2013. It could have a small impact on traffic congestion on the A102 at the Blackwall Tunnel but will have no permanent significant effect.

- **Silvertown Link**

There are also plans for a second Thames crossing - known as the Silvertown Link - which will link the Peninsula to Silvertown on the north side of the Thames. This land has already been designated on both side of the river and TfL plan to start planning work on this as soon as the enquiry into the Thames Gateway Bridge is complete.

Crossrail

The nearest Crossrail stations would be at Isle of Dogs and potentially Woolwich Arsenal. However, Crossrail would not serve the site directly. In the long term, Crossrail will provide a huge boost to the wider local economy and could improve accessibility to the site via local interchanges, but overall it is not anticipated that it will much impact on the development. Crossrail would reduce congestion on the London underground generally, and on the Jubilee line into Stratford in particular, but it is not necessary for the success of a regional casino.

The O₂ Travel Plan

AEG is currently working on The O₂ Travel Plan which which will summarises the transport strategies and plans for The O₂ in the short to medium term. It will cover the impacts of different audiences for events and evening visitor usage.

Q2 You refer to a Tutankhamen exhibit in resident theatre, hotel etc. Can you confirm both the detail and the certainty of these things?

Response

The O₂ is a leisure and entertainment facility being developed at the Millennium Dome on the Greenwich Peninsula by Anschutz Entertainment Group (“AEG”), the owner of the facility. The regional casino is core to the vision of The O₂ as a complete leisure destination, but if a casino is not included as part of the scheme, The O₂ will be developed to a lesser extent. A socio-economic impact assessment of a proposed regional casino was undertaken in 2006, and this formed the basis of our submission to the CAP in terms of the economic impact of a casino at the local, sub-regional and regional levels.¹ This assessment considered The O₂ project in two parts:

- *Base case scenario*: the development without the casino. This base case includes the arena, music club and a limited amount of supporting entertainment area, which we refer to as entertainment district phase 1 or as the partial scheme
- *Incremental scenario*: the additional development which comes with a casino and hotel. This would be the remainder of entertainment district phase 1 (exhibition space with Tutankhamun exhibit), and a limited amount of supporting entertainment space (including Cirque du Soleil type theatre) which we refer to as entertainment district phase 2.

The justification for the split between these scenarios includes:

- The timing of the project, which meant that AEG had to commit to the arena and casino before the Gambling Act was passed. At this time there were more regional casinos planned for the UK so the inclusion of this product into The O₂ was not considered an uncertain prospect
- Viability of The O₂: the casino effectively cross funds other elements of the scheme (in common with other casino proposals and as discussed in our response to Question 10), and without a casino there is less justification for all the development. Nevertheless a certain level of investment is needed to make the arena attractive to visitors and viable overall
- Complexities of the site: due to cost efficiencies and construction logistics, the casino shell was created as part of a back of house area at an early stage in the project. In addition the hotel and arena are expensive to develop, compared with other projects, reflecting the high quality facilities proposed
- AEG is contractually obliged to develop the arena on the site but has no obligation whatsoever to develop other elements.

The diagram attached shows the plan for the interior of The O₂, highlighting the elements that are incremental and dependent on the casino development.

¹ Draft report prepared by PricewaterhouseCoopers for Greenwich Council, Assessment of the Economic and Social Impact of a Regional Casino as part of The O₂ (Millennium Dome) Development at the Greenwich Peninsula, Draft Report and Appendices, March 2006

Elements without casino

Elements included under this scenario include:²

- **Arena:** with audience capacity of 23,000, flexible seating, excellent acoustics and corporate facilities, hosting concerts and other events (including some 2012 Olympic events);
- **Live music club:** with an audience capacity of 2,200 people. It is described as comparable to the Astoria Music Club on Charing Cross Road in London and is due to open in July 2007.
- **11 screen luxury cinema:** including a 770 seat premier screen cinema to compete with Leicester Square for hosting film premiers. Anschutz Film Group develops films, including the 'Narnia' series and anticipates attracting film premieres to The O₂, including 'post premiere' parties. The cinema is due to open in July 2007.
- **British Music Experience:** proposed to be the UK's national centre for the celebration of popular music and will house memorabilia, collections and interactive displays. AEG is in negotiation with the British Phonographic Institute (producers of the Brit Awards) to run the attraction.
- **Some bars, restaurants and retail:** AEG is developing a further 34 retail, bar, restaurant and club spaces. As at August 2006, AEG notes that three leases have been exchanged in relation to these spaces, with Heads of Terms agreed on a further five. AEG intends that 27 of these spaces will open in July 2007, with the remainder to open later in the year.

Additional elements with a casino

The key elements of the scheme which are dependent on the casino are outlined below. In addition there would be further leisure units, bars and restaurants:

- The Tutankhamun exhibit
- Cirque du Soleil type theatre
- Luxury hotels (second hotel now anticipated since original submission to CAP)

Tutankhamun exhibit

There is potentially 5,864sq m of exhibition space, which will be designed to house semi-permanent touring exhibitions. We understand that the first of these will be the Tutankhamun Exhibition. The Tutankhamun Exhibition comprises more than 130 treasures from the tomb of the pharaoh, other Valley of the Kings tombs and additional ancient sites. The exhibition is organised by National Geographic, AEG Exhibitions and Arts and Exhibitions International, with cooperation from the

² Summarised from Greenwich Peninsula Leisure and Entertainment Quarter, Autumn 2005, AEG and information provided by AEG, 8th August 2006

Egyptian Supreme Council of Antiquities.³ AEG owns the worldwide rights to the Tutankhamun Exhibition.⁴

The tour is scheduled for 27 months in the US, visiting Los Angeles, Fort Lauderdale, Chicago, Philadelphia and is the first time the exhibits have been seen in the USA for 26 years.

The tour schedule for the exhibition is as follows:

- The Field Museum, Chicago (May 2006 to January 2007), with half a million tickets sold to date (according to the website)
- The Franklin Institute in Philadelphia (February to September 2007).

The exhibition is scheduled to go to The O₂ in November 2007. AEG will make a decision to bring the exhibition to London, in preference to other locations such as Paris. London would be the only European location, before the exhibit's permanent return to Cairo.⁵



Source: www.kingtut.org

³ <http://www.kingtut.org/>

⁴ Telephone conversation with AEG, 9th August 2006

⁵ Email from AEG to PwC, 14th February 2006 and telephone conversation with AEG, 9th August 2006

During its time in Los Angeles the exhibition attracted 937,000 visitors, of which 27% were children. LA Inc estimated that the economic impact to Los Angeles was \$150m based solely upon the number of outer market visitors.⁶

Cirque du Soleil type theatre

The developer plans to include a theatre with 1,800 audience capacity. The intention is for the theatre to be the location where an operator of the nature of the “Cirque du Soleil” could reside on a permanent basis. The intention is for a particular show to reside at The O₂, which would be unique to that location (as opposed to the touring shows)

Cirque du Soleil presents touring and resident shows, currently at the following locations:

- Resident shows in Las Vegas (The Mirage, Treasure Island, Bellagio, MGM Grand) and Walt Disney World ® Resort, Orlando.
- Touring shows, with European dates in Amsterdam, Brussels, Madrid, Barcelona, Malaga, Berlin, Frankfurt, with around a month in each city.⁷

AEG is discussing this opportunity with Cirque du Soleil and a number of other parties.⁸

Hotel

The plans for the hotel comprise a luxury 320-350 room hotel, occupying 31,985 sq m space and outline planning permission has been granted for this.⁹ The hotel is commensurate with the vision for The O₂ as an ultimate leisure destination:

- The hotel has been designed by Richard Rogers, who is retained by the operator for the Greenwich development¹⁰
- The hotel will be located on a site adjoining The O₂ facing north towards Canary Wharf.
- It will include a range of room types from standard to luxury and penthouse; rooms will range from 40m² in size, and suites between 80m² to 200m², reflecting their luxury and space
- Facilities will include a sky bar/restaurant and (subject to permissions and health and safety regulations) access to viewing platform on the 32nd floor. Other facilities include a brasserie, cocktail bar, conference rooms, business centre, gym, bar, aerobics hall, swimming pool, beauty salon and massage room
- There is an agreement between AEG and an operator which requires that the operator must develop a high quality luxury hotel. The operator is

⁶ Email from AEG, 14th February 2006

⁷ http://www.cirquedusoleil.com/CirqueDuSoleil/en/showstickets/alegria/Ticketsgeneral/london.htm?sa_campaign=internal_ads/dropdown/london

⁸ Telephone conversation with AEG, 9th August 2006

⁹ insert reference

¹⁰ Information provided by AEG, 8th August 2006

contractually obliged with AEG (and have undertaken in writing to LBG) to start to develop the hotel subject to the casino licensing process

- It will have a specially developed pier on the northern end of the Peninsula (see response to Question 1) in addition to the Queen Elizabeth II Pier on the south east of The O2 to service customers. This is along with specially landscaped surroundings towards the riverside walk and will include 400 car park spaces.

We recognise that there is a need for more visitor accommodation in Greenwich and in London generally. The GLA has highlighted the need for more visitor accommodation outside the central zone, in order to assist the dispersal of tourism throughout London and Greenwich.¹¹

A hotel of this standard has the potential to change the iconic impression of the Dome and enable The O₂ to become a true destination resort, which will set new standards in leisure and entertainment provision in the European stage.

Since the submission of the bid to the CAP there has been interest expressed in a second hotel on the Peninsula, also subject to the casino development. We understand that AEG has an agreement in principle with Marriott International to develop a second hotel on the Greenwich Peninsula. The hotel would be a Renaissance style, 400-500 room property with conference, banqueting and condominium development, subject to planning permission and necessary leases. We understand that this hotel would be developed outside The O₂ on the Piazza area. This development would also be dependent on the regional casino being developed.¹² The economic impact of this hotel is not included in our bid, or in the numbers presented in these responses, so this development would represent upside in terms of employment and tourism.¹³ A broad assessment of economic impact of this second hotel is currently being carried out.

¹¹ London Development Agency, Encouraging the supply of visitor accommodation across London, 2004

¹² Email from AEG, 8th August 2006

¹³ Information provided by AEG, 8th August 2006

Q3. In the introduction to your proposal you set out the Millennium Dome as the proposed location for a regional casino. PPS6 at paragraph 1.8 refers to casinos as a “main town centre use” and elsewhere (paragraphs 2.24, 2.44, 3.1 etc.) expresses a preference for such uses to be located in town centres. Whilst the remit of the Panel is to advise only on the broad location of casinos, you have chosen in your proposal to identify a location outside any town centre as a particular merit of your proposal. What is your justification for choosing a location contrary to Government policy

Response

Greenwich Peninsula is the largest development area within Greenwich. It is key to the regeneration agenda for Greenwich, Thames Gateway and London. Although not a town centre site, the Peninsula is a highly accessible location and a designated mixed use area including leisure uses, housing, offices, retail, light industry, hotel, community uses including schools and healthcare uses. To this extent, the Peninsula shares many common characteristics of a town centre, in terms of its high level of public transport accessibility and the diverse range of uses and location of buildings of significant cultural importance.

The Peninsula will become a major new centre in Greenwich supporting approximately 1,430,650sq.metres of new development including 10,000 new homes and almost 500,000 sq.metres of commercial development. In terms of floorspace the Peninsula can be compared to Woolwich Town Centre, which has approximately 140,000 sq.metres of commercial floorspace and is designated as a Strategic Centre. The Peninsula will be considerably bigger in terms of new floorspace than Greenwich town centre. The development approved in the Peninsula Masterplan is now under construction and will create a new urban quarter based on the principles of sustainable mixed use and exceptional environmental quality.

The significance of the Peninsula as a major new urban quarter is long established. At the inquiry for the 1994 UDP, the Inspector considered that because of its significance for the Thames Gateway, the Borough and the Waterfront the Peninsula should be identified as a special area with its own separate policy in the Plan. Since the site has continued to be the subject of Development Frameworks setting out development principles and retained as a mixed-use area in the new adopted 2006 UDP.

The approved Peninsula Masterplan is compliant with both regional planning policy in the London Plan as well as local policy, and although not a designated town centre site the Peninsula will fulfil the criteria to warrant it being regarded as a town centre in its own right. The regeneration of the site presents a unique

regeneration opportunity to deliver a new sustainable mixed-use development, which is the cornerstone of Government planning guidance.

In the Council's view, this site is the ideal location for a casino. A casino of this type would not be appropriate in any other area of the Borough, and is the only site currently designated for this scale of leisure and entertainment use. Its location at the northern end of Greenwich Peninsula as part of an entertainment complex means that the casino will not be readily accessible to the casual passer and so does not have the potential to attract ambient gamblers. The O₂ is also surrounded by a planned business district, including the second hotel, the North Greenwich Transport interchange and a further three million sq. ft of office development, which will act as a buffer between the entertainment core and the residential areas on the Peninsula. Within The O₂ itself, the regional casino would be located on the third floor and will only be accessible by escalators and lifts, so there has to be a conscious effort to visit. We believe that the facility will have limited impact on problem gambling in our community, and will not create adverse impacts such as light, noise and traffic for existing residents.

The Council has already granted planning consent for The O₂ redevelopment. The application was considered by the Council and the Mayor of London, and was also referred to the Secretary of State. In approving the application, the Council is satisfied that the proposal is fully in line with local and national planning policies and the tests for impact on other centres.

AEG are in the process of constructing a shell which will be able to house the casino if the application for a license were to be successful, thus making the delivery of a regional casino pilot viable and deliverable very quickly subject to planning and licensing approvals. This project could be complete within 18 months of instructions which AEG believe will allow for a pilot scheme to be up and running if Greenwich was awarded a licence. (Source: Turner & Townsend letter 9 August 2006 attached)

2. Social Impact

Q4 Can you summarise the lessons you have drawn from your experience of casinos so far and what methods did you use to derive these? What empirically based assessment, if any, is available on the impact of existing gambling operations within your area on problem gambling and may we have a copy of any reports?

Response

Introduction

Outlined below is a brief description of the evidence base used to inform Greenwich Council's decision making in the area of problem gambling, followed by summaries of five key lessons we have drawn from our experience to date¹⁴.

Greenwich Council's casino problem gambling evidence base

Greenwich's current lack of exposure to casino gambling has increased our sensitivity to problem gambling risk. Understanding such risks associated with casinos, and ensuring we develop world class techniques to manage and mitigate problem gambling risk, has therefore been a priority for Greenwich Council whilst considering a regional casino in the Borough.

In early 2006, Greenwich Council commissioned PricewaterhouseCoopers ("PwC") to undertake a socio-economic impact assessment of a Regional Casino as part of The O₂ (Millennium Dome) development at the Greenwich Peninsula. The report was commissioned as part of Greenwich Council's evidence-based decision making on whether to bid for the first Regional Casino licence. An assessment of social risks, particularly problem gambling risk, associated with regional casinos was an important component of this report.

PwC's study was based on UK and international research on problem gambling and new interviews carried out with UK based stakeholders such as: The Responsibility in Gambling Trust (RiGT), GamCare, the Salvation Army (and other religious groups), Nottingham Trent University (Prof. Mark Griffiths), Salford University (Prof. Peter Collins), and the Metropolitan Police Gaming Unit. All of this research is available from published sources, and detailed references to these and other material used to inform our key lessons are included.

Lesson 1: Casino gambling is not 'just another industry'

¹⁴ Research has been carried out on public attitudes to casino gambling in Greenwich, referred to in section 2.3.1 of our CAP proposal. However we are not aware of any Greenwich or London specific research regarding problem gambling propensity rates, this response therefore focuses on broader UK and international research.

We recognise the nature of the casino gambling industry is such that it can simultaneously provide entertainment that is harmless to most people, but which has the potential to adversely impact on the lives of a minority. The imbalance between the consequences for each group can be very marked, a feature not found in other entertainment industries.

Lesson 2: The critical importance of education and raising public awareness

Stakeholder consultations and the review of international research was consistent in suggesting that problem gambling risk can be significantly reduced through pro-active public awareness campaigns focused on educating people on the risks of problem gambling. Our CAP proposal (section 2.3.2) committed to such local education and public awareness campaigns; in particular initiatives aimed at high risk groups and at reducing the risks for children and vulnerable groups.

We have already provided members of the local public with opportunities to raise their concerns and questions during February and March when a series of ‘road-shows’ and events were carried out across Greenwich in 2006:

- January: Greenwich Peninsula Partnership Forum
- March: Three Greenwich Peninsula Partnership road shows across the Borough
- July: AEG stand at a community consultation event

Problem gambling was an issue that only arose once during the road shows, with a resident asking: “... *how you will work for avoidance of repetitive gambling, how will this operate*”.¹⁵ The response provided re-iterated, directly to the public, the importance that will be placed on mitigating problem gambling risk: “*We will work with experts and address what is best. There will be referral programmes, involving family members and screening will take place to 1) identify people and 2) to implement programmes...*”¹⁶

Lesson 3: The need for transparency over casino revenue generation

The Council has already communicated to the CAP that assurances of social responsibility from the casino operator, alone, are insufficient. As outlined in section 2.3.2 of our CAP proposal we will ensure “...the operator has a transparent business model that demonstrates that the absolute minimum revenue is derived from problem gamblers”, a unique commitment from the short listed CAP proposals.

¹⁵ Greenwich Peninsula Partnership, Public Meeting at Firepower Museum, The Royal Arsenal (7th March 2006).

¹⁶ Question answered by the potential casino operator

Lesson 4: The need for a non-ambient location for a regional casino

Ambient gambling constitutes forms of gambling that are highly convenient and easily accessible, such as internet gambling or a casino located on a city high street. Non-ambient gambling are those forms that are less convenient to access and require planning to participate in, for example a 'destination' casino located away from residential areas. Stakeholders consulted and international research agreed that the risk from non-ambient gambling is considerably less than ambient gambling.

As outlined by Professor Sir Peter Collins from the Centre for the Study of Gambling, University of Salford¹⁷ "Convenience is the single greatest spur to increase problem gambling... a casino machine of any sort located for example, in a supermarket is highly dangerous. At the other end of the scale, a machine, even a highly prized machine, located in a casino out of town or on the edge of town a long way from where people live and work, means that people have to make a number of decisions before they go there."

This analysis again suggests a relatively high level of suitability of The O₂ location, as it is away from the central residential areas of Greenwich at the end of the Greenwich Peninsula and is part of a leisure destination. This relatively non-ambient location could in part explain why The O₂ is by far the most preferred London location for the first regional casino by members of the public in London¹⁸.

Lesson 5: The need for a local authority to proactively address problem gambling risk

Our CAP proposal also committed the Council to developing a multi-agency approach to address problem gambling. The Council agreed at its meeting on 26th July 2006 to establish a body to address gambling addiction and personal insolvency, regardless of whether the proposals for The O₂ come to fruition. Terms of Reference are already drafted and the Multi Agency Panel will be chaired by Michael Chuter, the Chair of Greenwich Primary Care Trust, and will include representatives of Oxleas (Mental Health Trust), Social Services, representation from multi-faith communities, and support and counselling agencies. This body will identify and address the social impacts of gambling of all types. The Council is aware that non-casino methods of gambling, particularly via the internet, are considered by many experts to be significantly riskier than casino gambling.

Given this, the Council is unanimously committed to developing this agency to address gambling addiction whether or not the proposals for The O₂ come to fruition. Greenwich Council is also in the process of rigorously implementing new legislation brought into effect by the Gambling Act 2005 to reduce access

¹⁷ Examination of witness (8th July 2006), UK Parliament Joint Committee on the Draft Gambling Bill: www.parliament.the-stationery-office.co.uk/pa/jt200304/jtselect/jtregc/146/4070810.htm

¹⁸ When asked: 'If these were the possible locations for London's supercasino, which would you choose?' 52% stated the site of the Dome at Greenwich. Source: YouGov poll (21st-24th July 2006), quoted in the Evening Standard (26th July 2006). 28% stated 'Don't know', 10% 'as part of the new Wembley Stadium' and 10% Rainham Marshes.

to more ambient forms of gambling in the Borough (e.g. fruit machines accessible to young people) as outlined below.¹⁹

Consultation on Draft Gambling Act Statement of Principles

The Council's Draft Statement of Principles has been published and we are inviting comments on this. The key elements of this statement of principles are summarised below.²⁰

Greenwich Council is committed to:

- Safeguarding the quality of life for residents and the interests of children and vulnerable adults
- Giving local residents and other interested parties full information about gambling activity in their area, and a chance to have their say
- Rigorous enforcement of the Gambling Act and of licensing conditions.

The Statement of Principles for Greenwich will safeguard the quality of life and the interests of children and vulnerable adults by:

- Making clear that the Council will not issue a licence or permit unless adequate controls are in place to protect children from harm from gambling

Giving particular consideration to licence applications for premises close to schools or other establishments attended by children or vulnerable adults

- Requiring operators to show that they have appropriate measures in place to ensure that underage gambling cannot take place
- Working in close partnership with the police to prevent gambling from being a source of crime or disorder
- Requiring premises to ensure that their door supervisors have undertaken a nationally recognised qualification and undergone Criminal Records Bureau checks
- Designating the Greenwich Local Safeguarding Board as the body for protection of children from harm

¹⁹ Greenwich Council 'Gambling Act 2005, Statement of Principles'

²⁰ Summarised from <http://www.greenwich.gov.uk/Greenwich/YourCouncil/HaveYourSay/GamblingAct/>

Q5 Why is it that you are so confident that the new casino will benefit the mass of economically inactive people in your council's area – in particular, in the deprived areas how will you ensure a positive take up of job opportunities?

Response

Greenwich Council recognises the challenge of helping the economically inactive into work, especially those furthest from the labour market. However, we believe we have the mechanisms and network of partners in place and the experience to maximise the employment opportunities for local people – particularly for those who are economically inactive but also for those who wish to move into higher skilled jobs. We believe a Regional Casino has the potential to offer a range of jobs and flexible working practices, such as part-time working, and will be a great asset in our efforts to support people into work. This is particularly in the context of the recently announced East and South East London City Strategy Pilot which covers the five Olympics Host boroughs.

The Council has extensive experience of capturing the employment and business benefits from new developments. Greenwich Local Labour and Business (GLLaB) is the focus for much of this work. This means that we are well placed to maximise the employment opportunities for local people and to judge the impact of a Regional Casino.

The role of GLLaB

GLLaB was set up in 1996 by Greenwich Council to maximise opportunities for local people and businesses from major developments. Since its inception, GLLaB has helped place over 7000 people into work, 44% of these belong to a Black or Minority Ethnic groups. Local residents have also received a range of training support, which has resulted in achievement of over 6800 qualifications.

GLLaB's primary focus is to ensure that local people and local enterprises gain maximum benefit from employment and procurement opportunities by removing barriers to both work and enterprise growth. GLLaB's Employment, Skills and Business Intervention Services are embedded in the S106 planning agreements where the developer's commitment is secured to deliver a range of socio-economic benefits to local communities from planned developments. (see response to Q15)

The success of the work of Greenwich Council and GLLaB in this area has been widely acknowledged, by for example, the Joseph Rowntree Foundation (Local Jobs from Local Developments, 2000); the Audit Commission (A life's Work, 1999); and in external Inspections (e.g. Regeneration Best value Review, CPA). In 2003/04 Greenwich was awarded Beacon Council status for its work in

Removing Barriers to Work. In addition, GLLaB was first awarded Charter Mark status in 2002 for excellence in customer services. It retained this award in 2006 against more robust criteria and moved from good practice to best practice in the areas of partnership working and providing choice and accessible services to a wide range of communities.

Securing the benefits

Over the past decade we have learnt that there are three key components to securing social benefits for the borough's most deprived residents, and ensuring positive take up of opportunities. These are firstly, close working relationship with employers, from the development/construction phase through to end user operators and their supply chains. Secondly, active community engagement through targeted intervention; and thirdly, underpinning all activities through strong partnership working with key stakeholders.

We are confident that these three components, will capture the employment benefits arising from the casino and hotels, which are further illustrated below.

- **Employer engagement**

GLLaB's work with employers to develop bespoke services that support the recruitment of a locally based skills workforce is fundamental to capturing community benefits. To achieve positive outcomes for the local community it is vital to make the investment in time to develop strong relationships.

On major opportunity sites such as the Greenwich Peninsula, GLLaB's on-site office is fundamental to fostering the close working relationships needed to support developers, principal contractors and their supply chains. Meridian Delta Limited has invested in the establishment of GLLaB's on-site office – The 'Work and Learn Centre' where we deliver recruitment and training solutions to contractors' onsite in partnership with AEG and Job Centre Plus.

Regular site visits and attending contractor forums enable us to monitor the performance of site in relation to fulfilment of the Section 106 obligations and address any areas of non-compliance.

Success from the Dome recruitment and other opportunities on the Greenwich Peninsula Development is now the benchmark against which future success is measured. AEG is committed to emulating and building on the 40% of jobs on the previous Peninsula development as a whole going to Greenwich residents in the Millennium year.

The mechanisms for building on this success are already in place. For example, GLLaB has worked closely with AEG to develop The O₂ Customised Training Programme, which delivers training that supports the

key skills requirements for AEG's workforce. The first learners will commence training in September 2006 and successful completers will be guaranteed an interview with AEG.

Inactivity and unemployment is most acute among people with no qualifications, based on our experience promoting customised training, which includes accredited components that greatly enhance employment prospects and promote sustainable employment. GLLaB and AEG will build and adapt this customised training programme to secure sustainable employment benefits.

Senior management recruitment for The O₂ commenced in June 2006 and ongoing recruitment for middle management, lower management and operational jobs is underway. GLLaB are co-ordinating all recruitment and from February 2007 will be facilitating a number of recruitment and open days across the borough, in partnership with Job Centre Plus and AEG. This process would be extended to the casino and hotel developments.

AEG has written GLLaB's recruitment processes into all their Service Level Agreements with Tenants. This measure will ensure that where AEG are not responsible for direct recruitment their commitment to recruitment to local labour will be an integral part of their tenant relationship management processes.

The Council would expect to obtain full commitment from a casino operator to deliver a range of community benefits including training and employment for local people and opportunities for local businesses.

- **Community engagement**

The focal point of GLLaB's community engagement strategy is on delivering regeneration benefits to the boroughs more disadvantaged residents. Over the past 10 years GLLaB has developed area-based targeted intervention, to support those communities living among the 10% most deprived neighbourhoods in the borough. Our work has concentrated on increasing economic activity rates, reducing levels of worklessness, through promoting access to training support and development.

In 2002 – 2005, the council exceeded their Local Public Service Agreement (LPSA) for Employment delivered through GLLaB. We have just embarked on a second round of LPSA targets to increase the number of workless people entering sustained employment, particularly those living in the most disadvantaged areas, and from the most disadvantaged groups, such as those claiming Incapacity Benefit and Lone Parents.

GLLaB operates from 18 service delivery and 15 training delivery locations, including the newly formed Children Centres, Neighbourhood Renewal One-stop-shops, and our high street and site offices. This service delivery

coverage has enabled us to target and engage socially excluded groups particularly lone parents, those claiming Incapacity Benefit, and people with disabilities, who are also the primary focus on our Local Area Agreement work.

- **Partnership working**

Greenwich Council has a strong record of working in partnership with the private, public and voluntary sectors to capture benefits and ensure local residents have the skills and opportunities to access the jobs being created in the regeneration of the borough and elsewhere in London. This includes developers, employers, Job Centre Plus, the London Development Agency, Learning and Skills Council, Connexions, business support agencies and numerous local community and voluntary organisations involved in outreach activities.

GLLaB's strength and success are firmly grounded on such strong partnership working which are critical to our ability to provide a range of targeted services, which meet the needs of the borough's diverse community, and delivers the employment aspirations of this proposal. Multi-agency working underpins the Council's Local Area Agreement, and the Council has set up the Greenwich Employment Forum as a key mechanism to deliver the outcomes agreed in the LAA. It will enhance the scope of building joint capacity to maximize employment benefits, along with the pulling and alignment of resources to focus on local priorities through a seamless service delivery.

Working with businesses

GLLaB also works with business to help local companies access contracting opportunities that are created. This provides businesses with information of contracting opportunities and utilising a network of business support agencies supports local businesses prepare and bid for work. A programme of work led by the Council also seeks to capitalise on the opportunity to attract new businesses to the area and support new business start-ups. For example, Business Works has a highly successful track record of supporting Black and Ethnic Minority entrepreneurs. In supporting business development linked to the new opportunities we help secure further local employment opportunities through the direct and indirect multiplier effect.

Impact on economic activity levels

Our work has impacted on unemployment and worklessness in the borough. Unemployment has fallen faster in Greenwich compared to other areas. The gap between the London and Greenwich unemployment rate, as measured by JSA claimants, has reduced from around 3 percentage points to 1 percentage point in the last decade.

The level of worklessness has also fallen. In 1997 Greenwich was in the 20 worst local authority districts in terms of worklessness. By 2004 it had moved out of the bottom 20, in contrast to other neighbouring Thames Gateway Boroughs whose position had either worsened or remained constant. Despite this achievement, the employment rate is still around 10 percentage points below the national target and 15 percentage points below the Government's target of 80%. (Annual Census of Population)

The 2012 Olympic and Paralympic Games

Greenwich Council's achievements in capturing the benefits from new developments has resulted in it leading the employment, business and skills workstream for the five Olympic Host Boroughs. Officers from Greenwich Council and GLLaB have been seconded in to a new five borough host team to design the activities required to maximise the economic and social legacy from the 2012 London Olympics and Paralympics for the Host Boroughs. This has led to a creation of a new five Borough local employment and business scheme, based on GLLaB, that will coordinate a network of Borough-based job brokerage schemes. The Leader of Greenwich Council oversees this workstream on behalf of the five Borough Leaders and Mayors.

The City Strategy Pilot

The five Boroughs and a range of local and regional partners are working collaboratively to tackle worklessness and child poverty in the sub-region. Early in 2006, the government announced its decision to select the five boroughs as a City Strategy Pilot (CSP) area. We believe that, through the work of Greenwich Council and our consortium colleagues, we are well placed to link the opportunities created through a Regional Casino at The O₂ to this initiative and to help meet the government's aims for CSPs.

Q6. Please give us precise details on how you came to your economic impact assessment

Response

Our objective

The socio-economic impact study prepared in March 2006 had the objectives of identifying and quantifying (as far as possible) the broad economic impacts of the proposed casino and associated developments in terms of its contribution to:

- Direct, indirect and induced employment creation, during construction and operation;
- Economic output (Gross Value Added) and tax revenues: and
- Regeneration of the Greenwich Peninsula by creating sustainable high quality jobs, generating economic wealth, and improvements in the area's economic competitiveness

Basis of comparison

In order to understand the economic impacts presented in the CAP submission document a number of definitions are required.

Definition of development scenarios

The economic impacts presented relate to two distinct development scenarios:

- Without the casino (Base case scenario): assuming that the casino is not developed. This base case includes the arena, music club and most of entertainment district phase 1 - the partial scheme
- With the casino (Incremental scenario): casino and hotel, remainder of entertainment district phase 1 (exhibition space with Tutankhamun exhibit), entertainment district phase 2 (including Cirque du Soleil theatre).- the full scheme

The economic impact numbers presented in the CAP submission document relate to the incremental scenario and combined with The O₂ scheme - which includes both the base case and the incremental scenario (although the economic impact of the second hotel and associated river transport are currently being assessed).

Definition of spatial levels

In identifying the impact of the proposed development we have sought to define its geographical area of impact at three spatial levels:

- "Local", being the London Borough of Greenwich,
- "sub-regional", defined as the London Thames Gateway area covering 10 London Boroughs which correspond to the area covered by the Thames Gateway London Partnership (Hackney, Tower Hamlets, Newham, Waltham

Forest, Barking and Dagenham, Havering, Redbridge, Bexley, Greenwich and Lewisham).

- “Regional” or “London” level being the greater London area

Methodology

Our approach to undertaking this assessment is consistent with HM Treasury Green Book standards²¹ and the English Partnership’s Additionality Guide (September 2004)²². In terms of direct job creation, we have considered three potential sources of employment:

- Jobs generated on-site during the construction phase,
- Jobs generated on-site during the operational phase; and,
- Jobs created “off-site” due to “off-site” expenditure by visitors to the casino.

The total of these three (gross direct employment) is then adjusted for the effects of:

- **Substitution** – this arises where a firm substitutes one activity for a similar one to take advantage of public sector assistance. For the purposes of this study we are interested in employment substitution and have defined this as the number of jobs lost in the same sector of activity (e.g. for operational jobs, the gaming industry) elsewhere in the relevant spatial area,
- **Displacement** – defined as the number of jobs lost in other economic sectors (e.g. jobs lost in other leisure or non-leisure sectors to take into account the fact that a proportion of the money spent by casino users would otherwise have been spent on other leisure or non-leisure activities), and,
- **Deadweight** – defined as the number of jobs likely to be created anyway even if the casino were not to be developed.

The resulting net direct jobs have then been multiplied by an indirect and induced multiplier factor to estimate the effects of:

- **Indirect employment;** resulting from business expenditure on goods and services such as procurement of materials, equipment and a range of services from building to cleaning, catering and professional services. These effects can be measured in terms of additional employment generated by suppliers delivering goods and services to businesses located on the site; and,
- **Induced employment** reflecting employment generated in the local, regional or London economy by the spending of direct (businesses located on the site) and indirect (supply chain) employees.

“Total employment at xxx level” is therefore a measure of net direct, indirect and induced employment at the relevant spatial level.

²¹ Green Book, Appraisal and Evaluation in Central Government', HM Treasury (April 2003)

²² 'A Standard Approach to Assessing the Additional Impact of Projects', English Partnerships (September 2004)

“Jobs taken up at xxx level” is a measure of the proportion of total employment that will effectively be taken up by people within the relevant spatial area based on the capacity of the market to benefit from these employment opportunities.

The extent of the indirect and induced employment effects within the local economy is conditioned by the “leakage” caused by employing people from outside the impacted area. In determining this leakage, the following considerations are important:

- Size of the local area, since the smaller the geographical area the greater the leakage;
- The structure of the local economy and strength of its economic linkages, and hence the ability of the local economy to retain economic activity within its own boundaries;
- The nature of the direct employment created, and hence the disposable incomes of the workers;
- Time period of evaluation, since over time it is expected that local businesses will adapt more fully to the demands made on their services and reduce the extent of leakages out of the local economy;
- The nature of the relationship between revenue and employment within a given enterprise, since in practice the extent to which secondary businesses can absorb a certain amount of additional demand without need for further recruitment will vary between businesses.

Considering indirect effects (i.e. firms purchases from each other) and induced effects (i.e. wages and net profits) together suggests that the overall multiplier is the inverse of the overall leakage out of the local economy (i.e. what does not leave the local economy must be retained). Thus, a leakage of say 60 percent implies a multiplier of 1.67 and leakage of say 40 percent implies a multiplier of 2.5. The multiplier coefficient applies both to workers recruited locally and those brought in from outside the local area. In both cases, these operational jobs represent new employment opportunities for the local economy.

Incremental contribution to Gross Value Added (GVA)

The measure of economic contribution generally adopted in regeneration studies is contribution to economic output, GDP (Gross Domestic Product) or GVA (Gross Value Added) GVA differs from GDP in that GDP is measured at market prices, namely GVA plus taxes/less subsidies on products. Since information on taxes and subsidies is not available at a regional level, GVA rather than GDP has been adopted.

For the purpose of this study we have used GVA values at the London level. Data from the Office for National Statistics show that there were 3,933,234 employees in London for the period March 2003 to February 2004 and that the GVA of London was £159,442 million in 2003. From this information, it has been estimated that the average GVA/worker in London is approximately £40,537.

Key assumptions

Construction employment

Temporary construction employment has been estimated based on a review of evidence from past major capital works projects e.g. M6 widening, Canary Wharf, DLR, Channel tunnel. The evidence examined expressed in terms of the ratio of capital expenditure to employee years suggested a range of £32,000 - £78,000 of capital expenditure per employee year. We have taken a mid range estimate of £55,000 per employee year as the basis for our work.

Using a gross capital investment figure of £320 million for the incremental scenario²³ and £651 million for the combined scenario²⁴ and dividing this by £55,000, we estimate that 5,810 and 11,830 gross person-years of employment respectively will be created during the construction phase. Following the convention adopted by the Treasury that 10 person-years of temporary employment in the construction industry can be taken as equivalent to one permanent full-time job created, we estimate that the incremental and combined scenarios would lead to the creation of 580 and 1,183 construction jobs respectively (direct, on-site, before adjustment for substitution, displacement and deadweight) .

We assume for both the incremental and combined scenarios that the substitution and displacement factors for construction jobs would be zero. The development is unlikely to result in substitution effects because, from the developer's perspective, both the Millennium Dome site and its associated development plans (the combination of hotels, regional casino, arena etc) represent a unique opportunity within the London Borough of Greenwich, the London Thames Gateway area and within Greater London.

In terms of displacement, there is no clear dependency between this project and other development projects in the area which means that the proposed development will have little or no impact on the outcome of other pending development projects. The expectation that The O₂ regional casino may have limited negative impact on other development schemes is reinforced by the fact that there is considerable construction activity (demand side) and construction training activity (supply side) taking place to ensure that local people are being trained in order to take up those construction employment opportunities. This reasoning is consistent with English Partnership's Additionality Guide (EPAG).

The O₂ development will impact on the pace of development elsewhere on the Peninsula. Progress to date has been slow – construction is not underway on any of the commercial or residential development.

In respect of deadweight, EPAG indicates a 50% factor for the construction sector at local level based on the evaluation of the Enterprise Zones. In the case of The O₂ regional casino, we assume lower deadweight factors of 20% at the local level and 25%

²³ £264 million for the casino and the hotel, £9 million for the fitting of building 5 for exhibition purposes as part of the Entertainment District components of Phase 1, and £47 million for the development of all components of the Entertainment District of Phase 2.

²⁴ Incremental scenario plus arena, music club and

at the sub-regional level and 30% at the London level, reflecting the unique characteristics of the casino/hotel development which means that a high proportion of those jobs would not be created in the absence of the development. We assume that this factor is higher at the sub-regional and regional levels reflecting the greater likelihood of alternative employment creation in development projects similar to the less unique elements of The O₂ development (e.g. retail/bars) than at the local level.

The indirect and induced multiplier is assumed to be 1.1, 1.2 and 1.4 respectively for the local, sub-regional and regional levels reflecting greater economic linkages at higher spatial levels (based on EPAG).

The proportion of construction jobs filled from within the local area is assumed to be 20%, with sub-regional recruitment at 40% and regional recruitment at 60%. These assumptions are higher than the percentages achieved during the construction of the Millennium Dome²⁵ but are supported by recent data provided by Greenwich Local Labour and Business (GLLaB). The main reasons for this improvement are that the current development is less specialised than the Millennium Dome development, there is less time pressure, and lessons have been learned. The proportion rises from the local to the regional market reflecting the increasing capacity and skills base as the size of the labour market increases. However, even at the London level we assume that Kent together with the rest of the UK and Eastern Europe will represent a significant source of labour supply.

²⁵ Economic Impact Study of Millennium Experience and Greenwich Peninsula, GLLaB, Nov 2000)

Construction employment									
	Gross direct jobs	% jobs displaced or substituted	Gross jobs originating from outside local economy	% deadweight (created anyway without project)	Net direct jobs new to the local economy	Indirect and induced jobs multiplier	Total net local jobs	% jobs taken locally	Total jobs taken up locally
Incremental scenario									
Local	581	0	581	20	465	1.10	512	20	140
Sub-regional	581	0	581	25	436	1.20	523	40	262
London	581	0	581	30	407	1.40	570	60	407
Combined scenario									
Local	1,183	0	1,183	20	946	1.10	1,041	20	284
Sub-regional	1,183	0	1,183	25	887	1.20	1,065	40	532
London	1,183	0	1,183	30	828	1.40	1,159	60	828

Numbers in red are the numbers presented in the bid to the CAP and the London combined scenario (shaded in yellow) is the core scenario adopted by Greenwich Council.

Operational employment

The development of a new regional casino, hotel, entertainment and retail facilities will generate a number of permanent operational employment opportunities associated directly with the new businesses attracted to the area. The total number of new jobs created will depend upon the scale and mix of the scheme proposed, and the extent to which these represent net additions to the local economy.

Total gross operational employment for the casino/hotel complex is estimated at 1,117 FTEs based on payroll estimates supplied by the operator. These are derived from the operator's experience of operating similar facilities in the Bahamas, South Africa, the United States and other jurisdictions. However, major casino leisure complexes of the type proposed at Greenwich are new to the UK, therefore this estimate has been tested against the employment potential of the development based on typical employment densities for different land uses and found to be a reasonable estimate.

Our estimate of the number of gross direct jobs created by other elements of the development (such as the exhibition space, the retail elements, bars and restaurants and the theatre venue) is derived from typical employment densities for different types of land uses. These are taken from the English Partnerships Guide to Employment Densities (July 2001) and reflect experience from other redevelopment projects, including sites in London, Sheffield, Belfast, Cardiff, Liverpool, Manchester, and Glasgow. Employment density, expressed in terms of square metres of floor space per full time equivalent job, is multiplied by gross internal floor space (provided by the operator and AEG) to give gross direct jobs for each element of the development project.

Total Gross Direct Employment - Operational Phase				
Land use type	Use	Floorspace GIA (sqm)	Employment Density (sqm per worker)	Gross direct jobs (FTE)
Casino		10,011	-	708*
Hotel		31,985	-	409*
Arena				349*
Ent District 1 (not incl. exhibition)				900*
Ent District 1 (exhibition only)	D1	5,864	90	65
Ent District 2 (retail)	A1	3,159	20	158
Ent District 2 (food and drinks)	A3	1,672	13	129
Ent District 2 (theatre)	D2	5,574	90	62
Ent District 2 (assembly & leisure)	D2	2,508	90	28
Total		60,773		2,808

* derived from payroll estimates

Payroll based estimates and floor space/employment density based estimates are combined to give an estimate of total gross operational employment of 1,559 FTE for the incremental scenario and 2,808 FTE for the combined scenario (direct, on-site, before adjustment for substitution, displacement and deadweight).

In respect of substitution we assume that 10% of the operational jobs created would reflect jobs lost to the local gaming sector. A low factor is appropriate given the current low level of gaming provision within Greenwich (there is no other casino) and the fact that the proposed development is a very different product to that which already exists in the gambling sector in Greenwich. The proposed development will be a destination casino, and is expected to draw on only 10% of its visitors (5% of its revenue) from local people based in the Borough. Therefore, the anticipated impact of the proposed development upon existing local gaming facilities is expected to be limited. This conclusion is supported by international evidence from the United States²⁶ which indicates a low substitution effect of resort casinos on other gambling activities (e.g.: 4% substitution effect in the Chicago area), and from New Zealand²⁷.

In terms of displacement effect (jobs lost in other sectors), we have examined evidence relating to the proportion of gambling spend that would have been spent on other forms of entertainment. The BISL (2000) study²⁸ suggests that 44% of UK gamblers would expend their intended gambling spend, if not gambling, on other forms of entertainment. The survey conducted in New Zealand found that if money had not been spent on casino gambling, 37.5% of casino patrons would have spent this money on other forms of entertainment. The Pion study²⁹ assumed this proportion to be 37.5%. We also take this proportion as our starting point for locally based casino visitors and assume that only half of their alternative entertainment related expenditure (17.8%) would be on other forms of locally based entertainment. Since local residents contribute only 5% of the revenue of the casino, we assume that the total displacement effect is less than 1% (5% of 17.8%) at the local level, rising to 8% for the Thames Gateway area.

The combined substitution and displacement factor is therefore assumed to be 10% for the local level 18% for the sub-regional level and 30% at the London level for the regional casino.

Looking at the other aspects of the scheme, we have assumed a 10% substitution and displacement for the exhibition and theatre space due to their unique characteristics, a 20% substitution and displacement factor for the hotel, and 30% for the remaining components of the scheme (retail, restaurants and bars and leisure offer) at the local level as well as the sub-regional level, rising to 30%, 30% and 50% respectively at the London level.

²⁶ The Regional Economic Impacts of Casino Gambling: Assessment of the Literature and Establishment of a Research Agenda, National Gambling Impact Study Commission, 1998.

²⁷ Memorandum from Professor Leighton Vaughan-Williams (Joint Committee on the Draft Gambling Bill First Report) which refers to relevant study by McMillen (1998)

²⁸ The Economic Value and Public Perceptions of Gambling in the UK, KPMG (2000), report for Business in Sport and Leisure

²⁹ Gambling Deregulation Impact Study, Pion Economics (2003)

In respect of deadweight we have assumed a low factor of 10% for the casino as in the absence of the development it is unlikely that many gaming sector jobs would be created. Similarly due to the uniqueness and strength of the combined offer for the hotel, exhibition and theatre, and the unlikelihood of suitable alternative sites being available in the London Borough of Greenwich or the London Thames Gateway area, we have considered a 10% deadweight factor. However, we have assumed that 40% of the bars and restaurants employment would have been achieved elsewhere within the economy and that 50% of the leisure and retail opportunities would occur in the absence of the development, based on recommendations provided by the EP's Additionality Guide (EPAG).

The appropriate local multiplier value with respect to both the indirect and induced employment effects of permanent employment created at these schemes is considered to be 1.3. This figure has been chosen based on experience from other studies including the Pion Economics study and is consistent with the guidance issued by HM Treasury for regeneration schemes³⁰. At a sub-regional level, we have assumed the multiplier would increase to 1.43 and at the regional level we have assumed 1.7. These multiplier values are consistent with EPAG and also supported by evidence from the United States - a study undertaken on behalf of the National Gambling Impact Study Commission in 1998³¹ reviewed the economic impacts of a range of casinos across the country and drew the following conclusions: small cities or groups of rural counties are not likely to have multipliers exceeding 1.5; medium sized to large cities would have multipliers not exceeding 2.0; and, very large cities or state multipliers would typically not exceed 2.5

After adjustment for substitution, displacement and deadweight and appropriate induced and indirect multipliers our estimate of total net operational jobs is 1,417 for the incremental scenario and 2,153 for the combined scenario at local level.

This leads to the question of whether the local employment pool would be able to meet the demands for these new jobs. In terms of the take-up of these new employment opportunities, it is anticipated that demand for experienced casino and leisure employees will far exceed supply in Greenwich and the wider sub-regional area. Accordingly, we understand that the operator would recruit and hire employees with no previous experience in the industry and provide them with diverse, rigorous training programmes. This recruitment model has worked well in its other locations, where typically 40% of the casino leisure workforce has not worked in similar activities beforehand. We understand that AEG/ the operator is targeting 40% local recruitment - the same level achieved on the Peninsula during the operation of the Millennium Dome. (Source: NMEC - Economic Impact Study of Millennium Experience and Greenwich Peninsula done by UK Research Partnership - Nov 2000). Based on actual numbers for December 2005 which are higher than those numbers and based on the experience gained from the Millennium Dome, GLLaB expects that those targets will be exceeded. We have a target of 50% recruitment factor at local level and 65% at sub-regional level.

³⁰ A Framework for the Evaluation of Regeneration Projects and Programmes (EGRUP), HM Treasury, 1995

³¹ The Regional Economic Impacts of Casino Gambling : Assessment of the Literature and Establishment of a Research Agenda, National Gambling Impact Study Commission, 1998

The table below presents the permanent employment impacts estimated for the operational phase of the proposed development at the local, sub-regional and regional level and the capacity of the local and sub-regional region to benefit from those opportunities.

Operational employment									
	Gross direct jobs	% jobs displaced or substituted *	Gross jobs originating from outside local economy	% deadweight (created anyway without project)*	Net direct jobs new to the local economy	Indirect and induced jobs multiplier	Total net local jobs	% jobs taken locally	Total jobs taken up locally
Incremental scenario									
Local	1,559	10-30%	1,299	10-50%	1,090	1.30	1,417	50	872
Sub-regional	1,559	10-30%	1,242	10-50%	1,039	1.43	1,486	65	1,122
London	1,559	10-60%	1,028	30-50%	849	1.70	1,443	85	1,316
Combined scenario									
Local	2,808	10-30%	2,208	10-50%	1,656	1.30	2,153	50	1,325
Sub-regional	2,808	10-30%	2,152	10-50%	1,605	1.43	2,296	65	1,734
London	2,808	10-60%	1,722	30-50%	1,249	1.70	2,123	85	1,935

* depending on element of scheme

Numbers in red are the numbers presented in the bid to the CAP and the London combined scenario (shaded in yellow) is the core scenario adopted by Greenwich Council.

Tourism employment

Tourism employment estimates are based on an analysis of the potential additional tourist visits and expenditure generated by the development and an estimate of the amount of revenue required to generate each job within tourism.

Additional tourism visits generated by the development were derived from an analysis of the current tourism market in Greenwich, the achievements in the borough during the Millennium year and the market demand analysis.

Visitors to the development were categorised as follows:

1) Tourists primarily attracted by The O₂ Regional Casino

It is estimated that 294,660 visitors to the casino will be overnight visitors and from a catchment area which goes beyond 45 min drive time. We have assumed that 93% of these 294,660 short stay visitors are primarily coming for the casino (based on projected cross-visits on the Dome components conducted by Locum Destination Consulting³²), which suggests that there will be 274,000 short stay visitors pa generated by the regional casino.³³ Each of these visitors is assumed to stay 2.5 nights on average per person (based on analysis of tourist visits in 2002³⁴).

These visitors are further sub-divided according to where they are expected to stay:

a) Staying in Greenwich

Some 11% of the 274,000 short stay visitors generated by the casino are expected to stay in Greenwich (based on a survey of visitors to the Millennium Dome during the Millennium year³⁵), of which 28% are expected to stay in serviced accommodation (source: STEAM) and the rest are visiting friends and relatives. Those visitors staying in serviced accommodation in Greenwich are assumed to split 50:50 between The O₂ Hotel and other hotels in Greenwich. On this basis it is assumed that casino will generate 10,550 people nights for The O₂ hotel, which represents around 10% of the hotel's capacity in 2015.³⁶ A report conducted by TRI Consulting³⁷ for the operator anticipates that most of the Hotel visitors will be business visitors. On that basis, it is further assumed that 30% of these Hotel visitors (ie:30% of 10,550) also visit Greenwich and its range of attractions, in addition to the casino and The O₂ entertainment and leisure complex.

³² The Dome, Market Analysis, Locum Destination Consulting,2004

³³ This analysis differs from that in the market section of the report prepared by PwC for Greenwich Council as this analysis focuses on visitors coming primarily for the casino

³⁴ London Borough of Greenwich, STEAM report 2002, Global Tourism Solutions (UK) Ltd

³⁵ The Economic Impact Study of Millennium Experience and Greenwich Peninsula, UK Research Partnership Ltd, November 2000

³⁶ Again this number is lower than the 11,344 visitor nights in the market analysis appendix, due to the analysis of visitors to the casino primarily

³⁷ Proposed Hotel Development, The Dome, TRI Hospitality Consulting, Nov 2004

b) Staying in London

Over and above the short stay tourism in Greenwich, it is also important to capture the impact of those tourists staying outside Greenwich but visiting the casino and the wider Greenwich area. These tourists have been estimated at 243,890 (i.e.: 89% of 274,000) UK Research Partnership report on the Millennium experience - 2000). 47% of these are expected to stay in hotels (VisitLondon, 2003 data). We have assumed that they would spend one night (or extend their stay by one night to visit the casino) and spend £82 on average in addition to expenditure on The O₂ site (STEAM data 2002. Spend minus recreational use). This leads to an additional expenditure of over £9 million.

53% of those staying in London are expected to stay with family and friends (VisitLondon, 2003 data). We have assumed that they would spend two nights and spend £36 per day on average in addition to expenditure on The O₂ site (STEAM data 2002. Spend minus accommodation and recreational use). This leads to further expenditure of over £9 million.

2) Tourists primarily attracted by The O₂ Hotel and visiting Greenwich town centre and other local tourist attractions as part of their stay

Tourists staying at the hotel are assumed to be split between those who primarily come for the casino (10% of total bed nights) and those who are attracted by the hotel itself (30%³⁸) with the remaining 60% coming for other reasons. We have assumed that those coming primarily for the hotel would spend 4.3 days in London and spend £36 per day on average in addition to expenditure on The O₂ site (STEAM data 2002. Spend minus accommodation and recreational use). This leads to further expenditure of almost £3 million.

3) Tourists/ day visitors primarily attracted by The O₂ exhibition and visiting Greenwich town centre and other local tourist attractions as part of their stay

Finally, we have also included the tourism expenditure of those visitors to The O₂ exhibition who may choose to include the wider Greenwich area as part of their trip. We have conservatively assumed only 10% of the total estimated visits of 2 million p.a. fall into this category. In terms of the expenditure associated with these tourists, their expenditure at the casino, hotel and wider O₂ complex has not been considered within this estimate since these impacts are already incorporated within the operational employment estimates presented above. However, it is important to estimate the expenditure of these tourists in the wider Greenwich area. Based on STEAM data, it is assumed that the average additional expenditure of those short stay visitors in Greenwich

³⁸ PwC assumption

is £62/day and the average additional expenditure for those short stay visitors staying in The O₂ Hotel, VFR, or on day trips is £36/day (based on analysis of tourism spend in 2002³⁹).

Tourism spend and jobs

From this analysis it can be estimated that short stay and day trip visitors would generate **£12.8 million** additional tourism expenditure at the local level and £31m at the London level. We have converted this visitor expenditure into an employment estimate using data from Visit Britain which indicates that the average amount of revenue required to create each job within the tourism industry is £40,000. Therefore, it can be estimated that £12.8 million of spending will support 321 gross direct jobs in the tourism industry (restaurants, accommodation, retail etc). At the London level £31m is estimated to support 789 gross direct jobs.

Substitution, displacement and deadweight factors have been assumed at zero (by definition) because we are only including in our analysis new tourists who would be visiting specifically for the casino, hotel or exhibition. We have not included non-casino related expenditure by day visitors from the catchment market or tourists who would be coming to Greenwich and/or London for other reasons and decide subsequently to visit the casino (for whom these effects may be important). Using a local multiplier of 1.3, a sub-regional multiplier of 1.43 and a London multiplier of 1.7 (Source EPAG) we have estimated that the development will generate 417 tourism related employment opportunities at local level, 459 employment opportunities at sub-regional level and 1,341 at London level. In terms of local recruitment, assuming 50% job take up at the local level and 65% job take up at the sub regional level and 85% at London level, this suggests the creation of 257 local tourism jobs, 347 sub regional tourism jobs and 1,222 at London level.

³⁹ London Borough of Greenwich, STEAM report 2002, Global Tourism Solutions (UK) Ltd

Tourism employment									
	Gross direct jobs	% jobs displaced or substituted	Gross jobs originating from outside local economy	% deadweight (created anyway without project)	Net direct jobs new to the local economy	Indirect and induced jobs multiplier	Total net local jobs	% jobs taken locally	Total jobs taken up locally
Incremental scenario									
Local	321	0	321	0	321	1.30	417	50	257
Sub-regional	321	0	321	0	321	1.43	459	65	347
London	789	0	789	0	789	1.70	1,341	85	1,222
Combined scenario									
Local	321	0	321	0	321	1.30	417	50	257
Sub-regional	321	0	321	0	321	1.43	459	65	347
London	789	0	789	0	789	1.70	1,341	85	1,222

Numbers in red are the numbers presented in the bid to the CAP and the London combined scenario (shaded in yellow) is the core scenario adopted by Greenwich Council.

3. Need for Regeneration

Q7 Why is the O₂ proposal and regeneration in Greenwich generally dependent on the casino proposal?

Response

Our response to this question comprises the following elements:

- Regeneration attributable to the casino
- Planning gain for the arena and casino
- Physical development
- Economic benefits
- Tourism benefits
- Community benefits
- Intangible benefits
- An exploration of the way the casino cross funds other elements of the scheme
- A brief explanation of the synergies between the casino and leisure development at The O₂

Regeneration attributable to the casino

- The full scheme provides immense benefits in terms of leveraging private sector investment and generating local employment and tourist spend. This benefit will be felt at:
 - **The local level:** to provide an anchor to the Greenwich Peninsula development and local authority area. It is considered that a successful and viable development such as The O₂ would have a key part to play as a catalyst and inspiration to the further mixed use development on the Peninsula and beyond in the Thames Gateway. Conversely an unsuccessful scheme could have a negative impact on the further delivery of the whole Peninsula and the wider area.
 - *The sub-regional level:* as the development is located in the heart of the London Thames Gateway which is the largest regeneration site in Western Europe and a National Priority scheme. The economic benefits of the casino will therefore be dispersed throughout the boroughs in the London Thames Gateway, which suffer from high deprivation.
 - *The London level:* as a key component of the leisure and tourism industry which accounts for 10% of the capital's economy. The development will cement London's status as a World City for the twenty-first century
 - *The national level:* as The O₂ is a venue for the 2012 Olympics and many shows at the arena will be unique to the UK, if not to Europe. Similarly The O₂ will be the only venue in Europe where the Tutankhamun exhibit will show in its current tour.

The specific regeneration attributable to the casino is outlined below.

Planning gain

Greenwich has a track record in securing optimum gains, as evidenced from the Millennium Dome where 40% of all jobs on the Peninsula and 50% of operational jobs at the Millennium Dome went to local people. This issue is covered in detail in our response to Question 15.

Physical development

This scheme is part of the redevelopment of a brownfield site which is currently an underutilised asset. As we noted in our submission to the CAP, the value of finding a viable use for the Dome structure in the long term was recognised by English Partnerships.⁴⁰ The Dome as a building is already an icon, but this adds a new dimension to the skyline and brings the land back into viable use.

The elements of The O₂ scheme that are dependent on the casino:

- Hotels
- Remainder of entertainment district 1 (exhibition space)
- Entertainment district 2, including the theatre with Cirque du Soleil type theatre show

This is summarised in the table below. The detail of these elements is covered in Question 2, and the cross funding between these elements is explored later in our response to this question.

Element	With casino	Without casino	Notes
Arena	3	3	
Music club	3	3	
Entertainment district 1	3	(3)	Without exhibition space and lower rental assumed
Including cinema	3	(3)	External operator
Casino	3	X	
Exhibition space (ent. District 1)	3	X	Tutankhamen exhibition
Hotels	3	X	
Entertainment district Phase 2	3	X	
Including theatre	3	X	Cirque du Soleil type

Source: AEG/ the operator. Notes: 3 means that the element is included in the scenario. A tick in brackets (3) shows that the element is modified if there is no casino, as explained in the notes column

⁴⁰ The National Audit Office report on the Dome development noted that income from the arena alone would not generate a fully commercial return for the operator, AEG. English Partnerships, Regeneration of the Millennium Dome and associated land, 2005 (references a study by Deloitte and Touche)

Economic development

At the high level, the development brings:

- Total private sector investment of £600m
- Employment: over 4,600 full time equivalents
- GVA: £187m per annum

These are explored in detail in our response to Question 6.

In formulating these assumptions we have been conservatively realistic, looking at the long-term sustainability of the attraction, based on users from the resident catchment market (including London) as well as the potential demand from tourists. There is considerable potential for tourist demand to be higher as an upside for the scheme, but this upside has not been included in our economic impact analysis.

In addition, the operator proposes to invest in infrastructure, to improve access to The O₂, through the development of a new pier on the site, and an expanded river service (as explored in our response to Question 1).

Tourism benefits

There is potential for Greenwich to develop a successful leisure and entertainment cluster, based on the following principles:

- Continuation of public sector investment in transport/infrastructure made to date, in order to capture private sector investment and continuing development in the region
- Further transport improvements to facilitate access to and within the sub-region
- Integrated marketing, drawing on the expertise of:

Tour East

Visit London

Greenwich tourism

AEG, the operator and other private partners

- The presence of The O₂ as a 'big hitter' attraction cluster to act as a focal point for tourists
- The complementary offer of the Maritime Greenwich World Heritage Site

A key theme of the Tourism Vision for London is to encourage policies that disperse the benefits of tourism outside the traditional tourism centre, in order to spread the economic benefit, whilst alleviating pressures on tourism hot spots.⁴¹

⁴¹ London Development Agency, London Tourism vision, 2006-16

This development conforms to these principles and will enable Greenwich Thames Gateway to become a tourism hub outside the traditional centre and a reason for tourists to extend their stay and visit London again.

This is where the iconic and groundbreaking nature of the development comes into play. The proposed hotel and exhibition centre has been designed by Richard Rogers, an international architect, and will create a new iconic landmark for London and a facelift for the Dome. A second hotel also being considered will include a banquet/conference centre. With the casino the development will breathe new life into the entire Thames Gateway region and add a new dimension to London's tourism offer.

The tourism capabilities and aspirations of the borough are explored in our response to Question 12.

Community benefits

Greenwich has a track record in regeneration: the Millennium Dome resulted in undeniable benefits in terms of maximising local job creation and strengthening Greenwich's position on the tourism map. We intend to build on this achievement through the following:

- Jobs, with over 4,600 full time equivalents with a high proportion (over 60%) estimated to be taken up at the local level
- Skills/training: with a high proportion of jobs targeted at local residents, the casino operator proposes to provide training for these new hospitality and leisure jobs
- New, high quality leisure facilities in the borough
- Growth in tourism, which will benefit local business and attractions

Intangible benefits

In addition to the economic and tourist benefits explored above, there are a range of intangible benefits that could be achieved for Greenwich and London by the development of a casino and entertainment scheme on the Greenwich Peninsula. These include:

- A viable solution for the Dome site
- Local pride and interest in the Thames Gateway area
- Improved reputation of Greenwich and the Peninsula as a place to live, work and play
- A step change and stimulus for additional investment with public sector funding stimulating private sector investment
- An integrated tourism offer, with day/evening/weekend appeal

- Complementary transport solutions, which will service tourists in off peak hours and commuters during the day
- Iconic structure which will contribute to the development of a key area for tourism

Cross funding

Analysis of the capital cost compared with the assumed return to AEG enables us to calculate the implied 'payback' period for capital invested. This suggests the following:

- The O₂ without casino: longer payback
- The O₂ with casino and dependent elements: shorter payback

A shorter payback period supports the view that the casino is the more profitable element of the scheme and that the casino is integral to the full scheme.

In addition some of the elements which are dependent on the casino would take longer to payback, suggesting that they need the casino cross-subsidy, as outlined in the table below.

Payback	Element	Notes
Long (20 years +)	Entertainment district 1	Without a casino the payback period is twice as long as with one (although longer than 20 years in both cases)
	Hotel	With casino
Medium (10-20 years)	Entertainment district 2	With casino
	Arena	Without casino
Short (less than 10 years)	Cinema	Without the casino the payback period is longer (but is less than 10 years in both cases)
	Exhibition	With casino
	Casino	With casino

Source: AEG, the operator. NB The exhibition appears to have a shorter payback period, suggesting that it is a commercially viable proposition. This is purely a function of the allocation of costs. The cost allocated to this is only for the fit out; the other costs are included in the shell cost for entertainment district 1.

Examples of casinos cross funding leisure or other schemes

The regional casino is a new and untested product in the UK market, but evidence from the US market provides examples of casinos cross funding other developments.⁴² For instance:

⁴² Detail has been sourced from news sources and in some cases refers to proposed or future openings.

- Atlantic City, USA: New convention centre developed using the Casino Reinvestment Development Authority funding
- Pittsburgh, PA: Talks underway to get develop a new hockey arena as part of an initiative to develop casinos downtown.
- Cape Town, South Africa: SunWest, the owner of GrandWest Casino, contributed R140m. (c. £14m.) to the development of the Cape Town Convention Centre and £37m. (£3.7m.) towards the infrastructure of the Roggebaai Canal which links the city centre to the waterfront.

Synergies between a regional casino and other leisure facilities

A final point relevant to this question is that The O₂ appears to be the obvious place to locate a regional casino, to test its impact and ensure a successful operation. Key elements in this argument are:

- It is the obvious place to house a regional casino in a purpose built leisure and entertainment facility
- The location is ideal being located outside Central London but close enough to capture the current tourist market
- It is also in the growth area of East London and the Thames Gateway and therefore ideally placed to benefit from regional growth
- Finally there are synergies with existing leisure and a complementary juxtaposition of the old (World Heritage Site) with the new

The proposed location is also a perfect strategic match, as defined by the London Assembly, as it is:

- Away from residential areas within a clearly defined leisure destination
- Served by good transport facilities (leveraging the investment made for the Millennium Dome and plans for further improvements and new initiatives such as river transport)
- Showing strong regeneration benefits and employment opportunities⁴³
- This scheme puts gambling firmly where it belongs, in the heart of a dedicated entertainment facility and within a World City, with access to the most diverse market mix in the country.

The regional casino has always been central to AEG realising the full potential of the development, and not merely delivering an arena, albeit the largest in the UK, as specified in the planning agreement. The casino is the final piece in the jigsaw as it enables the hotel and additional entertainment elements to be included, and it is these elements that transform The O₂ from an events-driven venue into a destination attraction for families and adults, residents and tourists to spend their leisure time.

⁴³ London Assembly, 'On the cards', November 2005

We have come a long way in Greenwich and look forward to making a further step change, to create the first major scheme in the London Thames Gateway and a flagship leisure and entertainment project which will firmly position the Thames Gateway as a vibrant component of London as a World City for the twenty first Century.

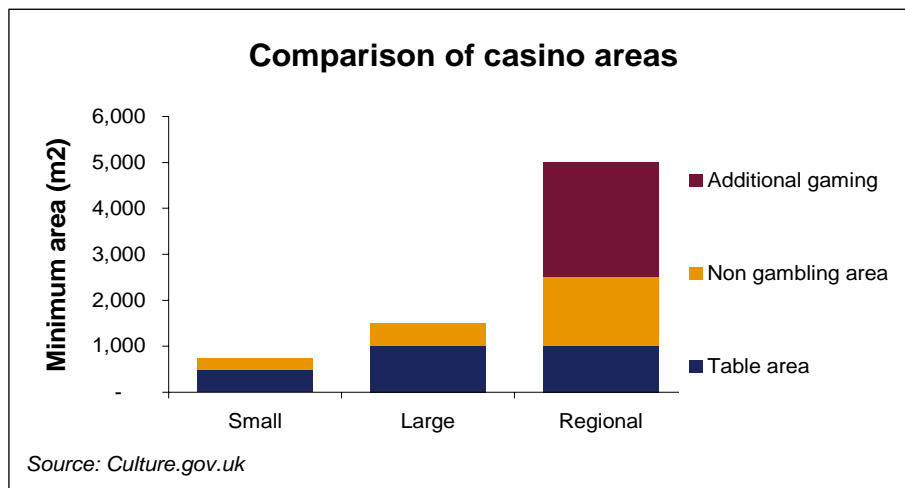
Q8 Would O₂ and overall regeneration be “secured” if proposer had a “large” fallback?

Response

A “large” casino license would not be an adequate fall back. It is considered that the scale of the development lends itself only to the regional scale of casino.

The regenerative benefits of a ‘large’ casino are virtually insignificant and we would not pursue this as its size and economics will not deliver the substantial regenerative benefits, including jobs, needed to address Greenwich’s historic deprivation.

The diagram below illustrates the difference in size between the large and regional casino. This highlights the differential in potential revenues from these facilities, and therefore the regeneration that can be achieved.



Casino sizes

- The regional casino will have a minimum total customer area of 5,000 m², and be permitted up to 1,250 Category A unlimited jackpot gaming machines.
- Large casinos will have a minimum total customer area of 1,500 m², and be permitted up to 150 Category B gaming machines, with a maximum jackpot of £4,000.
- Small casinos will have a minimum total customer area of 750m², and be permitted up to 80 Category B gaming machines, with a maximum jackpot of £4,000.
- The one regional and eight large casinos will be permitted to offer bingo, and all three categories will be permitted to offer betting.⁴⁴

It is clear that the number of permitted gaming machines and limits placed on prize money offered by a large casino, would not offer the scale of attraction of a regional

⁴⁴ www.culture.gov.uk/cap/

casino There would be fewer numbers of visitors, less income-generated and thus a much reduced impact on numbers of jobs created. It is only the scale of a regional casino that delivers the regeneration benefit needed in this area.

Q9. What will happen in the Dome if not a casino? What is wrong with that option as a regeneration opportunity?

Response

The plan for The O₂ development is a holistic business proposition for the completed O₂ as part of an Entertainment Destination for Greenwich and East London and intrinsic in that is the regional casino. The development already includes a shell for a regional casino on this premise, which will be ready for fit out very quickly if the casino license were to be awarded. (Turner & Townsend letter) AEG does not at present have developed contingency plans for this space.

The regional casino is fundamental, along with the Arena, in attracting a volume and quality of visitor that will sustain the other attractions in the facility and across the borough. The Arena alone has planned activity for approximately 150 events a year going up to around 200 in successive years.

- Without a regional casino, The O₂ Arena will operate together with a limited entertainment district surrounding that facility. Under this scenario it will be an events-driven attraction, with demand and usage at peak times, around events taking place at the facility
- In contrast under the full scheme, The O₂ will be a day long attraction with destination appeal.

AEG states that The O₂ Arena as a standalone will not generate sufficient foot traffic to support the multitude of restaurants, retail units, music clubs, exhibition space, cinemas and other activities which will occur only if the regional casino licence is issued.

Finally we believe that the complete O₂ has the potential to be the catalyst for the regeneration of the wider Peninsula and Thames Gateway. A successful application will facilitate a vast range of further development. By the same token, an unsuccessful development could deter developers in an area where progress to date remains slow.

Our response to Question 7 outlines the regeneration benefit that we expect will be accrued through the development of the complete scheme and our response to Question 10 outlines the impact that the loss of the regional casino would have on regeneration.

Q10. If you were not successful in gaining the recommendation for the one regional casino license, what will happen to your regeneration plans for the region?

Response

Our response to this question covers the following points:

- The O₂ development without a regional casino
- Economic impact of this scenario
- Potential sensitivities around this scenario

The O₂ without a regional casino

Without the regional casino, The O₂ will be developed to a lesser extent, and would include the arena, music club and most of entertainment district phase I (excluding the exhibition space with Tutankhamun exhibit).

Planning gain

Our response to Question 15 details our track record in achieving maximum benefits from developments in the Borough. We outline the planning gain that has been agreed for the development of The O₂ arena and the broad areas that will be covered in planning agreements for a regional casino at The O₂.

Physical and economic development

As outlined in our responses to Question 2, and Question 9 without the regional casino there would be lower overall development with less capital expenditure in the project. The impact of removing the casino from the scheme is significant because of:

- The facilities that are dependent on the development of the casino (as explored in our response to Question 2)
- The consequent impact on demand for The O₂ which is considerably higher when The O₂ is developed out as a destination, rather than events-driven facility.

This has an impact on employment and economic activity in The O₂ as follows

	O ₂ full scheme	O ₂ without the casino	Difference
Private sector investment £m	600	280	320
Employment	4,623	1,269	3,354
GVA £m	187	52	135

Source: Socioeconomic impact of a regional casino, prepared by PricewaterhouseCoopers

Tourism benefits:

The impact of the development without the casino, hotel and other elements compared to the full scheme is expected to show:

- Fewer leisure options at The O₂. Under this scenario The O₂ is effectively an arena led entertainment product would experience peaks of demand based on performance timings, and so there would be less impetus for day long entertainment.
- Reduced likelihood of The O₂ changing patterns of tourism in London, and contributing to the dispersal of tourists around London. Without a hotel, casino and range of attractions to visit, The O₂ is a day visit attraction, rather than a destination product.
- We note that the economic impact assessment is predicated on a significant tourism impact under the full scheme, compared with an insignificant tourist impact without the casino, hotels and other elements. There may be some upside under this scenario, but this reflects the core assumption that tourist demand is driven by the destination attraction created under the full scheme.

Community and intangible benefits

We would expect considerably lower community benefits in terms of jobs created, skills development and opportunities for residents at the local, regional and sub-regional level

Whilst the development of the base case would result in some regeneration benefits, these would be on a significantly smaller scale than under the full scheme.

4. Probability of Implementation

Q11 What would be the timing for the proposed casino development; what evidence can you give to support this?

Response

The O₂ is already under construction and the shell for the regional casino is being built as part of designated in the Entertainment District within The O₂. AEG has given English Partnerships a completion guarantee for this facility and has escrowed funds to assure that completion will occur. Completion is scheduled for May of next year. The arena is due to open in July 2007.

The Council is aware that, in addition, the operator (KI) is contractually obligated to AEG to buildout the casino promptly should a casino licence be granted. From information received from AEG, the Council estimates that the casino would be able to open within 18 months of a casino licence being issued.

In the event that Greenwich was selected for the regional casino pilot, the Council, as the planning and licensing authority, would abide by the relevant legislation and regulations in deciding on any planning or licence applications.

6. Regional Context

Q12. We would like to understand Greenwich's current profile and capabilities in international tourism, as well as the strategies being pursued to develop this and hence how a Regional Casino fits within these existing strategies. What is the world extent of flights from London City Airport and has it destinations planned further afield than currently e.g. USA?

Response

Our response to this question covers the following themes:

- Greenwich's and sub-regional international tourism profile and plans to develop tourism in the future
- International tourism at the regional level and the potential for The O₂ to contribute to the development of London's tourism offer to the international market
- London City Airport and potential growth in visitor numbers

Greenwich tourism's profile

Greenwich has a vibrant tourism market, centred on the heritage attractions in the borough. The World Heritage Site is the focus for visitors, with a range of attractions around the historic features of the borough.

Greenwich has a strong day visitor market with around 7.4m visitors (around 5% of London's total). The cluster of attractions at the World Heritage site is a major draw for visitors. However, with only 0.5m overnights, the borough does not achieve a similar proportion of total overnight visitors to London (2% of 26m overnights).⁴⁵

In terms of international visitors, a survey undertaken for the Greenwich World Heritage Site found that around a third of visitors to the borough are from overseas visitors.⁴⁶ This study does not provide a breakdown between day and staying visitors, but this high proportion of overseas indicates the appeal of Greenwich to international tourists. In another study by the London Development Agency, made available since our submission to the CAP, it is suggested that 48% of overnight visitors to Greenwich came from overseas and stayed for 8.75 nights on average.⁴⁷

Greenwich tourism does not market directly to international markets – this is undertaken by VisitBritain and VisitLondon. Greenwich Tourism works with other bodies to market to international tourists once they have arrived in London, through:

- Promotions on the London underground
- Annual insert in Time Out (in collaboration with Docklands and the Docklands Light Railway)
- Providing brochures to City Airport and input into the Via web-based system (see later)

⁴⁵ Visit London, London Visitor Statistics, 2004/05

⁴⁶ Results of a study undertaken by Interviewing Services Limited for WHS Marketing Group commissioned in 2004 and 2005. 2004 found 51% of visitors from overseas, compared with 36% in 2005

⁴⁷ Evidence from the Local Area Tourism Impact Model, 2004 data. This is not directly comparable with the information provided above, as it is a different study method, but it provides useful insight into the international tourism profile of the borough.

Guidebooks are produced in the following languages and Greenwich would like to include Russian and Chinese on future issues:⁴⁸

- German
- English
- French
- Italian
- Spanish
- Japanese

The Millennium Dome demonstrates that a major leisure offer can grow demand from international tourists. The Dome achieved 6.5m visits in 2000, a quarter of which were from overseas.⁴⁹ Visits to London in general and Greenwich in particular benefited during the Millennium year, although the Dome was not considered to have maximised all the opportunities to benefit tourism in the borough.

Tour East London

Tour East London is a Destination Management Organisation (“DMO”) which grew out of the London Docklands Development Corporation. Tour East markets East London in terms of various visitor clusters. Maritime Greenwich is a priority cluster and the most recognisable product amongst overseas visitors (compared with Stratford, Spitalfields, City, Pool of London, Deptford and Hackney). The plans for The O₂ are considered critical to the growth of tourism in East London which will help to broaden the tourist offer and to disperse tourism outside the central zone, as discussed previously.⁵⁰

Recent and planned improvements to transport infrastructure mean that the Greenwich Peninsula will be more accessible, in particular to international visitors, with short journey times from London City Airport and the new Eurostar Terminal at Stratford (due to open in 2007).

Tour East London works with Greenwich Council and other regional stakeholders to promote the region. In 2006 the DMO has been holding familiarisation events on the development at the Peninsula, marketing to trade buyers. They also anticipate working with the developer of The O₂ at future trade marketing such as World Travel Market.

Aspirations for growth

As outlined in our bid to the CAP, the Greenwich Tourism Strategy for 2004 –2010 sets out Greenwich’s vision “to gain and maintain a world reputation for Greenwich as a quality destination for visitors.”⁵¹ The vision for Greenwich Peninsula is to be “home to a world class arena, part of the Olympics offer attracting new visitor markets and fully integrated into the borough’s visitor offer.” Central to achieving this vision is a focus on:

- Increasing the number of overnight visitors to the Borough through increased hotel provision, thereby increasing spend and impact for the local economy
- Spreading the benefits of tourism into the rest of the Borough and the wider sub-region, by diversifying the offer currently focussed on the Maritime Greenwich World Heritage Site which attracts 7m. visitors a year

⁴⁸ Telephone interview with Mary Fairburn, Acting Tourism Manager, Tourism Section, Economic Development Unit, Directorate of Strategic Planning, Greenwich Council, 7th August 2006

⁴⁹ 2000 saw a 16% increase in overnight visitors, and 2001 remained 11% higher than 1999 (STEAM data)

⁵⁰ Telephone interview with Mary Tebbe, Tour East London

⁵¹ Tourism strategy for 2004-2010 “Greenwich: a place to visit”

- Drawing in a wider visitor market including business tourists from the adjacent Canary Wharf and conference tourists from Excel

The O₂ is a central component to realising this vision, offering the critical mass that will increase visitor numbers to the area and support the development of these other tourist destinations and ensure a sustainable legacy from the Olympic and Paralympic Games.

London's tourism's profile

London has a strong tourist economy and the market outlook is positive. The city attracts around 150m day visitors and 26m overnight tourists:

London attracts 47% of all overseas visits to the UK, with 11.7m overseas visits to London and 24.7m overseas visits to the UK (2003), in addition 77% of overseas visitors to the UK visit via a London airport.

- London achieves 1.7% of all international arrivals, higher than any other gateway city (i.e. Amsterdam, Dublin, Hong Kong, New York, Madrid, Paris, Rome)
- Its market share is growing and the city is expected to benefit in the future from:

Transport: development of airports and extension to Eurostar

Events: Olympics in 2012 and bid for other events such as the 2018 European Football Championships

Investment in tourism provision such as the proposed International Convention Centre

In terms of strategies for growth, The Mayor's Plan for Tourism in London 2002, sets out two key objectives which relate to Greenwich:

- Dispersing tourism and its associated benefits outside the central zone, drawing tourism eastwards to drive the regeneration of the Thames Gateway economy
- Developing priority areas, of which Greenwich is one⁵²

There is a drive to disperse tourism to the outer boroughs, as expressed in the Mayor's Plan for Tourism in London, investment in the tourism product (in terms of attractions and hotels) is necessary to achieve this, and The O₂ is a perfect example of a leisure cluster with critical mass to change patterns of demand and attract visitors from the overseas market.

A study undertaken for the London Development Agency on tourist flows in London recommended a multi-level strategy of tourism navigation to take advantage of the natural environment and visitor preferences. This strategy would work on three levels:⁵³

- Macro-level: to encourage visitors to travel beyond the main attractions in the centre of the city
- Meso-level: to address individual attraction areas and increase synergy between attractions within each area

⁵² Greater London Authority, The Mayors Plan for Tourism in London, 2002

⁵³ Space Syntax: Tourist flows in London, 2005

- Micro-level: to address the quality of space, information and signage at each attraction

The O₂ development is particularly relevant here, as a new quality destination attraction in Greenwich will contribute to dispersal throughout London. It will also work on the meso-level, by co-ordinating with existing attractions in Greenwich such as the World Heritage site.

London City Airport

Current operations

London City Airport (“LCA”) is a city centre airport, located in the Royal Docks, six miles east of the City of London and two miles east of Canary Wharf and 14 minutes to The O₂ via the DLR and Jubilee Line. The airport was connected in December 2005 to the capital’s public transport rail system via the Docklands Light Railway which links directly into the airport terminal building. It has an advantage over other London airports with a 20-minute check in time. This means that visitors would be at The O₂ 30 minutes after arrival.

The airport currently runs direct flights to 28 domestic and European destinations. The length of the runway and other constraints prevent the airport serving long haul flights. However the airport offers flights to worldwide destinations via other major airports hubs, for instance to New York via Amsterdam, or Tokyo via Frankfurt.⁵⁴ There are almost 200 destinations served in this way.

Future strategy

The Airport has developed a Master Plan, in response to the Government’s Aviation White Paper which requires certain operators to outline their vision for growth up to 2030. This Master Plan includes the following key points:⁵⁵

- **Significant passenger growth:** The airport currently transports around 2 million passengers per annum (“mppa”) and expects this number to grow to 3.5m mppa in 2015 and 8mppa by 2030. In the medium term, growth of 75% in annual passenger numbers from 2 million to 3.5m has the potential to have a significant impact on tourism in East London and the Thames Gateway.
- **Airport size largely unchanged:** There is no requirement for additional runway or to host larger aeroplanes. Growth in passenger and airport movement will be accommodated almost entirely within the existing ‘footprint’ – the area owned by the airport or within the operatorng George V Dock. The growth will instead be accommodated by maximising the use of the existing runway, improving flight occupancy and creating better facilities for passengers
- **Route focus:** It is expected that London City Airport will maintain its bias towards business travel, remain a domestic and European airport only and be the starting or finishing point for most of its travellers’ air journeys, as opposed to becoming a ‘hub’

⁵⁴ <http://www.londoncityairport.com/index.php?mode=schedules&action=list>

⁵⁵ Summarised from LCA, Master Plan for Consultation, March 2006

airport which passengers use to connect onwards to other destinations. It is also unlikely that low cost operators will run services from LCA due to the characteristics of the airport and expense of operating at LCA. The focus will be on short haul flights to the UK and Europe. There are no plans to change the airport's operating hours, and the airport will continue to close at night and for 24 hours at the weekend.

The importance of tourism is recognised in the Master Plan, which notes "With a continued focus on East London and the Thames Gateway, especially following the awarding of the 2012 Olympic Games to London, the role of London City Airport as a key regenerator and major employer has strengthened further and the Airport will create over 4,000 jobs by 2030, with a continued focus on the business travel market."⁵⁶

The LCA has set up a new web-based company called Via to develop an inbound tour operation, focussing on East London. The aim is to increase awareness of the East London 'tourism product' and the role of the airport as a gateway. A key target is to promote East London as a place to stay throughout London City Airport's route network, starting with other UK cities.⁵⁷ Greenwich Council provides input into this marketing, in terms of brochures at the airport and input into the Via website content.

Other international connections

The regional casino at The O₂ is likely to appeal to visitors from across London and tourists to the Capital, therefore all London international access points are relevant. These include the other London airports: Heathrow, Stansted, London Luton, London Gatwick, and the Eurostar rail connection (which is explored in our response to Question I). The proposed Crossrail development (also discussed in our response to Question I) is expected to generally improve access to the wider area from West London (and Heathrow) to the East of the City.

⁵⁶ <http://www.londoncityairport.com/index.php?mode=pages&action=masterplan>

⁵⁷ LCA, Master Plan for Consultation, March 2006

Q13 Would there be easy access to the Stratford Eurostar terminal?

Response

Access to Stratford International Passenger Station (IPS), due to be completed in 2007, would be straightforward: there is a direct link via the Jubilee line to Stratford domestic and then by DLR or travelator to the IPS.

Q14. How does your casino proposal fit with the plans for the Olympic legacy in East London?

Response

Securing a legacy from the 2012 Olympic and Paralympics Games is a prime objective for all the stakeholders involved in hosting the Games. This is defined not only in terms of the physical legacy but also the attainment of a social and economic legacy for the residents and economy of East and south East London.

A key objective is to ensure uses are in place for the buildings used to stage the Olympics and Paralympics. The O₂ fits perfectly with the Olympic plans as:

- It is a venue for the Olympic Games
- Its legacy use is assured after the Olympics

The O₂ during 2012

The Greenwich Peninsula including The O₂ Arena will host a number of prominent Olympics and Paralympics disciplines including Gymnastics and the Basketball finals.

The 500-acre Olympic village site in Stratford will only be 9 minutes from The O₂, and once the high speed javelin service is complete from the King's Cross then visitors will be able to travel to The O₂ in less than 20 minutes.

Other international events

Building on the interest generated by the Olympics will enable The O₂ to capture other major events. Since being named as an Olympic venue, The O₂ has been named as the host of the 2009 Artistic Gymnastics World Championships, described as the world's most prestigious gymnastics championships. The six day event, which will be held in October 2009, is expected to attract nearly 1000 participants from more than 100 countries for which an audience of 16,560 can be accommodated each day.⁵⁸ AEG would expect to attract further international sporting events once the arena is open.

Legacy use and East London

Although the use of The O₂ arena is assured for the Olympics, a vibrant development will be critical in maximising the legacy effect both in Greenwich and at the other venues.

The legacy uses for the main buildings including Olympic Stadium, Aquatics Centre and the Media Centre together with the Dome will provide new centres of economic, educational and cultural activity in East and South East London. Together they present a substantial catalyst for regeneration and a substantial legacy.

⁵⁸ <http://www.theo2.co.uk/270505.html>

The five host Boroughs, which includes Greenwich, are working with the London Development Agency, the Olympic Development Agency and London Organising Committee for the Olympic Games to develop a local employment and training framework to help capture the employment and business benefits from the Games. This is backed by funding from the London Development Agency to develop resident's skills for the direct and indirect jobs that will be created through the hosting of the Games. This reflects the commitment given in the bid book:

'Staging the Olympic Games in the Lea Valley will stimulate a vital economic regeneration programme in London's poorest and most disadvantaged area. The Olympic Park will provide local people with significant improvements in health and wellbeing, education, skills and training, job opportunities, cultural entitlements, housing, social integration and the environment'.

An important element will be equipping people with the skills to enable them to benefit from the jobs that will be created. The skills people gain will also help them access jobs at The O₂ and in the Regional Casino both in advance of and after the Games, thereby helping achieve the social and economic legacy. The success of the Games will be measured in part by the position of the economy of East and South East London and economic activity post 2012. A Regional Casino at The O₂ will impact positively on these factors.

The specific regeneration impact of The O₂ development is explored in detail in our response to Question 7.

Tourism opportunities⁵⁹

Hosting the Games could help propel London to be the number one visitor destination worldwide. The 2012 Olympic and Paralympic Games give London the opportunity to spread the benefits of tourism throughout London and offer an unprecedented opportunity to market the capital to the rest of the world and particularly to new markets. Whilst the Games themselves cover only a short period of time, in the pre and post-Olympic periods, London will benefit from hosting the Games. Previous host cities of the Games have, in different ways, found that the Olympics have been instrumental in enhancing the prestige of their respective cities. Based on these experiences, the benefits to London are likely to include:

- An overall boost in tourism
- New visitors
- An even more powerful marketing brand

In summary, increased (and sustained) levels of tourism spending resulting from London's hosting the 2012 Olympic and Paralympic Games should:

- Safeguard businesses
- Increase jobs
- Create wealth in London's economy

⁵⁹ Summarised from LDA, London Tourism Vision, 2006-16

- Help to sustain the vast array of entertainment choices
- Act as a catalyst to regeneration
- Boost London's convention and conference trade.

6. Community Benefits

Q15 How much thought have you given to possible “commercial” deals with any possible operator? Are you confident you will be able to obtain the best community benefit from the project? What would money obtained from such deals be spent on.

Response

Community benefits from development will be the subject of a S106 legal agreement. Greenwich has been very successful with the benefits it has achieved through the negotiation of over 200 Section 106 Agreements since 1997. Benefits currently stand at almost £150,000,000 with the provision of over 7300 affordable homes secured. Greenwich is one of the top three authorities in London in terms of benefits achieved and the negotiation, co-ordination and management of Planning Obligations has been praised by the District Audit in its September 2000 Probity in Planning report, as appropriate to be highlighted as ‘good practice.’

The Audit Commission Corporate Assessment December 2002 concluded that regeneration has delivered benefits to residents through significant employment gains and the mix of affordable housing. The Council has delivered on community aspirations for regeneration and has delivered tangible benefits through its imaginative negotiation of legal agreements. The Council has made effective use of planning obligations in order to deliver successful development.

A range of community benefits is normally secured through the S106 process including transport, community facilities, education, healthcare, environmental sustainability, public realm and employment/training. Community benefits will normally be provided in kind by the developer or as contributions for the Council to apply to specified projects, services and facilities within the area. The Council anticipates that the community benefits generated from any deal with a casino operator in the future would encompass the range of facilities specified above, as well as others relating specifically to that development.

The Council has already successfully secured a package of S106 benefits worth £105m. from the approval of the overall Peninsula Masterplan, which include contributions to such facilities as:

- Community facilities
- Affordable housing
- Transport – including CPZ, Greenwich Waterfront Transit; river bus service;
- Education – including secondary school
- Health /Social support – health centre and other community based services
- Provision of cultural facilities and public art
- Provision and maintenance of open space
- Employment and training

On the basis of its record to date Greenwich will be successful in securing the best possible level of community benefit from the casino development.

Q16. Please give us precise details on how you came to your economic impact assessment. In particular in the tables on p.9 of your proposal you include jobs in construction with operational and operational and tourism under the heading of “permanent employment impacts”. Why have you so included jobs in construction? Surely construction will not go on for ever?

Response

Construction employment on the development scheme will be temporary in nature and will last over the 20 years that the development will take to complete. However, in order to come to an overall assessment of the economic contribution of the scheme, as explained in the answer to Question 6, we have followed the Treasury convention that 10 person-years of temporary employment in the construction industry can be taken as equivalent to one permanent full-time job created. This convention has been adopted in a number of other economic impact assessments of major capital projects.

Q17. Also in these tables you claim figures ranging from 1417 to 2297 against the title “operational”. These figures are substantially larger than the job creation claimed in other proposals (see the CAP website). Please ask your consultants what is their researched evidence for these figures and advise us? (It should be noted that first hand information available to the Panel is as follows:

<u>Hohensyburg, Dortmund, Germany</u>	
Employed in gambling	350, of which 235 are in skilled jobs (gaming/technicians)
Employed in the restaurant, etc	150
Total	500
Hohensyburg is said to be the third largest casino in Europe. It has a gaming area of 6729m2, 45 games tables and 320 slots, all with no limit.	
<u>Star City Birmingham</u>	
Employed in gambling	117
Employed in catering, etc	52
Total	169
Star City is said to be the largest casino in the UK licensed under the Gaming Act 1968. It has a licensed area of 3156m2, of which 2039m2 is available for gaming, 25 tables and 160 slots of which 20 are “s.31” machines).	

Please see answer to Q6 for full explanation of how we arrived at our estimate of operational jobs. The numbers quoted above (Greenwich scheme) include employment in other aspects of the scheme (arena, hotel etc) in addition to employment in the casino. The casino employment element ranges from 708 for gross direct employment at a local level to 758 for total net employment (including induced and indirect employment).

The table below provides a headline comparison for gross direct casino employment only against the two examples provided. It can be seen that the employment density assumed for The O₂ casino is similar to that which prevails in existing international casinos.

Operational employment comparisons					
	Casino employment	Other employment	Total employment	Floorspace (gaming area m2)	Casino employment density (m2/job)
Hohensyburg, Dortmund, Germany	350	150	500	6,729	19.2
Star City Birmingham, UK	117	52	169	2,039	17.4
O ₂ Dome, Greenwich, UK	593	115	708	10,011	16.9

Other employment includes an estimated 33 staff in other functions such as marketing bringing the total to 708 as described above. It is not clear whether these jobs have been included in the schemes above, for instance it is likely that these roles would be centralised at Head Office in the case of Stanley (operator of Star City). Information provided by the operator estimates a total of 1,117 staff would be required to operate both the casino and hotel components of the complex, alone.

We also note that the regional casino will be considerably larger than existing UK casinos (such as Star City), and will be required to include at least 1,500m² of non gaming area (30% of the 5,000 m² minimum area). Therefore it is not directly comparable with existing products. In addition the regional casino proposed for Greenwich will be of a very high quality, which will also influence the volume of staff required.

Our response to Question 6 explores how the operational employment estimates are built up from the core casino employment to the total operational numbers presented in the tables in our submission. To consider the numbers in the question in particular:

- 1,417 operational jobs at the local level under the incremental scheme includes:
 - Operational jobs in the casino and hotel (after displacement and deadweight haven been taken into account) and after induced and indirect jobs have been added.
 - Operational jobs in entertainment district one (exhibition) and entertainment district two (with the displacement, deadweight taken into account and induced and indirect jobs added)
 - At the local authority (Greenwich) level
- 2,296 operational jobs at the sub-regional level under the full scheme includes:
 - Operational jobs in the entire scheme (casino, hotel and entertainment district), after displacement and deadweight have been taken into account and after induced and indirect jobs have been added
 - At the sub-regional (Thames Gateway) level

These estimates are therefore not comparable with the number of staff employed directly in the two casinos cited above, as they include more than simply gaming and catering functions.