

Note on the Methods Used to Calculate the Economic Impact of the Potential Casino in East Manchester, including the displacement effects

Background

1. We can confirm that CPC used the same methodology to calculate the gross number of jobs arising from the specific development of a casino in East Manchester as that employed to assess the economic impact of a potential regional casino in Glasgow. There are however a number of important differences between the two studies:
 - Manchester's development was of a specific site whereas the Glasgow study used a notional regional casino which had features similar, but not identical, to Manchester. There is no reason to expect the gross jobs to be the same as there were differences in the size/mix of non-casino facilities.
 - In addition, income multipliers and supply linkages are primarily a function of the size and diversity of the local economy and so relevant multipliers and linkages are higher for Manchester compared to Glasgow. Similarly, the estimates of construction jobs differ slightly. In each case the method is the same but the economic context is different.
 - While we based each estimate on the business plans of the operators involved in each location: they were directly drawn from the one operator in Manchester but are an amalgam of the business plans of the three operators in Glasgow;
 - The Glasgow study used a number of scenarios to provide a range of estimates for the impact; whereas the Manchester estimates were based on a single estimate for the proposed casino development, but with two scenarios on the potential induced spend on other hospitality activities (hotels, restaurants, etc) in Manchester.
 - The timing of each study does play a part in the difference. In 2004, the development of a casino in East Manchester, whilst representing a major investment project, still had a relatively low profile. This meant that there was only a rudimentary understanding in the wider leisure and tourism community of the potential of such a development. By late 2005, in Glasgow, there was a much greater understanding of the potential of a casino development and other agencies had been able to consider more fully how they could take advantage of this opportunity.
2. In essence, the Glasgow method followed the same methodology as Manchester to estimate gross economic impacts, but was then able to take the analysis a stage further to calculate displacement impacts and use these to provide a net additionality impact calculation for the city.

Displacement estimates

3. The original estimates in Manchester were derived prior to the decision to restrict the number of regional casinos (November 2004) – the production of net additional job estimates was not part of the research specification and the

NEM location was not part of a competition at that stage. However, the Manchester estimates for offsite spend only included the offsite spend on the day/night associated with the visit to the casino, rather than the whole trip that was the basis for the Glasgow gross estimates.

4. Gross impacts and displacement calculations have now been made for the Manchester Casino using the same method as for Glasgow. We have produced net additional estimates for Manchester city and the North West regional level for two scenarios:
 - The base scenario is based on current visitor data and assumes that the casino development in East Manchester will attract 1.3m visitors. Some 5% of visitors from overseas, (this is very modest as current estimates are 8.5% for the city) and 6.5% of people from outside the North West region. The remainder will be drawn from within the North West region, predominately from within a 1 hour drive time; and,
 - The second scenario assumes that overseas and people from outside the North West will account for a higher proportion of visitors: overseas tourists will account for 8% of visits and people from outside the region will amount to 10% of visitors. Again, the remainder of visitors will be drawn from within the region. We have not changed our estimates of the total number of visitors to the casino in this scenario.
5. The implications of the difference between these scenarios are therefore related to the additional benefit that would arise from a different *composition* of visitors to the casino development.
6. The detailed figures are presented below. The third and fourth columns of each table provide the net additional calculations for Manchester and the North West. These calculations breakdown our estimates of additionality across the different components of the economic activity. The estimates for the North West include Manchester and so the columns should not be summed.
7. Job Estimates for Manchester on the base visitor scenario are:

| Source of economic impact | Gross FTE jobs | Net additional Manchester | Net additional North West |
|---|----------------|---------------------------|---------------------------|
| Operations (casino and other on site) | 1475 | 249 | 138 |
| Local purchases | 182 | 35 | 19 |
| Off-site expenditures by visitors | 1030 | 266 | 236 |
| Synergy with other Sportcity activities | 11 | 11 | 11 |
| Multipliers | 270 | 59 | 106 |
| Total excl construction | 2969 | 654 | 528 |
| Construction | 520 | 520 | 520 |
| Total including construction | 3488 | 1174 | 1048 |

8. Job Estimates for Manchester on the second visitor scenario are based on a larger proportion of visitors from the rest of the UK and abroad staying more

than one extra night in Manchester because of their visit to the casino. Job estimates are:

| Source of economic impact | Gross FTE jobs | Net additional Manchester | Net additional North West |
|---|----------------|---------------------------|---------------------------|
| Operations (casino and other on site) | 1475 | 249 | 138 |
| Local purchases | 182 | 35 | 19 |
| Off-site expenditures by visitors | 1589 | 387 | 343 |
| Synergy with other Sportcity activities | 57 | 57 | 57 |
| Multipliers | 330 | 88 | 174 |
| Total excl construction | 3633 | 963 | 872 |
| Construction | 520 | 520 | 520 |
| Total including construction | 4153 | 1482 | 1392 |

9. These estimates provide some indication of the likely impact of a relatively modest change in the visitor composition to the proposed casino development in Manchester. The calculations follow the same method as we used in deriving estimates for the Glasgow regional casino, however, these estimates are *not* what we think would happen in Manchester if the assumptions used in Glasgow are applied to the circumstances in Manchester. Therefore, it would not be appropriate to compared these estimates directly.