Cambridge Policy Consultants[1] response to the Pion Casino Advisory Panel Note (September 2006) and Blackpool Council's challenge to the Leaguenotion submissions (letter dated 29th September)

October 2006

Introduction

Following their Examination in Public, Blackpool Borough Council submitted further documents in response to the representations by Leaguenotion and the report by NERA Consulting, 'The Case for Locating a Regional Casino in Blackpool: A Critique (September 2006) , commissioned by Leaguenotion. This note reviews the points made by Blackpool Council and Pion, in defense of the assessment of the economic impact of a regional casino in Blackpool.

Issues with Blackpool's Case

Blackpool Council challenges the Leaguenotion submissions on the following basis:

- The evidence of the projections of displacement from the Pion economic model;
- Evidence collated from meetings and discussions with major local leisure businesses which they claim suggests that arcade operators, casino operators and other major leisure businesses in the resort are able to adapt and change their offer as a result of the casino; and
- Testimonies of businesses that feel the regional casino is their only prospect for survival.

We feel these challenges are incorrect for the following reasons:

1. Displacement by visitors to the casino that live in the local area is understated

- These comprise 7% of the total demand i.e. 245,000 casino visits under the high scenario of 3.5m visits and 175,000 visits under the low scenario. The local authority population is approximately 142,284[2]. Using Pion's prevalence figure of 10% this means that under the high demand scenario these local residents would need to visit the casino 16 times a year and under the low demand scenario, 11 times a year.

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[1] Cambridge Policy Consultants (CPC) is an economic consultancy with considerable experience in the field of impact assessment. Over the past 10 years CPC has assessed the economic impact of festivals and other events, sport, transport infrastructure, media infrastructure and most recently casinos. Recent clients have included national government; Department for Communities and Local Government, Welsh Assembly Government, Scottish Executive, National and Regional Agencies and Local Government. For more details of our experience please refer to our website at http://www.campolco.co.uk.

[2] 2001 Census

- The Blackpool Council challenge to the Leaguenotion submissions comments that *'Blackpool will undoubtedly me a safer place to pilot that other city locations that will rely to a far greater degree than Blackpool on local visits to the regional casino'* (page 4). This claim is dubious given the local visitor figures presented above whereby total local visits are 1.7 x the local authority population under the high scenario.

- The 2006 Pion report assumes that all local visitors to the casino that currently spend money in local casinos (16% of local visitors) will spend any additional £50 per visit in the new casino. This means that the £50 they currently spend per visit will be increased to £100. Under the high scenario this means that they would spend £1,600 in Blackpool's casinos per annum.

- The 2005 Expenditure and Food Survey records that average household annual expenditure on recreation and cultural services[3] is around £920 per year. An expenditure of £1,600 on casino gambling would represent a considerable shift from other forms of spending.

2. Displacement by visitors who live outside the local area is substantially understated

- The 2006 Pion Report states 'that depending upon the assumptions made, new visitors to the resort are estimated to constitute between 55% and 70% of gambling visits. Taking a mid point of 62% of visits, under the high scenario this equates to 2.2m new visits and under the low scenario 1.6m new visits. Considering that adult visits to Blackpool are currently around 11m per year under the high scenario the casino is expected to increase Blackpool's tourism by 20% and under the low scenario by 16%. The realism of these assumptions is questionable.

- In addition the Casino Advisory Panel Note assumes that on top of these 2.2 and 1.6 m new visits there will be an additional 1m new visits generated by regeneration. This means the casino under the high scenario is expected to increase Blackpool's tourism by nearly 30%

- The following table sets out the displacement assumptions presented in the Casino Advisory Panel note. The assumption is made that 'regional/non-regional gambling visitors spend as much outside the casino as they do in it'. Based on the spend data presented in Pion's (2006) Blackpool Casino Submission Economic Impact Assessment

[3] Recreation and culture services expenditure consists of sports admissions, subscriptions, leisure class fees and equipment hire, cinema, theatre and museums, TV, video, satellite rental, cable subscriptions, TV licenses and internet, miscellaneous entertainments, development of film and £3.80 on Gambling payments.

this assumes that daily spend by visitors from outside the region will be £150 per head and £100 per head for regional visitors. This is substantially higher than current visitor spend in Blackpool and indeed elsewhere in the UK.

– There is no rationale provided for the assumption that existing non-regional visitors will, because of the casino, spend an additional £56 per head outside the casino and regional visitors an additional £25 per head outside the casino.

Displacement assumptions as set out in the Casino Advisory Panel note

	Spend in casino*	Spend outside casino*	Displacement	Additional spend outside casino
Local population	£30-£50	Not stated	Not stated	Not stated
Existing visitors (from region)	£50	£50	50%	£25
Existing visitors (from outside region)	£75	£75	25%	£56
1 million new visitors	£0	£15	0%	£15

*Spend data from Pion (2006) Blackpool Casino Submission Economic Impact Assessment

3. Pion's Casino Advisory Panel Note does not take account of leakage

Pion (2006) correctly made the following comment in relation to leakage:

'Not all salaries earned will be earned by workers living in the local area and not all expenditure of those living locally will remain in the local area due to leakages from goods and services imported from outside the local economy - smaller local areas can be expected to have higher leakages. For analytical purposes, a tiered approach is adopted to the residence of casino employees. Since the development scheme and construction period is likely to extend through to 2009, and will allow Blackpool's bespoke and already established education and re-skilling programmes in the casino, hospitality and leisure services sectors to maximize the local employment benefit, it is assumed that some 75% of persons working in a single regional casino live locally. This figure is reduced to 65% where additional large casino scenarios are considered, and reduced to 50% in the case of the Masterplan scenario'

Pion (2006) Blackpool Casino Submission Economic Impact Assessment, page 9

However in the Casino Advisory Panel Note, Pion directly contradicts the previous analysis stating that:

'The NERA comparison of Job numbers is misleading and misrepresents the comparative process. NERA job numbers are adjusted for leakage – assumptions about the proportion of jobs likely to be taken up by non-residents. The Pion economics figures refer to jobs created in Blackpool and are not adjusted for Leakage' (page 6)

By not taking account of leakage Pion substantially overstates the potential number of jobs and means that the job estimates produced are not on a comparable basis to other regional casino job estimates.

4. GVA comparisons presented by Blackpool Council's in the letter of 29th September are misleading

Blackpool Council's letter identifies that the percentage change in GVA for the Blackpool Local Authority is 8.2% over the period from 1995 to 2003. The letter then compares this figure to that for the other locations seeking to licence a regional casino including the NUTS3 area Greater Manchester South. This comparison is misleading because the Greater Manchester South NUTS 3 area includes five local authorities, Salford, Stockport, Tameside, Trafford and the Manchester City area which are in total not representative of the East Manchester area. The 2005 Pion Report[4] comments on this non comparability:

> *'It is difficult to compare GVA performance across the two areas since GVA is reported at NUTS3 level, defined as either Greater Manchester North or South in the case of Manchester' (page 45)*

Due to the non-comparability of these figures further data is required to provide an evidenced case. Some of this evidence has been presented in Pion's (2005) analysis of the benefits for deprived groups[5] which compares Manchester and Blackpool as potential locations using data from the 2004 Index of Multiple Deprivation. The report highlights the greater potential benefits for deprived communities that arise from the East Manchester location:

> *'Blackpool….appears likely to generate less deprivation benefits than Manchester (or indeed Liverpool). This does not imply that Blackpool is devoid of pockets of substantial deprivation, but simply that it has a scale of deprivation that is less intense than those in the urban centres'(page 44)*

[4] Pion (2005) Casino's in England's North West: An Assessment of Market Demand, page 44
[5] Pion (2005) Casino's in England's North West: An Assessment of Market Demand, page 44

The report also highlights other economic factors which illustrate the requirement for regeneration and investment in East Manchester:

‘Working age activity rates are significantly lower in Manchester than Blackpool with figures (LLFS) of 65% and 76% respectively’ (page 45)

Conclusions

On the basis of the above we feel that the Blackpool Council comments on the Leaguenotion submissions set out in their letter of the 29th September do not address the issues raised by Leaguenotion and does not provide sufficient clarify in relation to the assumptions used in the Pion economic model.

The displacement estimates used in the Pion economic model are understated both in terms of local demand and demand from the region and outside the region. There is no rationale provided for the assumption that existing visitors to Blackpool will spend more in Blackpool outside the casino as a result of the casino rather than shift the pattern of their spend.

Blackpool Council’s response in relation to leakage, whereby 100% of the jobs are taken up by local residents, is inconsistent with the Pion Economic Impact Assessment (2006) which states that 50% of the persons employed live locally.

The GVA comparisons presented by Blackpool Council are misleading due to the lack of local area data for East Manchester. Due to the non-comparability of these figures further data is required - the 2004 Indices of Deprivation show the area contains some of the most deprived SOAs in the country) and working age activity rates are significantly lower in Manchester than in Blackpool.