

Newcastle City Council

Response to CAP Questions

14 August 2006

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Regional context

9. *On p.7 of your proposal you set out your preference for a location “the Discovery Quarter” where the proposed casino could function in a “non-ambient environment”. 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 this specific location as a particular merit of your proposal. What is your authority (research, Parliamentary Cttee, etc) for preferring a “non-ambient environment” to a location in the City Centre and your justification generally for choosing such a location?* 27
10. *Given that your choice of the Discovery Quarter as the location of the proposed casino can be justified on the basis of a non-ambient environment, how confident can you be that the final site will meet the requirements of such a location?* 28
11. *You did not wish to consider a large or small casino – what is it about the regional casino that will make such a difference to your area?* 29
12. *We would like to understand Newcastle’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.* 30

Community benefits

13. *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?* 34
14. *On p.12 of your proposal, you quote your consultants (PwC) as estimating that the operation of the casino complex (“RCEC and hotel”) would create about 290-615 net new fte jobs for Tyneside, and 232-560 fte jobs in the region (which we take to be the Government’s North-East Region). These figures are substantially smaller 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?* 35
15. *Also on p.12, you assert that “in total the scheme would create about 498-952 ftes for the North East region, of which up to 850 could be taken up by people from Tyneside”. Please explain the derivation of these figures from the earlier mentioned material.* 39

Attachments:

- **NECA report** “Service Provision for Problem Gambling”
- **Report on Consultation Activities** “Establishing the Degree of Support for a Regional Convention Centre, Casino and Associated Development in Newcastle upon Tyne”
- **KPMG report** “Site Appraisal for the Proposed Regional Casino Entertainment Centre in Newcastle” *[to follow]*
- **Site plan:** Potential Casino Sites at 1:5500 (A3)
- **Site plan:** Potential Casino Sites at 1:9000 (A2) *[to follow]*

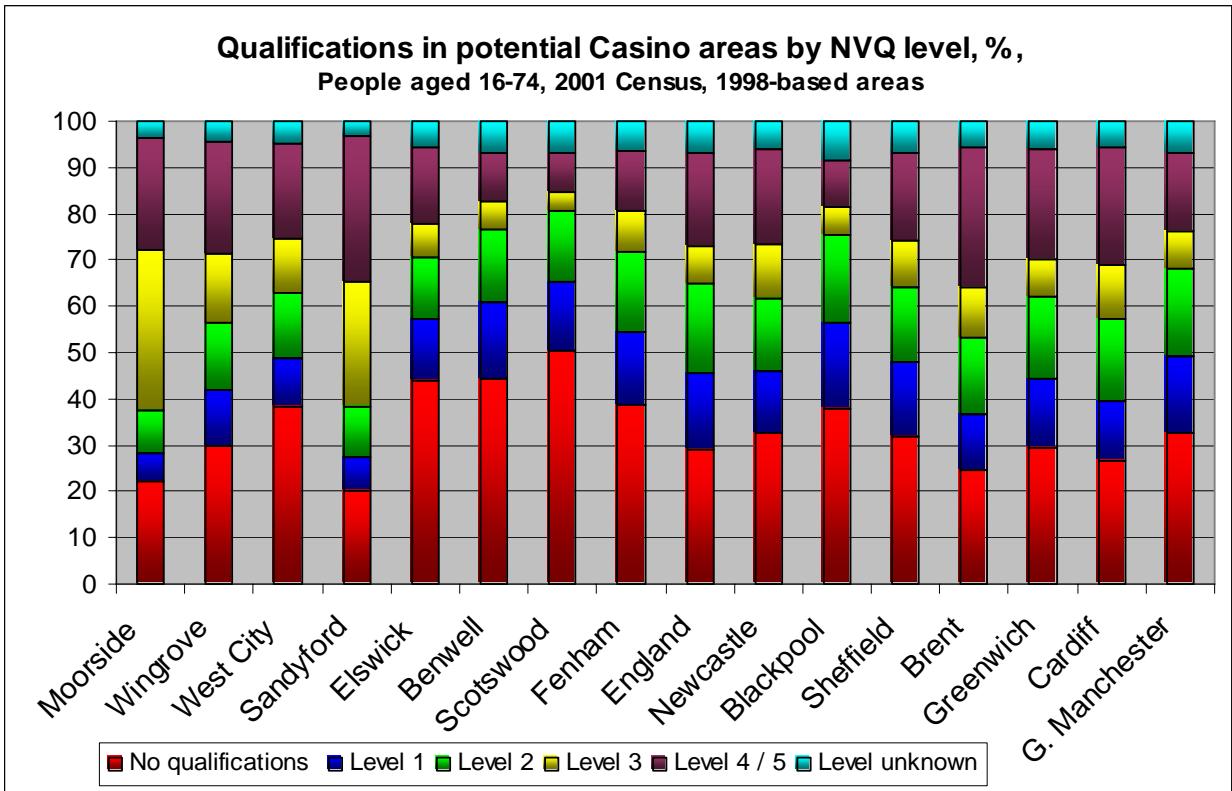
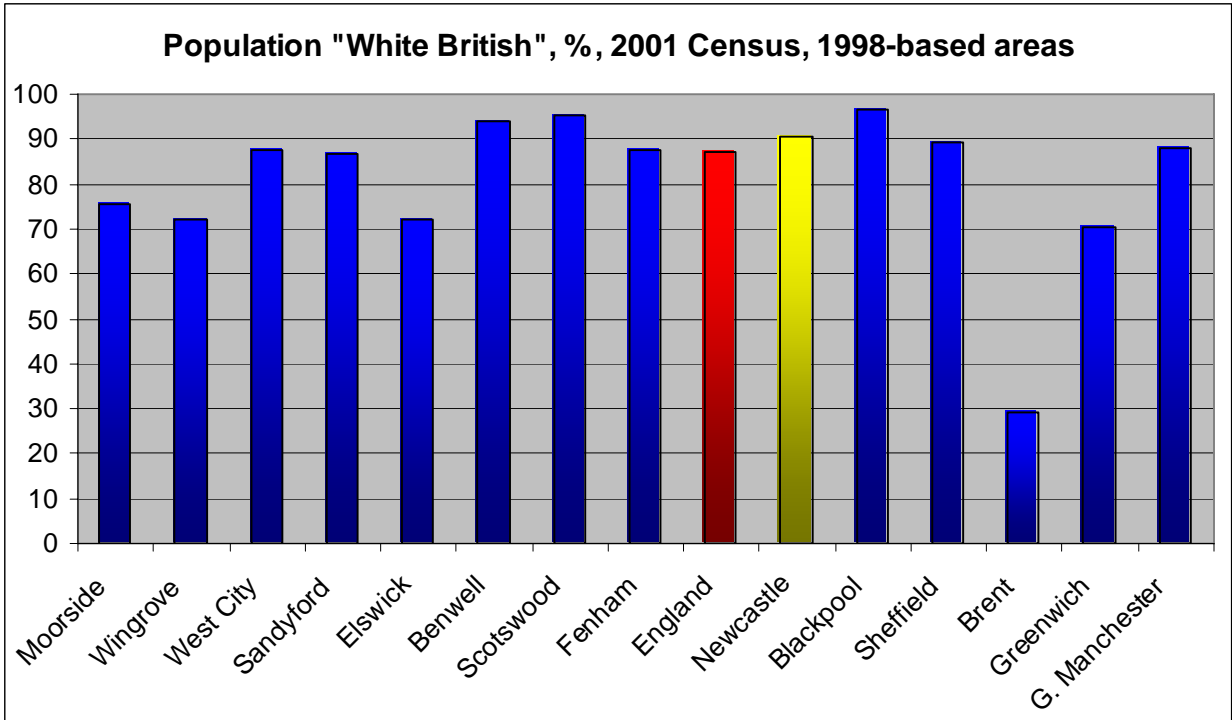
Type of area

1. *We note that the average appearance of Newcastle in terms of population stratification (eg, 7% BME v UK 9%) makes it unrepresentative of British cities. Does this fact not put your proposal at a disadvantage when measuring social impact as a test for Britain?*

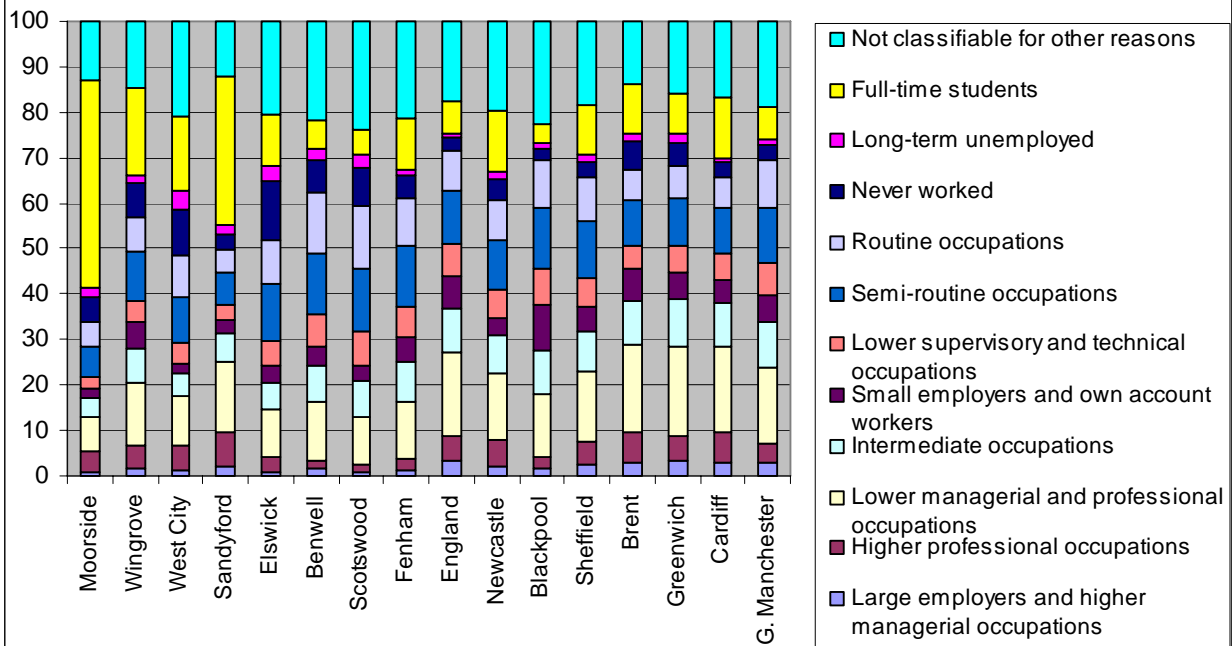
We agree that, were Newcastle especially unrepresentative of British cities in terms of population stratification, a case could be made that it would only provide a particular – rather than a general – test of social impact. That said, it could also be argued that the need to assess the impact of locating a Regional Casino in a city on that city's minority groups (which appears to be the intuition behind the Panel's question) might actually be more rather than less effectively met in a city in which those groups, and the social and community networks underpinning them, are relatively less established, because it provides a bigger test of how mainstream provision for dealing with social impact copes with diversity. Also, if a hypothesis exists that there may be a cultural dimension to attitudes or behaviour towards gambling, it might make most sense to test that hypothesis where any negative impact is likely to be most contained.

That said, we would question whether Newcastle is, on the whole, less representative of Britain than other potential locations for a Regional Casino; indeed, whether any city is truly representative. We agree that, measured by the relative size of the black-and-minority ethnic population, Newcastle appears less diverse than other British cities. However, the charts below – which compare three different dimensions of population stratification between the England average, Newcastle, other English cities shortlisted for a Regional Casino, and the wards in the immediate vicinity of the likeliest locations for a Regional Casino in Newcastle – suggest a more nuanced picture:

- Newcastle as whole does not have a markedly higher White British population share than other shortlisted English cities and towns outside London. In the vicinity of the likeliest locations for a Casino – in the former West City and Elswick wards, and on the doorstep of Wingrove and the former Moorside wards, there is considerable variation in population diversity.
- A qualification-based population stratification suggests that Newcastle shares with other potential locations in and England and Wales apart from Brent and Blackpool a relatively similar distribution of qualification levels. However, again there is very great variety between wards within the vicinity of a likely Newcastle casino location, with the former Moorside and Sandyford wards having very considerable student populations, and most other wards showing a skills stratification highly skewed towards those with lower levels of qualifications, for which a Regional Casino and Convention Centre would be expected to generate considerable numbers of jobs.
- On an occupation-based stratification to common picture emerges across locations. Newcastle differs from the England profile chiefly in its large full-time student population and its relative lack of small businesses (the average firm size in Newcastle is approaching twice the national average) and middle-management occupations. Also, in common with other locations outside London, Newcastle has a relatively high number of people economically inactive (within the "not classified" bar). Again, there is great diversity of stratification in wards in the vicinity of a likely Newcastle location, but with relatively high proportions of people in lower-level occupations, who are inactive, or who have never worked.



Occupational profile, potential Casino locations, %, people aged 16-74, 2001 Census, 1998-based areas



The source for all three charts is 2001 Census Area Statistics, available at www.neighbourhood.gov.uk.

Social Impact

2. *You have four casinos already. Why do you believe this new casino will radically alter Newcastle's economy? How are you so confident that the new casino will benefit the mass of economically inactive people in your council's area?*

The pursuit of Regional Convention Centre and Casino is one aspect of a much broader strategy to transform Newcastle's economy. As concluded by the recent report by the Organisation for Economic Cooperation and Development (OECD) of Newcastle in the North East¹, which provides an economic analysis of the city and region of a depth and authority never before seen, Newcastle's is currently a low-wage, relatively low-skill economy which has the potential to become a more mixed economy. A sound economic strategy would therefore involve efforts to sustain a supply of relatively low-skilled work while exploiting the innovation potential in Newcastle's universities, existing knowledge-based industries and large public sector to increase the volume of higher value-added economic activity.

The City Council will be publishing in November its revised Regeneration Strategy which will set out an economic vision and strategy for the city which takes account of the OECD's main recommendations. Among the main aims will be:

- Under the banner of Newcastle Science City, making Newcastle a centre of national, and in some niches international, significance in the commercial exploitation of science.
- Attracting more people to visit, live, work and study in the city, with a programme to attract high-skilled workers from Britain and Europe.
- Supported by city's forthcoming bid to the Local Enterprise Growth Initiative (LEGI) programme, a 10-year programme to develop a trading ethos in many of Newcastle's most deprived areas, including by exploiting public sector procurement opportunities.
- Further growth in core sectors currently providing steady, relatively strong economic growth and volume numbers of accessible jobs – in retail, tourism and the creative industries.

A Regional Casino and Convention Centre would particularly support this latter aim, and thus be an important pillar in Newcastle's economic transformation. As set out in our original proposal, the flourishing leisure and business tourism market means Newcastle is well-placed to take advantage of the opportunities offered by a Regional facility, and there is evidence that the lack of a Regional Convention Centre in particular means the city is already foregoing substantial potential income and job generation. This impact would certainly be of a different order of magnitude to that of Newcastle's existing casinos, which are relatively small facilities – the largest at 5,000 m² – and whose catchment is primarily local and sub-regional. As the report by PwC² submitted with the supporting documents to our original proposal found, the catchment of a Regional Casino is likely to be wider, its appeal broader and, even on cautious assumptions, there is "considerable positive evidence of demand" for a Regional facility. This analysis does not take account of the positive co-ordinate effects of the co-development of a Regional Convention Centre with a Casino, which we expect to be strongly positive.

1 <http://www.newcastle.gov.uk/wwwfileroot/pressoffice/NEWCASTLEintheNorthEast.pdf>

2 "Proposed Regional Casino Development – Economic and Social Impact Assessment", PwC, March 2006.

In terms of problem gambling, we would highlight the analysis presented in our original bid document and elsewhere in these question responses. Whilst there can be no guarantees of preventing problem gambling, we think the terms of our Casino proposal – likely site location and design, involvement of partners in action to pre-empt and tackle problem gambling concerns – are comprehensive and in line with best practice.

On the issue of employment take-up, the creation of a “windfall” mass of employment opportunities that are highly likely to be sustainable, of good quality and to offer the prospect of broader career development in an expanding Newcastle leisure economy offers the possibility of a much more coherent active employment strategy than is usually the case with mainstream employment opportunities and programmes.

In practice, for a Regional Casino and Convention Centre to meet its labour needs it would need to take a highly proactive approach to recruitment. Prospective operators have confirmed that they would invest heavily in marketing and training for employment opportunities locally and there is a track record in the city of such methods succeeding. Newcastle College has been heavily involved in providing training for many aspects of the city’s leisure economy, and we would expect a significant role for them in servicing the needs of a Regional Casino and Convention Centre. Aspers, currently the city’s largest casino, has a programme called “Working Links” through which they have successfully employed over 60 people who had previously been long-term unemployed or inactive.

3. 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?

The following response has been prepared by the North East Council on Addiction (NECA)

Our experience to date of Gamblers and specifically of Casinos is drawn from the following:

- NECA's work with the National Treatment Agency GamCare
- NECA's Gambling Treatment Service Provision
- Personal Observation
- Senior Manager having worked in the Gaming Industry
- Client Feedback
- Community Action in Responsible Gambling Committee Membership

Newcastle currently has: 4 Casinos + 2 applications pending
58 Betting Offices
5 Bingo Halls (Cash Prize)
4 Bingo Halls (Prizes)
34 Social Clubs with gaming machines
24 Amusement Arcades

Newcastle has a population of 266,600 residents. Research would suggest that 0.8% of the population would find a gambling activity problematic.

In the Newcastle area NECA has 4 centres from which we deliver treatment service. The number of clients in Newcastle that have been referred to NECA in the past two years are as follows:

April 04 – March 05	45
April 05 – March 06	66
April 06 – June 06	14

NECA has in total 22 main centres and 2 subsidiaries within the North East Region and some clients will opt to be seen away from the area in which they reside.

The lessons we have learnt about Gambling:

1. Whilst the National Lottery is played by the majority of the population it is not the mode of gambling for which people have sought our help.
2. Scratch Cards are more problematic due to their availability and immediacy
Both the above are freely available and can be purchased in front of children with adults as role models.
3. Betting Shops – predominately betting on horses and dogs is extremely popular in the North East Region followed by attendance at meetings.
4. Fruit Machines are recorded by our clients as the most problematic not necessarily in Casino's but in other licensed premises, Arcades, Cafes and Bingo Halls.
5. Bingo, although not the mode of gambling many of NECA clients have sought help with, we believe to be very popular. Bingo prizes have increased dramatically over

the last 2 – 3 years and the companies offer inducements for regular attendees. It is felt that many Bingo players are on lower or fixed incomes, memberships is noticeably younger and the environment has improved. More comfortable with subsidise food and drink.

6. Casinos are only attended by adults, are well regulated by membership, guest membership with a stronger supervisory presence than other forms of gambling. The most recent casino provision includes a wide range of supporting services e.g. restaurants, live entertainment, dancing, which could attract the younger adult population who may or may not gamble.

The lessons we have learnt about Casinos:

1. Casinos are well regulated
2. No immediacy in the past with 48 hour rule and now with the level of identification required for membership or access
3. No under age issues due to the scrutiny required
4. Tables staffed by croupier observation and supervision
5. Floor management visible
6. Casinos appear to have their own target group within the gambling population.
7. Gaming industry voluntarily contributing to cost of gambling services
8. New Casino owners demonstrating overt social conscience as opposed to existing providers
9. Feel that there is a finite numbers of users of casinos
10. Strict dress code and behaviour or exclusion
11. No evidence of increase in crime in areas surrounding casinos
12. Casino operators willing to give our leaflets/literature
13. New operators prepared to engage in training for staff
14. New operators prepared to engage in exclusion/time out facilities
15. No evidence of prostitution to either being available or associated to casinos neither do we believe prostitution is being exploited to feed gambling needs
16. No evidence to support the view that controlled drugs are being sold and distributed in regulated casino environments

The question as to why people gamble:

- A social activity
- Friendly
- An escape from day to day problems
- Accepted as part of our culture
- Chance to win

And in casinos specifically:

- Attracts visitors who have travelled a distance to socialise in the city
- Safe environment
- Variety of gambling choices
- Hospitable

- Feel good factor
- No aggravation
- Friendly
- Wide range of activities
- Live entertainment
- Free and/or subsidised food and drink

Problems recorded by NECA's clients:

- Debt – an average of £8,153.00 regional and £5,896.00 in the Newcastle area is reported as debt by NECA clients due to gambling, however many clients have not declared any debt.
- Family/Relationship disputes
- Arguments
- Divorce
- Chaotic Life
- Guilt
- Chasing losers
- In extreme circumstances – misappropriation
- Housing
- Employment

We are advised that suicide rates in Newcastle are between 30 - 40 a year – none would appear to be directly related to gambling – with the most likely issue to be related to break up of relationships. However NECA acknowledges that gambling could be an underlying reason associated to the break up of the relationship, we have no hard evidence to this conclusion.

Further information on NECA's service provision for problem gambling is provided in the attached report.

4. In the deprived areas how would you ensure a positive take up of job opportunities?

Please see our response to CAP question 2. As set out in our original proposal, we would make active and intensive targeting of employment opportunities on deprived areas a prerequisite of a successful proposal from any Regional Casino and Convention Centre operator.

Suggested plans of potential operators with an expressed interest in Newcastle include:

- Preferential recruiting targeted at local residents, as permitted by EU law.
- Targeting local economically inactive residents in deprived wards for 20 per cent of positions.
- Providing pre-recruitment “life skills” training to local residents, particularly for the economically inactive.
- Comprehensive jobs skills training using established academic and industry training facilities.
- Childcare, transport, and pension benefits.

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

The following response has been prepared by the our advisers, PwC, who undertook the original economic and social impact assessment on behalf of the Council

Introduction

Our approach to undertaking the economic impact assessment referred to in the Council's bid documentation is consistent with government guidance and English Partnerships' Additionality Guide (September 2004) and involved identifying the **net** employment implications and related income impacts (in terms of incremental GVA) which may potentially be generated by the proposed developments.

In terms of direct jobs creation, three potential sources of employment have been considered:

- On site employment during the construction phase.
- On-site employment generated during the operational phase.
- Jobs created "off-site" due to "off-site" expenditure by visitors to the casino.

In deriving the net or additional jobs likely to be created by the proposed development – across these three categories – we have assessed the effects of:

- Substitution – defined as the number of jobs lost in the same sector of activity (e.g. jobs lost in the gaming industry elsewhere in the local area).
- Displacement – defined as the number of jobs lost in other economic sectors (e.g. jobs lost in other leisure or non-leisure sectors as a result of the fact that a proportion of the money spent by casino users may otherwise have been spent on other leisure or non-leisure activities).
- Deadweight – defined as the number of jobs likely to be created in any case even if the casino were not to be developed.

Following the above assessments 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 by operators of the facilities 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 the Casino.
- **Induced employment** reflecting employment generated in the local or regional economy as a result of the cascade of expenditure of direct (casino) and indirect (supply chain) employees through the local and regional economy.

The extent of the indirect and induced employment effects (and thus implied multiplier values) within any given local economy is conditioned by the extent of the "dispersion" of economic activity outside of this area. Dispersion is related to various factors including the:

- Size of the local area, as the smaller the geographical area the greater the likely level of dispersion.
- 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.

- Expenditure levels and profile of direct (locally based) employees.
- 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.
- 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.

In identifying the impact of the proposed development we have considered the geographical area of impact at two spatial levels: “local”, being Tyneside (local authorities of Newcastle, Gateshead, North Tyneside and South Tyneside), and “regional”, namely the North East.

Temporary direct employment during the construction phase

Investment in the development of a Regional Casino will create a number of construction jobs (albeit that such employment tends to be inherently short term in nature). The direct capital expenditure involved will lead to increased output generated in the UK economy, although the precise relationship between such expenditure and net output generated can only be determined through a detailed assessment of the input/output effects upon other economic sectors in the UK economy. Given the provisional nature of the current proposals, such an approach is not possible at this stage. The temporary construction phase employment impact has, therefore, been derived from reference to regional construction statistics.

Data from the Office for National Statistics (ONS) shows that, in 2002, Gross Value Added (GVA) for the construction sector in the North East was £2,093 million (at basic prices) and that there were 54,000 construction jobs (source: Region in Figures - North East 2004/2005). This represents an average GVA value per worker of £38,760. Taking into account inflation, and the use of this ratio to identify employment effects for other casino studies, we have assumed that one person-year of employment will be supported by £40,000 of construction investment.

Gross employment

The gross capital investment for the construction of the proposed scheme – as illustrated in Table 5.1 below – has been estimated at around £145 million.

Table 5.1: Projected Capital Costs

Capital costs	£million
Casino building cost, fixtures and fittings (7,500 sq m at £3,000/sq m)	£22.5 million*
Equipment – 1,250 slot machines at £7,000	£8.75 million*
Equipment – 50 gaming tables at £50,000	£2.5 million*
Pre-opening costs	£10 million*
Hotel building cost, fixtures and fittings	£100 million**
Total	£143.75 million

* *Based on estimates prepared by Professor Peter Collins of Salford University in a study undertaken for Newcastle City Council*

** *Based on cost benchmarks for a 350 bed four star hotel produced by Davis Langdon*

The capital cost above excludes land acquisition and site preparation costs. As a result, this capital cost is likely to under-estimate the potential development cost but in the absence of detailed capital cost estimates we have adopted this estimate in taking a conservative approach towards the calculation of potential employment opportunities associated with the proposed development, adjusted to exclude expenditure that is unlikely to impact locally such as the manufacture of gaming machines and other specialist equipment. Assuming that the manufacture of such gaming equipment would cost £11.25 million, it has been estimated that the casino and hotel building development will cost in the region of £132.5 million. Using the ratio of one person-year per £40,000, it is estimated that **3,310 gross person-years of employment** will be created during the construction phase equivalent (when following the convention adopted by HM Treasury that 10 person-years of employment can be taken as equivalent to one permanent full-time job), to **331 gross construction jobs**.

Additionality

Given that there is as yet no direct dependency identified between this project and other development projects in the area, apart from the proposed Convention Centre, the Council anticipates that the proposed development would have little impact on the delay or outcome of other pending development projects. It is assumed that the **substitution** effect of the proposed development would therefore be minimal at the local level and the **displacement** effect would be nil. We have therefore assumed a 0% substitution/displacement factor at the local and regional levels for construction impacts.

In terms of the proportion of jobs created at the local and regional level that may happen in any event, irrespective of whether the proposed development went ahead (i.e. **deadweight**), English Partnerships' (EP) Additionality Guide indicates a 50% factor for the construction sector at local level. This is the only value provided by EP for the construction sector and is based on the evaluation of Enterprise Zone developments.

In the absence of any other benchmark this 50% factor has been adopted in the assessment of potential net benefits of the proposed development. However it is assumed that the appropriate deadweight factor may potentially be lower due to the unique characteristics of a casino/hotel development which indicates that potentially over 50% of those jobs would not have been created in the absence of the development. We have therefore considered a range of deadweight factors: 30%-50% at the local level and 35%-50% at the regional level (with the latter range starting at a higher level due to the greater likelihood that, compared to the local area, there is likely at the regional level to be similar development projects (and thus construction jobs anyway) for the less unique elements of the development (e.g. hotel/retail/bars).

As a result of taking account of the above non-additionality factors, the number of net direct jobs is estimated at **166-232 full time equivalent (FTE)** at local level and **166-215** at regional level.

Indirect and induced employment

In addition to the construction employment generated by the project itself there will be increased local employment arising from the indirect and induced effects of this construction activity, in terms of employment related to both services and supplies to the construction process benefiting local suppliers and incomes of construction workers, and those employed in providing services to the construction process spent locally.

The complexity involved in assessing employment multiplier effects means that an accurate prediction is difficult without recourse to an intra regional input/output model which facilitates estimates of leakage rates. The data required to calibrate such a model for the impact of the Regional Casino development is not available and, therefore, multipliers have been estimated on the basis of the findings outlined in EP’s Additionality Guide, with an estimated “leakage/dispersion” rate of 91% and, therefore, a local multiplier of 1.1 (i.e. 1/0.91) for the construction phase. This will result in **an extra 17-23 FTE local jobs**. At a regional level (North East), the leakage rate is likely to be lower, resulting in further spin-off effects for the regional economy. Assuming a regional “leakage” rate ranging from 83% to 70%, and therefore a regional multiplier of between 1.2 and 1.43, would result in an **extra 33-93 FTE jobs**.

Total temporary employment

Table 5.2 below summarises the estimated temporary employment impacts – in full time equivalent terms - for the construction phase of the proposed development at the local and regional level.

Table 5.2: Total Full Time Equivalent Construction Jobs

Impact at local level	Gross direct jobs	Additionality factors	Net Direct Jobs	Induced and indirect factors	Total net jobs
Total employment at local level (FTE)	331	30-50%	166-232	1.1	183-255
Impact at regional level	Gross direct jobs	Additionality factors	Net Direct Jobs	Induced and indirect factors	Total net jobs
Total employment at regional level (FTE)	331	35%-50%	166-215	1.2-1.43	199-308

Permanent employment during the operational phase

Gross employment

A Regional Casino and hotel development will generate a number of permanent employment opportunities. The total number of new jobs created will depend upon the scale and nature of the scheme proposed, and the extent to which these are additional to the local economy.

We have estimated the number of gross direct jobs using the breakdown of floorspace figures for the proposed casino development (as detailed within a study undertaken by Professor Peter Collins of Salford University on behalf of NCC) and adopting typical employment densities for different types of land uses, expressed in terms of square metres of floorspace per full time equivalent job. These employment density figures have been derived from experience in other redevelopment areas, including sites in London, Sheffield, Belfast, Cardiff, Liverpool, Manchester, and Glasgow and from the English Partnerships Guide to Employment Densities (July 2001).

The employment density ratios used are:

- Hotel rooms: 0.8 FTEs per hotel room as the proposed hotel is a four-star hotel (EP Guide); and,
- Casino complex: 15 sq m per worker (other projects) to 40 sq m per worker (EP Guide for amusement and entertainment centres).

On this basis – as illustrated in Table 5.3 below - it is estimated that the proposed scheme could create between **470-782 direct gross jobs**. It should be noted that in a previous proposal to the Council, MGM Mirage suggest that their proposed development would create up to 1,500 direct jobs. However, without further detailed information from MGM Mirage or other casino operators concerning the nature and scale of any proposed development or the associated employment implications of such proposals, we have not used this assumption in the analysis of impacts.

Table 5.3: Employment estimates by floor density (based on job density ratios)

Floorspace use	Rooms	Floorspace (sq m)	Employment density (sq m per FTE or FTE per room)	Gross direct jobs (FTE)
Hotel rooms	352	n/a	0.8	282
Casino	n/a	7,500	15-40*	188-500
Total				470-782

* The 15 sq m value is derived from other similar studies: one study indicated 13 sq m per worker based on detailed employment estimates provided by one operator for a luxury Regional Casino, 20 sq m has been used for another Regional Casino. We have also assessed the reasonableness of this 15 sq m value by building up the number of employees based on the number of tables, slot machines, security/surveillance needs per square foot extrapolating detailed information provided by one operator for another casino.. This calculation led to 16 sq m per worker.

Not all of these permanent direct jobs will represent net additional employment opportunities for the local and sub-regional economy. The extent of additionality will vary according to the nature of the activities attracted to the development.

Additionality

Newcastle is characterised by a relatively high level of gaming activity (4 casinos in Newcastle with another 2 casinos already granted planning consent). A study on the potential impact of gaming deregulation undertaken by Pion Economics in 2003 assumed that 16% of total spending at casinos (including new spend from income growth and savings) will be derived from other forms of gambling. Given the current and future gambling offer in Newcastle and the fact that the proposed casino may be competing with recently developed casinos, such as Aspers and potentially Bannatyne, we have assumed a 20% to 30% **substitution** factor at both local and regional levels on the basis that the level of gaming activity does not significantly increase with one existing casino in Sunderland.

In terms of **displacement** effects (jobs lost in other sectors) the Pion Economics study assumed that 37.5% of gambling spend is likely to displace expenditure on other forms of entertainment. Considering that only a proportion of such displaced expenditure would have been spent at a local or regional level (assumed to be 75%), and considering the contribution of local or regional visitors spend to total casino revenue, we have estimated total displacement effects of 10% for Tyneside and 22% for the North East.* In considering potential net additional employment associated with Regional Casino and hotel developments we have therefore assumed a 30%-40% combined local substitution and displacement factor and 42-52% for the regional level given that in relative terms there is also a high supply of hotels in the area.

** Assuming that the contribution of the Tyneside population would represent 38% of total anticipated casino revenue (given that 100% of the visitors coming from the 0-20 min catchment area live in Tyneside as well as 25% of the visitors from the 20-30 min catchment area), the displacement factor at the local level has been estimated at 10% ($37.5\% * 75\% * 38\%$). At a regional level, the displacement factor has been estimated at 22% ($37.5\% * 75\% * 79\%$) given that the contribution of the people living in the North East to anticipated casino revenue has been estimated at 79%.*

In terms of the proportion of jobs created at the local and regional level which would have happened anyway, irrespective of whether the proposed development went ahead (i.e. **deadweight**), it has been assumed that planning approval is granted for only one Regional Casino within the local area. It has therefore been estimated that only 10% of the Regional Casino jobs would be created in the local economy if a casino were not developed. Regarding the proposed hotel development, given that it is less unique than the casino, it has been assumed that 20% of the hotel employment would have been achieved elsewhere within the economy. This assumption is in line with other similar studies and low estimates of deadweight factors in the EP Additionality Guide for recreational use.

As a result of the two preceding additionality factors, the number of net direct jobs is estimated at **236-473 FTE** which would be net additional to the local economy (i.e. some 50% of the total number of gross direct jobs generated) and **189-392 FTE** at the regional economy level.

Indirect and induced employment

The indirect and induced employment effects arising from local businesses supplying goods and services to the Casino and cascades of expenditure related to additional employment and income are considered to result in local and regional multiplier values of 1.3 and 1.43 respectively, representing both the indirect and induced employment effects of permanent employment created by the proposed scheme. These figures are consistent with estimates utilised in the Pion Economics study, and take into account the impact of non-gaming industry substitution effects (e.g. spending at a football match may switch to spending at the new casino leisure complex). In addition, to adopt a conservative approach, we have also considered another local multiplier value of 1.227 derived from Scottish Executive analysis of employment multiplier values for recreational services.

Total operational employment

Table 5.4 below presents the estimated permanent employment impacts for the operational phase of the proposed development at the local and regional level.

As indicated, by Table 5.4, we have assumed that the operation of the casino and hotel will create around 290-615 FTEs for the local economy with 232-560 net additional FTEs at regional level.

Table 5.4: Total Operational jobs

	Gross direct jobs	Deadweight factor	Direct jobs (net of deadweight)	Substitution / displacement factor	Net Direct Jobs	Induced and indirect factors	Total net jobs
Total employment at local level (FTE)							
Hotel	282	20%	226	30%-40%	135-158	1.23-1.3	166-205
Casino	188-500	10%	169-450	30%-40%	101-315	1.23-1.3	124-410
Total	470-782		395-676		236-473		290-615
	Gross direct jobs	Deadweight factor	Direct jobs (net of deadweight)	Substitution/ displacement factor	Net Direct Jobs	Induced and indirect factors	Total net jobs
Total employment at regional level (FTE)							232-560
Hotel	282	20%	226	42%-52%	108-131	1.23-1.3	133-187
Casino	188-500	10%	169-450	42%-52%	81-261	1.23-1.3	99-373
Total	470-782		395-676		189-392		232-560

Tourism impacts

In addition to the direct employment created on the casino and hotel site, it is also important to consider the potential employment impacts associated with tourism expenditure generated as a result of the proposed scheme, with potential additional tourism revenues being generated from additional visitors to the local area.

As part of the market assessment undertaken by PwC, it has been estimated that a Regional Casino could attract an **additional** 63,000 visitors to the region. Based on analyses of regional tourism trends published by One NorthEast, we have assumed that 33% of additional visitors would stay with friends and relatives for an average of 2.4 days and spend £18 per day and that 67% would stay in hotels over an average of 1.7 days and spend on average £87 per day.

Of the 67% hotel visitors, we have only considered the spending of 80% of those visitors on the assumption that the remaining 20% (figure derived from a survey conducted by the Newcastle City Council) would stay in the casino hotel, the impact of which has already been captured in the assessment of direct benefits above.

From this analysis it can be estimated that short stay visitors would generate **£5.9 million*** additional tourism expenditure at the local level. We have assumed, in line with industry averages, that a level of £100,000 per annum is required to support one FTE in those (predominately) service related industries that will benefit from off-site expenditure. Therefore, it can be estimated that annual tourism expenditure of £5.9 million will support **59 FTE direct jobs** in the tourism industry (restaurants, accommodation, retail etc).

In terms of estimating the number of indirect and induced jobs, we have used a local multiplier factor of 1.3 at local level and 1.43 at regional level based on previous studies. In order to also adopt a conservative approach, we have also run the calculations with a 1.14 factor derived from the Scottish Executive's analysis of the employment multiplier values for the retail, catering and hotel sectors.

* $(63,000 \times 33\% \times 2.4 \text{ days} \times £18) + (63,000 \times 67\% \times 80\% \times 1.7 \text{ days} \times £87)$

Total tourism employment

Table 5.5 below outlines the employment impacts estimated due to off-site expenditure of tourists specifically attracted by a Regional Casino at the local and regional level, together with an assessment of the capacity of the local and regional economies to benefit from those employment opportunities.

As outlined in the Table 5.5, we estimate that in total the additional tourism impact will create about 67-77 FTEs for the local economy and 67-84 FTEs on a regional basis.

Total permanent employment and economic outputs

Tables 5.6(a) and 5.6(b) below summarise the estimated permanent employment impact associated with the Regional Casino and hotel at local and regional levels respectively.

Despite relatively conservative assumptions, a Regional Casino and associated hotel would be expected to make a significant contribution to the local economy. We have estimated that in total the scheme would create about 540-947 and 498-952 FTE net new jobs for the local and regional economies respectively.

Table 5.5: Total Tourism jobs

Impact at local level	Gross direct jobs	Additionality factors	Net Direct Jobs	Induced and indirect factors	Total net jobs
Total employment at local level (FTE)	59	0%	59	1.14-1.3	67-77
Impact at regional level	Gross direct jobs	Additionality factors	Net Direct Jobs	Induced and indirect factors	Total net jobs
Total employment at regional level (FTE)	59	0%	59	1.14-1.43	67-84

Table 5.6(a): Permanent Employment Impacts (FTEs) at Local Level (Tyneside)

Impact at local level	Gross direct employment	Net direct employment	Induced and indirect employment	Total employment
Local - Construction	331	166-232	17-23	183-255
Local - Operational	469-782	236-473	54-142	290-615
Local - Tourism	59	59	8-18	67-77
Local - Total	859-1,172	461-764	78-183	540-947

Table 5.6(b): Permanent Employment Impacts (FTE) at Regional Level (North East)

Impact at local level	Gross direct employment	Net direct employment	Induced and indirect employment	Total employment
Regional - Construction	331	166-215	33-93	199-308
Regional - Operational	469-782	189-392	43-168	232-560
Regional - Tourism	59	59	8-25	67-84
Regional - Total	859-1,172	414-666	84-286	498-952

Impact on economic output and public finances

Data from the Office for National Statistics show that in 2002, the GVA of the North East was £29,531 million and that there were 1,000,000 employees. From this information and taking into account inflation, it has been estimated that the average GVA/worker in the North East is approximately £34,000.

In terms of GVA, therefore the predicted 498-952 regional jobs would potentially contribute some **£17-33 million in GVA per year.**

It is also possible to estimate the contribution of the proposed development in terms of the UK's public finances based on assumptions from third party research. Data from the Pion Study has estimated the exchequer impact to be £26,500 per employment opportunity, thus resulting in **£13-25 million p.a. of additional revenue to the Exchequer.** Clearly this figure is dependent upon the eventual tax rates imposed by Government on the gaming industry following modernisation. Furthermore, it is not possible to make a direct comparison with the estimate of increased GVA per annum above since the estimate of exchequer revenues relates to the impact of additional gaming jobs at a UK rather than sub regional level after taking account of displacement and multiplier effects.

Wider benefits of a Regional Casino

A major potential benefit associated with a Regional Casino development is the potential for a casino operator to contribute towards the cost of developing a Regional Convention Centre, a major priority for the Council and its partners as it seeks to grow levels of business tourist visitors.

A number of detailed studies exploring the potential development of a Regional Convention Centre have been undertaken. These studies suggest that a centre which meets the aspirations of the Council and its partners (with total floor area of 13,670 sq m) could cost between £86 million and £105 million (excluding land acquisition costs and VAT). Following extensive discussions on potential delivery models and funding options Council officials have determined that the prospect for a Convention Centre which meets the Council's aspirations to be delivered in isolation by the private sector is limited (given marginal projected operating surpluses). At the same time it is considered highly unlikely that public funding of the magnitude required to deliver a convention centre will be available.

In response to the above PwC were commissioned by the Council to consider the potential for operating surpluses from a Regional Casino to cross-subsidise the development of a Regional Convention Centre. This study concluded that the potential for a cross subsidy could be significant although the level of such subsidy is subject to some uncertainty and is dependant on a number of factors including the attractiveness of the North East market to potential operators, the projected operating and capital cost base and the ability of the Council to generate competitive bids between casino operators for the Regional Casino licence through a robust procurement process.

It is assumed that a Regional Casino will offer a financial subsidy such that adequate finance can be secured to facilitate the development of a Regional Convention Centre, and therefore substantial additional economic benefits may accrue to the region. According to an economic impact assessment of the proposed Convention Centre development conducted by PwC, it has been estimated that the centre could generate between £21 million and £64 million in additional net income to the local economy that, in turn, could support between 221 and 1,117 full time equivalent jobs.

In addition, it is anticipated that if the casino complex is located close to the Convention Centre, significant synergies may be generated, both in terms of the development and subsequent operation of both facilities that may produce additional but as yet unquantified economic benefits for the city and wider region. In addition a Regional Casino complex could benefit through the attraction of visitors to the Convention Centre and vice versa.

Conclusion

The above analysis indicates that the proposed Regional Casino development will have significantly beneficial employment and output effects at both local and regional levels. The UK Government takes the view that sustainable economic development in deprived areas will only be achieved through building competitive businesses and a competitive business environment that generates jobs, income and wealth. Regional Casinos with their ability to create significant employment offer much to support the regeneration initiatives that are currently taking place or being contemplated in many urban areas such as Newcastle. The expectations at a UK level are also borne out by evidence from the United States that suggest the aggregate direct and indirect impacts of construction, operation and taxation of casinos are significantly positive.

We have estimated that in total a Regional Casino would create between **859-1,172 gross FTE jobs** within the local area and between **498-952 net new FTEs jobs** for the regional economy generating between **£17-33** million GVA contribution per annum and **£13-25** million in Exchequer revenues per annum. It is also expected that a Regional Casino development will lead to the generation of several other wider economic benefits for the local area in terms of the possibility of a casino development cross-subsidising a Regional Convention Centre which would in turn provide a distinctive marketing and visitor profile for Newcastle.

Need for regeneration

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

As noted above in response to question 2, the Council is developing a broad based Regeneration Strategy to address the economic challenges facing the city. Although the city has experienced consistent economic growth and rising employment since the radical restructuring that occurred in the 1970s and 1980s, it still faces serious issues with a business base that is narrow and characterised by a disproportionate share of jobs in the public sector, business stock and start up rates that are below the national average, low skill levels and an employment rate that is also below the UK average. These issues have been recognised in the recent OECD report on the City Region and the need to grow both the size and diversity of the business base has been reinforced.

Attracting investment and employment across a broad range of business sectors are key to the overall process and securing a RCEC and associated Convention Centre for the city are seen as important elements in the regeneration process and ones that would act as catalysts for other investments and which would complement other strands of the strategy, such as the proposal for the development of Science Central elsewhere within the Discovery Quarter. While the city has a growing and successful leisure and cultural sector, an RCEC would serve to diversify that offer while a convention centre would generate considerable additional business visits. Were the Council unsuccessful in its bid to secure the regional casino licence, this would be viewed as a missed opportunity and one that could have initiated a chain of events that would have had long term benefits for the citizens of the city. In the event of the Council not securing the regional casino licence, the Council's overall Regeneration Strategy would still be in place but an early chance to bring a major facility to the city with all the economic benefits associated with it would have been lost, not least the redevelopment of significant area of brown field land close to the city centre and the related environmental and infrastructure improvements.

Willingness to licence

7. *We note the council's resolutions and stakeholders' letters of support. How can you be sure of public support from a public consultation on a sample of only 500 people?*

Since March 2006, the Council has carried out the following consultation and communication activities:

Public / Residents

- Public awareness exercise through articles in local Newcastle Evening Chronicle (24, 25 May), Journal (25 May) and Council-produced "City Life" magazine.
- Advert in Newcastle Evening Chronicle, Journal and Metro on 4 August informing people of the examination and how to present their objections.
- Production and distribution of 5,000 newsletters presenting the facts and process clearly to residents and businesses.
- Information event in Northumberland street presenting the information and engaging with shoppers (10 August).
- Established hotline and email address for people to find out more information – advertised on leaflets and in local press.
- 1,100 interviews carried out with a demographically representative sample of residents of the city centre and of all wards in Newcastle, as well as tourists and visitors (July 2006). A SHOW CARD stating an equal number of advantages and disadvantages of any possible development was used to provide respondents with information with which to aid their overall view of the proposals.
- Two follow up discussion focus groups with 22 city centre residents (participants chosen to represent equal numbers of those in favour of a RCEC and those against).

Businesses / Stakeholders

- Presentation event for businesses and city centre stakeholders to take place on 21 August 2006.
- Detailed questionnaire sent to city centre businesses/stakeholders – to be analysed following 21 August event.

Minority / Faith groups

- Consultation exercise with minority, specialist and faith groups facilitated by NECA – SHOW CARDS and self-completion questionnaires used. 130 returned.
- Meetings facilitated by NECA if requested.

Potential Operators

- Letter sent out consulting on what benefits potential operators consider their development would bring.

Councillors

- Regular briefings to Labour and Liberal Democrat groups.
- Letter from Chief Executive advising Councillors of the latest position and how to deal with approaches from potential operators.

A summary of the key findings from the research carried out is provided below, with the full report attached for information.

Views of Residents

- 865 interviews were completed with residents of Newcastle upon Tyne.
- The secured sample incorporated the views of residents across the City, including males and females, residents from the age of 16 to over 65, white and minority ethnic residents, those with and without long term health problems, and those in a wide range of economic circumstances.
- From the findings of the survey it is evident that over three-quarters of residents (77%) visit the City Centre at least weekly – characteristically to shop.
- Over 70% of residents use restaurants and/or bars in the City Centre.
- 16% of residents use casinos in the City - most commonly on an infrequent basis – typically two to three times a year or less. Just 6% of adult residents are currently regular users of Newcastle casinos.
- 50% of residents are in support of a regional convention centre, casino and associated development. These residents most commonly cite the creation of new employment, combined with City regeneration, as the most important potential benefits of a successful casino development. The Discovery Quarter, as a potential location, of any new development is applauded in terms of ease of access, non-suburban centrality and a favourable supporting transport infrastructure.
- 39% of residents are against the potential development of a regional casino and associated development – fundamentally disagreeing with gambling and expressing anxiety about both the moral calibre of gambling, possible gambling addiction, and what is considered to be a current sufficiency of gambling opportunity. Some are additionally concerned about potential traffic congestion and parking difficulties in the context of a new convention centre and regional casino.
- Significant potential usage of a regional casino and associated development is evident among residents. 48% of all residents would anticipate using associated retail facilities, whilst 46% would envisage restaurant/bar usage. 25% of residents indicated potential usage of a regional casino – typically on an infrequent basis such as two to three times a year or less often.
- The majority of any new regional casino usage would come from residents who *already* use City Centre casinos, but with a significant percentage of more occasional use from those who currently do not.

Views of Non-Residents

- 186 interviews were conducted with non-resident city centre users. These interviews were conducted in numerous locations within the City Centre, including the main shopping precinct in Northumberland Street, outside of the Central Station, the Bigg Market, the Gate and the Quayside.
- The secured sample again incorporated the views of males and females, those from the age of 16 to over 65, white and minority ethnic persons, those with and without long term health problems, and those in a wide range of economic circumstances.
- From the findings of the survey it is evident that just over 60% of non-residents visit the City Centre at least weekly – characteristically to shop, work or socialise.

- 96% of non-resident city centre users use City Centre shopping facilities, whilst 85% use restaurants and 75% use bars.
- 28% of non-resident city centre users use casinos already in the City - most commonly on an infrequent basis – typically two to three times a year or less.
- 56% of non-resident city centre users support the potential development of a regional convention centre, casino and associated development. These users, like residents, also cite the creation of new employment, combined with City regeneration, as the most important potential benefits of a successful casino development.
- 34% of non-resident city centre users are against the potential development of a regional convention centre, casino and associated development – most commonly citing gambling addiction and accompanying personal and domestic problems, together with a sufficiency of opportunity.
- Significant potential usage of a regional casino and associated development is evident among non-resident city centre users. 44% of all non-resident city centre users would anticipate using associated retail facilities, whilst a similar number would envisage restaurant/bar usage. 32% of City Centre users indicated usage of a regional casino – typically on an infrequent basis such as two to three times a year or monthly.
- The majority of any new regional casino usage would come from non-resident city centre users who *already* use City Centre casinos, but with a significant percentage of more occasional use from those who currently do not.

Views of Minority, Specialist and Faith Organisations

- 155 responses were received from 25 organisations throughout Newcastle, the Northern region, and beyond.
- The secured sample again incorporated the views of males and females, those from the age of 16 to over 65, white and minority ethnic persons, those with and without long term health problems, and those in a wide range of economic circumstances.
- 45% of minority, specialist organisations and faith groups support the potential development of a regional convention centre, casino and associated development. These users, like residents and non-resident city centre users, also cite the creation of new employment, combined with City regeneration, as the most important potential benefits of a successful casino development.
- 34% of minority, specialist organisations and faith groups are against the potential development of a regional convention centre, casino and associated development – most commonly citing gambling addiction and accompanying personal and domestic problems, together with a sufficiency of opportunity.
- 21% of minority, specialist organisations and faith groups are unsure of their feelings towards a potential development.
- Significant potential usage of a regional casino and associated development is evident among minority, specialist organisations and faith groups. 60% of all minority, specialist organisations and faith groups would anticipate using associated retail facilities, whilst a similar number would envisage restaurant/bar usage. 43% of minority, specialist organisations and faith groups indicated usage of a regional convention centre, whilst 35% indicated potential use of a regional casino – typically on an infrequent basis such as two to three times a year or monthly.

Probability of implementation

8. *Given that the potential for conferences in Newcastle is not being fulfilled, why do you believe only a casino-based facility can exploit this potential? What evidence can you provide that you have been working to increase investment in conference space anyway? What investigations have you undertaken to determine the most appropriate scale of conference centre, its market and financial viability, and the probability of its implementation?*

Why can only a casino exploit the potential for a convention centre?

A need has been identified for a major regional convention centre which has the critical mass of conferencing, exhibition and banqueting facilities in one location. A detailed specification was developed by KPMG for a facility which would provide a regional convention centre to cater for unmet demand and promote a growth in the business tourism market.

The concept specification was developed following detailed consultation and research found that a large facility is required providing a theatre for 1500 delegates, break out space and exhibition space.

The cost of such a facility in the City Centre is likely to be substantial and is estimated as between £86 and £105 million. The City Council has worked closely with ONE North East since 2002 commissioning studies from Consultants to consider the potential for a convention centre in the City and to assess various delivery options. The funding required to build and operate a regional convention centre would be made up of capital funding, operational funding to support start-up and funding to meet financing costs.

PWC assessed funding options and a private sector funding option was not considered as the level of return on the investment required was not assessed as being sufficient to provide an attractive investment opportunity. Potential scenarios were also reviewed which reflected the fact that the level of grant assistance or cross-subsidy available to support the establishment of the centre is uncertain. These scenarios were based on the assumption that any funding gap associated with a shortfall in available grant assistance or cross subsidy to finance anticipated capital costs is likely to be met by the Council. Given the potential magnitude of resources required to fund such a shortfall it is likely that such requirements could not be met through prudential borrowing by the Council.

Regional casinos have cross subsidised many significant projects throughout the world including major convention centres and there is evidence to suggest that the scale and nature of a regional casino project in Newcastle would generate sufficient surplus to allow the selected operator to fund a regional convention centre.

What evidence is there that you have been working to increase potential?

In the last few years a number of new conference facilities have been built including the SAGE, the Centre for Life and St James Park. Whilst these developments have improved the range of conference facilities in the City there is still not a large dedicated conference and exhibition centre in the City.

KPMG had discussions with Professional Conference Organisers and Exhibition Organisers and found that existing venues are limited as many venues only have small seating capacity

or the larger venues do not have seating and exhibition and banqueting space. Therefore there is not the critical mass of facilities for many conferences and so many conferences are turned away each year. Existing venues are severely limited by factors such as primary performance schedules and inadequate break out space and catering facilities.

This is supported by evidence from the Newcastle Gateshead Initiative (NGI) which has undertaken detailed research into the conference market. The NGI convention bureau which helps to broker conferences in the City has had to turn down at least 40 major events since its inception in 2001 with the loss of 40,000 delegates. Many enquiries have been received for large medical and professional bodies and the convention bureau has been unable to find suitable venues. Such conference sectors are in need of development which are complementary to the Science City project. There is therefore existing market demand which is not being met and a significant potential market which is likely to grow with development of the regional capital.

As a regional convention centre would substantially cater for a market sector which is currently unmet there would be minimal displacement?

What is the appropriate scale, market, financial viability and probability of implementation?

KPMG found that the north east is under provided for in comparison to other regions in the UK with only a few small purpose built conference centres and no purpose built exhibition space at all and that Newcastle Gateshead would be the best location for a regional convention centre due to the transport, hotel and leisure infrastructure.

A detailed concept specification was prepared by KPMG following research into the conference market and discussions with conference organisers. They found that a "complete offer" of the venue in terms of conferencing, break out exhibition space and banqueting facilities together with the destination appeal which would have the greatest impact. Newcastle has a successful distinctive tourist offer which is already attractive to business and leisure tourists and would be complementary to both a regional convention centre a regional casino. A model was developed for a facility which includes a main auditorium for 1,500 seats, a second conference hall with 700 seats, 6 additional break-out rooms with up to 250 delegate capacity and exhibition space of up to 5,000 sq m. Large flexible rooms and break out space would be key to the success of the venue.

Both KPMG and PWC have considered the financial viability of a regional conference centre and assessed estimated development costs, operating cashflow projections and projected conference and exhibition revenue streams. A hypothetical events calendar was produced by KPMG and operating revenues and operating costs assumptions carefully assessed and challenged in relation to other convention centres and the Council is convinced that a successful convention centre could be established in Newcastle.

The Council is confident that based on case studies from around the world and three casino operators interested in developing a casino in Newcastle that a regional conference centre could be funded as part of a regional casino project.

Regional context

9. *On p.7 of your proposal you set out your preference for a location “the Discovery Quarter” where the proposed casino could function in a “non-ambient environment”. 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 this specific location as a particular merit of your proposal. What is your authority (research, Parliamentary Cttee, etc) for preferring a “non-ambient environment” to a location in the City Centre and your justification generally for choosing such a location?*

While promoting the Discovery Quarter as the potential location for a RCEC in its proposal, the City Council does not rule out sites elsewhere provided they meet the appropriate criteria including those relating to transport sustainability and employment demand. Newcastle City Centre is a very compact area, is well served by public transport and is pedestrian friendly. Large brown field sites which might lend themselves to a RCEC facility are not readily available within the core of the city centre and it is the Council’s view that there are a number of sites in the Discovery Quarter which offer real potential for such uses (see response to CAP question 10 below). Such sites enjoy edge of City Centre locations and are all located within the City Centre as defined in the UDP. The attached plan identifies these sites and provides a commentary on each (Panel Members may find this plan useful when undertaking their site visit to the City).

With respect to the basis or authority for preferring a ‘non-ambient environment’ to a location in the core city centre, the council is aware that a tension exists between the advice contained in PPS 6 which refers to casinos as a ‘main town centre use’ and the views of many organisations and individuals who have contributed to the debate about casinos (GamCare, the London Assembly , Parliamentary Committee) who are concerned with the problems associated with ambient or convenience gambling and put forward the argument that regional casinos should be located so as to minimise the risk of impulsive gambling. Research commissioned by the City council from PWC (Proposed Regional Casino Development – Economic and Social Impact Assessment, March 2006) also highlights the risks associated with ambient gambling and recommended that measures are put in place to mitigate and minimise such risks.

In balancing the potential regeneration benefits a RCEC and convention centre would bring against the possible problems such as facility might cause if located in or close to a residential area or busy shopping centre, sites with the Discovery Quarter have the advantage of being divorced from existing residential areas and also from the main retailing areas with the associated dangers of passing or ambient gambling. While a number of sites within the Discovery Quarter have considerable potential for redevelopment for a variety of other uses, with housing and offices likely to figure as an element of mixed use schemes, the sites identified as potential locations for RCEC and Convention Centre would be designed and developed in such a way as to mitigate the risks of ambient gambling by limiting the scope for passing trade and creating natural buffers and barriers.

The potential of sites within the Discovery Quarter as locations for a RCEC and Convention Centre was raised in the Council’s recent consultation exercise (see question 7). The response to the Discovery Quarter as a potential location was positive, with reasons including ease of access, edge of City Centre location and supporting transport infrastructure.

10. *Given that your choice of the Discovery Quarter as the location of the proposed casino can be justified on the basis of a non-ambient environment, how confident can you be that the final site will meet the requirements of such a location?*

Within the Discovery Quarter the City Council considers that there are sites which offer significant potential to accommodate a RCEC and convention centre, a number of which have already been identified by developers. Such sites are on brownfield land, are in need of redevelopment and have supportive landowners.

In order to further test the suitability of these sites, the Council commissioned KPMG to undertake a site evaluation against a set of criteria including accessibility, availability of hotel accommodation, complementary land uses, 'aesthetics' and site credentials (including proximity to residential areas). The objective of this exercise was not to identify a preferred location but to evaluate whether all or some of the sites in question match a range of requirements and could be considered as suitable potential sites for such a facility.

In their report, KPMG examine seven sites within the Discovery Quarter which could be considered as suitable sites for a RCEC and convention centre and outline the strengths and weaknesses of each. This report will be made available to the Panel.

11. You did not wish to consider a large or small casino – what is it about the regional casino that will make such a difference to your area?

The City Council has sought to maximise the regeneration potential of a RCEC by linking it to the development of a Regional Convention Centre thus meeting the clear need for further investment in the City's conference sector. As noted in the response to question 8, it is the Council's contention that the public sector alone is unable to support the investment required but that linkage to and cross subsidy from a regional casino would provide a vehicle to support such a facility. Letters from four potential operators (Aspers, Isle of Capri, MGM, and SMG) provide positive encouragement concerning the delivery of a 1,500-seat Regional Convention Centre, although the Council acknowledges that the true position concerning the costs and benefits offered will only emerge through a competitive licensing process.

In short, while a RCEC would bring significant investment and regeneration benefits to the City, a RCEC that also delivered a Convention Centre would provide a distinctive visitor destination and marketing opportunity that would yield sustainable benefits in jobs, business and leisure tourism, transport and infrastructure improvements and would assist with the broader regeneration plans of the City Council that are concerned with encouraging population growth, housing renewal, improving educational attainment and securing sustainable economic growth and environmental improvement.

12. We would like to understand Newcastle'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.

Volume and value of tourism to NewcastleGateshead

<i>Key facts</i>		<i>Source</i>
Value	In 2004 visitors to NewcastleGateshead generated £425 million supporting around 7,750 jobs. NewcastleGateshead generated just under 1 quarter of tourism revenue to the North East England region (24%)	STEAM 2004
Volume	1.87 million overnight visitors spent 3.8 million nights in the area and a further 17.4 million day trips were made to the destination.	STEAM 2004
Category of Domestic Visitor	Leisure 84% of trips Business 16% of trips	UKTS 2004
Average Length of Stay	Visitors staying in serviced accommodation in NewcastleGateshead stay on average for 1.7 days. Visitors staying with friends and relatives stay on average 2.4 nights The total average length of stay is 2.1 nights.	STEAM 2004
Accommodation Occupancy	72% in participating accommodation providers Regional average 59%	Lyn Jones One North East
Domestic Visitors	According to NGI Omnibus Survey the top 5 regions of origin for visitors to NewcastleGateshead were: North West 14% Yorkshire 13% Scotland 10% South East 10% London 7%	Omnibus Survey 2005
Overseas Visitors	IPS states that 540,000 visits were made to North East England in 2004. Of these visits 350,000 were to Tyne & Wear.	IPS 2004/One NorthEast Facts of Tourism 2004
	According to IPS the top 5 countries of origin to North East England were: Germany 13% Norway 10.6% USA 10% France 9.5% Eire 8.5%	IPS

The tourism industry in NewcastleGateshead is growing. Overall domestic tourism grew by 5% in 2004 (latest figures available, STEAM national survey undertaken by Global Solutions UK). In the year to June 2005, over 3.8 million visitors from the UK visited the area, boosting the local economy, with many hotels reaching full capacity over key weekends.

Of the inbound passenger market to Newcastle Airport around 48% is visiting for business purposes, with a further 36% visiting friends and relatives and 14% travelling for other leisure purposes.

Tourism Tyne & Wear, the new Area Tourism Partnership for the area has set the following draft targets for Tyne and Wear for 2010 in its draft strategy:

- Increase visitor numbers to 4.2 million
- Increase tourist average spend from £93.93 to £101.00 and day visitor spend from £12.53 to £13.92
- Increase employment in tourism and tourism related businesses from 11,527 to 13,130

Strategies being pursued to develop Newcastle's current profile and capabilities in international tourism

Newcastle Gateshead Initiative (NGI) the area's destination marketing agency, One NorthEast, the Regional Development Agency, Visit Britain and Enjoy England are all pursuing complimentary marketing strategies in international markets to attract overseas visitors.

Over the last five years, Newcastle Gateshead Initiative (NGI) has established itself as one of the UK's strongest destination marketing agencies, delivering strategic marketing and PR campaigns and using culture, which has:

- Delivered economic benefits to both NewcastleGateshead and the broader region
- Transformed NewcastleGateshead's national and international media presence
- Grown business tourism and conferencing to support over 2000 new hotel rooms
- Helped promote NewcastleGateshead to become as 'England's favourite city break destination' (Guardian/Observer Travel Award fourth year running)
- Harnessed private sector engagement and support for the promotion of NewcastleGateshead.

NGI's destination marketing activities include:

- Targeting destination marketing efforts on Ireland, Norway and domestic markets, focusing on leisure and business visitor 'returners'.
- Promoting leisure hotel packages for key themes including shopping, general city breaks, football, theatre breaks and key events from the culture¹⁰ programme.
- Developing a marketing communications plan that targets the visiting family and friends (VFR) market to stay in paid for accommodation by offering deals and incentives.
- Converting business tourists into leisure tourists by encouraging them to extend their stay, bring partners or make a repeat visit.
- Developing themed packages, linking flight bookings and hotel accommodation bookings via the web site.

NGI's destination marketing activities are supported by a PR and Communications strategy that includes:

- Supporting marketing initiatives in target international markets, including emerging

markets such as Ireland, Norway, Germany and Holland and development work in potential markets such as Poland, Italy and France.

- Providing a first port of call service for destination travel writers and TV researchers.
- Pro-actively targeting media visits.
- PR events targeted at key opinion formers and members.
- Inviting key Visit Britain international PR staff from key markets to visit as leisure visitors during events.

Key overseas markets for NewcastleGateshead include:

- *Norway*

37,000 visitors come from Norway each year with 134,000 attracted to England's North Country. Access is through DFDS and through flights from Oslo and Bergen.

The Nordic market has always been one in which the North East and NewcastleGateshead in particular has had a geographical advantage over other parts of the UK.

- *Republic of Ireland*

375,000 travel to England's North Country each year. According to the International Passenger Survey the Republic of Ireland generates around 8.5% of all visits to the North East.

According to Newcastle Airport around 18,000 passengers flew into Newcastle during 2005 and this is likely to grow in the future as an additional carrier joins this route.

As well as pursuing key domestic markets (Scotland, Belfast, Yorkshire, Cumbria and the East Coast mainline corridor), NGI also targets Norway and the Republic of Ireland, working with and adding value to the marketing campaigns of its partners.

The NewcastleGateshead Convention Bureau, operated by NGI aims to establish NewcastleGateshead as a major conference destination for UK and European conference business. Marketing activity concentrates on developing business via the national and international corporate and association markets. A comprehensive marketing campaign for Europe is being undertaken which includes pre-show and post-show marketing for EIBTM and IMEX overseas exhibitions, working in partnership with Visit Britain.

One NorthEast's tourism marketing activities include:

- Regional Holiday and Short Breaks Guides.
- An Autumn/Winter tactical short breaks campaign, including "city culture"
- An "Award-winning Attractions" campaign
- UK exhibitions, including BTTF and the Outdoors Show
- UK group and travel trade marketing activity
- International Trade and Consumer Exhibitions – across the One NorthEast priority markets of Norway, Netherlands, Ireland, Italy and Germany
- UK and overseas media/PR activity, including "Meet the Media" events in Germany and the Netherlands
- Website marketing – including translated pages for German, Italian, Dutch, Swedish and Norwegian markets
- Cruise Tourism development work

England's North Country operates in the following target markets:

- USA (primary long haul)

- Canada, Australia, New Zealand and Japan
- Pan-Europe (touring and city/short breaks)
- Ireland (primary)
- Netherlands (primary)
- Germany (primary)
- Sweden (primary)
- Italy, Spain, Belgium and Norway (secondary)

England's North Country's marketing activities are increasing with Northern Way funding and include:

- a main touring campaign in each market
- a web-based short breaks campaign in each market
- further online and e-marketing
- an effective CRM strategy
- proactive PR and trade marketing programme in each market, including familiarisation visits
- niche marketing.

Visit Britain and Enjoy England operate in the domestic market and in the overseas countries, including Ireland and the Netherlands, and marketing activities include:

- Visit Britain's Short Breaks campaign and Enjoy England's Cities campaign,
- Visit Britain's themed campaigns such as food (including "Taste England"), luxury, and youth
- Business tourism marketing such as "Meet England"
- Consumer and trade holiday shows
- Visit Britain's press and pr, and media visits into the region.

How a Regional Casino fits within strategies being pursued to develop Newcastle's current profile and capabilities in international tourism

The marketing activities of NGL and its partners rely heavily on the availability of attractions and activities for visitors, the key markets being city breaks with focus on nightlife and shopping. 51% of visitors to NewcastleGateshead are attracted by the evening economy, 78% by restaurants and bars and 64% by shopping. A Regional Casino will provide a valuable addition to Newcastle's tourism offer in attracting both domestic and overseas visitors, filling a recognised product gap.

A Regional Casino is ideally suited to NGL and partners' target markets:

- UK/Ireland based on low cost air routes and in North West, Yorkshire and Scotland, aged 20 – 30 couples and groups of friends.
- International – Scandinavia, Netherlands, Germany, aged 20 – 30, couples and groups of friends.

A Regional Casino will assist in maximising the direct economic benefits from tourism in terms of expenditure and employment. It will help raise the profile and image of the area further assisting the attraction of inward investment.

This response does not deal in detail with marketing NewcastleGateshead as a major conference destination as Convention Centre issues are the subject of a separate CAP question. However, business tourism marketing forms a major area of marketing activity undertaken by NGL.

Community benefits

13. *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?*

Our primary “commercial” objective in issuing a licence for a Regional Casino would be additionally to secure the delivery and operation of a Regional Convention Centre of the highest quality and specification. As set out in the bid document and in more detail in the PwC report on the Regional Convention Centre included in our supporting documentation³, other means of financing this investment are unlikely to be forthcoming, and prominent among the reasons for this is that, especially in their early years, convention facilities often require subvention funding and other subsidy and can take a considerable amount of time to repay initial investment costs. As a result, they are an unattractive proposition for private investors, who can get a more certain and faster return from alternatives, and the public sector, which is unable to risk the uncertain and potentially unacceptable medium-term revenue costs involved.

The potential for a Regional Casino to offer economies of scale and co-ordination with a Regional Convention Centre are clear, and all four potential operators of a Regional Casino in Newcastle have now confirmed that a first-rate Convention Centre would form part of their offer. Our expectation is that we would use a competitive licensing process to secure the best overall package for the city from among the potential operators. If our proposal is successful, we will take specialist advice on how best – subject to any procedures laid down by the DCMS, which we understand may issue procurement guidance – to run that process. Options might include:

- a straightforward open “beauty contest”, with potential operators submitting proposals based on meeting and exceeding a set of criteria laid down by the Council; and
- an auction along the lines previously used by public authorities to secure the efficient allocation of finite trading rights, including of communications spectrum.

We have thus far restricted detailed consideration of possible “commercial” deals to the imperative of securing a Convention Centre (our specifications for a competitive process would also include reference to funding for problem gambling services, active recruitment and training policies, and appropriate infrastructure, which we would not regard as “commercial” benefits). The assessment by PwC of the likely surplus generated by the licensing process for investment in “commercial” public benefits, which was cautious in its assumptions, suggested that the costs of a Convention Centre of the highest quality may account for much of the potential for “commercial” deals. Advice from Professor Peter Collins of Salford University was that the potential for such deals may be significantly greater.

The Council does not have a “reserve list” of projects or programmes we would consider seeking to fund if this proved to be the case, and would not propose to identify a separate list of possible projects independent of the clear priorities the Council has already developed – for example, through our forthcoming Regeneration Strategy and existing capital strategy. Our view is that any certainty on the true scale of the opportunity for “commercial” deals with a Regional Casino over and above a Convention Centre is unlikely to become clear outwith the competitive licensing process itself, and that one of the merits of such a process is the opportunity it offers for potential operators to put forward creative, socially-beneficial proposals either for upfront investment or ongoing funding.

3 PricewaterhouseCoopers, *Assessment of the potential for a Regional Casino to cross-subsidise a Convention Centre*, 21 March 2006

14. On p.12 of your proposal, you quote your consultants (PwC) as estimating that the operation of the casino complex (“RCEC and hotel”) would create about 290-615 net new fte jobs for Tyneside, and 232-560 fte jobs in the region (which we take to be the Government's North-East Region). These figures are substantially smaller 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?

The following response has been prepared by PwC

Introduction

In its initial assessment of the Council's bid for a Regional Casino licence, the Casino Advisory Panel (CAP) has questioned the assumptions made on employment potential associated with a potential Regional Casino development in Newcastle, particularly in the light of figures quoted by the other seven bidders competing for the Regional Casino licence.

We are not in a position to provide detailed comments on the parameters of competing bids on the basis that detailed information on the assumptions underpinning these bids is, in the majority of cases, not publicly available. From a review of the bid documentation submitted to the CAP, the key parameters of the various proposals include:

Blackpool	<i>Capital expenditure ranges from £200million-£450million, comprising a mixed use development of the Conference and Casino Quarter of the town Casino development(s) to attract between 2.5million – 3.5million visits per annum, creating between 2,500-3,400 jobs.</i>
Sheffield	<i>Investment and job creation parameters of competing proposals vary significantly. The proposal by MGM Mirage involves capital expenditure of up to £200million creating up to 1,300 net new jobs</i>
Greenwich	<i>Capital expenditure of up to £320million in a casino/ leisure complex including hotel, theatre (incorporating resident theatre company), Tutankamen exhibit and a range of retail/ leisure outlets. Development to attract up to 1.7million visits per annum, generating up to 2,346 jobs.</i>
Glasgow	<i>Capital expenditure of up to £250million, attracting up to 3.2million visits per annum and creating up to 1,272 jobs</i>
Manchester	<i>Capital expenditure of up to £260million as part of Sport City development, generating up to 2,770 jobs</i>
Cardiff	<i>Part of Sports Village development (which in total involves capital expenditure of up to £700 million and has the potential to create between 3,680 and 5,000 jobs). The casino complex has the potential to attract up to 2.6million visits per annum and create in the region of 1,500 gross jobs.</i>

In reviewing the above proposals it is not clear what detailed assumptions have made in respect of factors such as direct, indirect and induced employment and what, if any, adjustments have been made to gross job creation potential to reflect non-additionality, including allowances for substitution, displacement and deadweight.

Newcastle proposals – potential benefits

In comparison with the proposals detailed above the costs and economic benefits associated with the proposition outlined in NCC’s submission (the key parameters of which are outlined in Table 14.1 below) appear less optimistic. This is due in part to the fact that the parameters upon which the economic impact assessment are based do not reflect a specific proposal from a potential casino operator (with discussions between a number of operators and the Council at an early stage). Rather the assessment is based on parameters for a typical Regional Casino development as outlined by Professor Peter Collins of Salford University in a study for the Council, accompanied by the potential development of a 352 bed four star hotel, representing combined capital expenditure of approximately £143million.

Table 14.1: Permanent Employment Impacts (FTEs) at Local Level (Tyneside)

	Gross direct employment	Substitution, displacement and deadweight adjustments	Net direct employment	Induced and indirect employment	Total employment
Local - Construction	331	(99-165)	166-232	17-23	183-255
Local - Operational	469-782	(233-309)	236-473	54-142	290-615
Local - Tourism	59	-	59	8-18	67-77
Local - Total	859-1,172	(398-408)	461-764	79-183	540-947

As outlined in the Council’s original submission to the CAP, in addition to the economic impacts associated with core casino and hotel developments, economic impacts associated with the proposed Regional Convention Centre (which the Council regards as being fundamentally linked to a Regional Casino development) should also be taken into account. The employment impacts associated with this proposed development have been subject to a separate study. The key elements of the potential employment impacts associated with the proposed convention centre, alongside those of a Regional Casino/ hotel development, are outlined in Table 14.2 below.

Table 14.2: Employment Impacts – Regional Casino and Convention Centre Proposals

	Gross direct employment	Substitution, displacement and deadweight adjustments	Net direct employment	Indirect and induced employment	Total net employment
Regional Casino/ Hotel	859-1,172	(398-408)	461-764	79-183	540-947
Regional Convention Centre	242-664	(61-166)	181-498	40-619	221-1,117
Regional - Total	1,101-1,836	(459-574)	642-1,262	119-802	761-2,064

The above data demonstrates that the parameters associated with a combined casino/ hotel/ convention centre development would appear to be more comparable with those of competing bids, both in terms of the nature, scope and cost of proposed developments (the combined developments referred to above result in projected total capital expenditure – including land costs - of between £256million and £276million) and the employment benefits generated (with total net employment of up to 2,064 jobs).

Comparison with parameters of Brent Council’s bid

In order to demonstrate that these combined development proposals are comparable with competing bids we have outlined below key parameters associated with the bid by Brent Council for a proposed development at Wembley (on the basis that the economic impact assessment prepared by NERA Economic Consulting as part of Brent Council’s bid is publicly available).

The parameters of the proposed development at Wembley (by a consortium of Quintain Developments and Harrah’s are, in a number of respects, similar to those upon which NCC’s bid has been based. This is summarised in Table 14.3 below.

Table 14.3: Comparative development parameters – Newcastle and Wembley

	Casino floorspace m ²	Hotel Rooms	Conference Centre floorspace m ²	Health Club, retail, food and beverage floorspace m ²	Car parking spaces
Wembley	6,968	400	16,723	5,559	1,200
Newcastle	7,500	352	13,670	n/a	1,000

In terms of direct employment, Quintain/ Harrah’s plan to employ 1,942 FTE staff across the range of activities proposed. This is reasonably consistent with the higher end of estimates for Newcastle, with additional employment reflecting the additional leisure provision included in the Wembley proposals.

NERA suggest that in addition to employment connected to the operation of the proposed facilities at Wembley, up to 360 FTE jobs will be created by the construction phase of the project. Once again this appears to be comparable to the 331 jobs projected within the assessment of the Newcastle bid.

Projected leakage and displacement adjustments within the NERA study are significantly higher than those anticipated in the Newcastle model. NERA assume that adjustments for non-additionality within the North West London sub-region (which we have considered as a parallel to the Tyneside area reviewed in the Newcastle study) account for 52% of the gross employment impacts under the Quintain/Harrah’s proposals, compared to a range of 31%-42% in the Newcastle study. This reflects additional mobility within the workforce in North West London (given concentrations of population and well-developed transport infrastructure) and a higher impact on established provision in the conferencing, retail and leisure sectors in particular. In contrast leakage and displacement from Tyneside are considered less significant given the nature of the conurbation and established concentrations of population and hotel and leisure sector development.

The relatively high leakage and displacement rates in the London study are accompanied by relatively high multiplier factors with a factor of 1.44 applied to net direct employment (compared to a range of 1.23 to 1.3 applied to the Tyneside model). This is a result of more extensive and effective linkages within the North West London economy which retain more of the economic benefits within the area, allowing subsequent rounds of expenditure by both business and residents to generate additional benefit.

In overall terms the NERA study suggests that the proposed development by Quintain/Harrah's has the potential to create net additional employment of 1,336 FTEs within the North West London sub-regional economy. This falls within the range of benefits projected by the Newcastle bid.

Conclusion

In conducting the economic impact assessment in connection with NCC's bid to the CAP, PwC have adopted a relatively prudent approach in order to establish a baseline against which subsequent development proposals may be considered. This approach also reflects the fact that to date full detailed proposals from casino operators have not yet been received and no firm development parameters are in place upon which an assessment could be based. In response the assessment is based on a generic casino facility (with floorspace parameters being developed on behalf of the Council by Professor Peter Collins of Salford University).

When considering the results of the assessment of the potential benefits of a combined casino/ hotel/ convention centre development it should be noted that a development may also result in substantial additional economic benefits insofar as such a development may act as a catalyst for a much larger regeneration scheme, encouraging supporting developments which either would not have taken place at all or would have been delivered over a much longer timescale. The potential to contribute to wider regeneration initiatives lies at the heart of the Council's proposals to place a casino and convention centre at the heart of the Discovery Quarter, one of the city's main regeneration priorities.

15. Also on p.12, you assert that “in total the scheme would create about 498-952 ftes for the North East region, of which up to 850 could be taken up by people from Tyneside”. Please explain the derivation of these figures from the earlier mentioned material.

The following response has been prepared by PwC

Introduction

The economic impact assessment conducted as part of the Council’s consideration of its bid to the Casino Advisory Panel (summarised in response to question 5) suggests that a Regional Casino and hotel development has the potential to generate between 540-946 FTE net new jobs from a local (Tyneside) perspective and between 498-952 FTE net new jobs from a regional perspective, taking into account direct, indirect and induced employment and adjusting for non-additionality including consideration of substitution, displacement and deadweight effects.

In assessing the overall impact of this additional employment it is necessary to consider the extent to which employment opportunities may be taken up by residents of Tyneside and the North East respectively.

Construction employment

The construction sector with 26,800 employees in the Tyne and Wear area in 2002 represents the second largest cluster after “food and drink”. It is a sector which is performing well. Recently Newcastle saw its largest number of houses built over one year, while Newcastle College’s courses on construction are over-subscribed. Given this local context and the fact that the area is not close to other major centres of economic activity, we have assumed a 60%-80% local recruitment factor at the local level and 75%-95% at the regional level.

As summarised in Table 15.1 below, when these take-up rates are applied to estimated net employment of 183-255 FTEs and 199-308FTEs at local and regional levels respectively this results in 116-209 FTE jobs taken up locally with 157-297 of the net new regional jobs taken up by North East residents.

Table 15.1: Local and Regional Recruitment – Construction Employment

Impact at local level	Net direct jobs	% local recruitment	Total jobs taken up locally	Induced and indirect jobs	% local recruitment	Total jobs taken up locally	Total
Total employment at local level (FTE)	166-232	60-80%	99-186	17-23	100%	17-23	116-209
Impact at regional level	Net direct jobs	% local recruitment	Total jobs taken up regionally	Induced and indirect jobs	% regional recruitment	Total jobs taken up regionally	Total
Total employment at regional level (FTE)	166-215	75-95%	124-204	33-93	100%	33-93	157-297

Operational employment

In terms of the take-up of new employment opportunities during the operational phase, it is anticipated that demand for experienced casino and leisure employees will far exceed supply in Tyneside and the wider regional area. On the other hand several casino operators have indicated that they would expect to recruit significant numbers of 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. On this basis, we believe that the bulk of the jobs could be taken up by local people. We have therefore assumed that local recruitment could range between 75%-90% within Tyneside and 90-100% within the North East.

Applying these take-up rates to estimated net operational employment of 290-615 FTEs at local level and 232-560 FTEs at regional level, this results in 231-567 net FTE jobs taken up by local residents with 213-560 net FTE jobs taken up by North East residents. This is illustrated in Table 15.2 below.

Table 15.2: Local and Regional Recruitment – Operational Employment

Impact at local level	Net direct jobs	% local recruitment	Total jobs taken up locally	Induced and indirect jobs	% local recruitment	Total jobs taken up locally	Total
Total employment at local level (FTE)	236-473	75-90%	177-426	54-142	100%	54-142	231-567
Impact at regional level	Net direct jobs	% local recruitment	Total jobs taken up regionally	Induced and indirect jobs	% regional recruitment	Total jobs taken up regionally	Total
Total employment at regional level (FTE)	189-392	90-100%	170-392	43-168	100%	43-168	213-560

Tourism related employment

In estimating the capacity of the local and regional economies to absorb the net additional employment created in tourism related sectors as a consequence of the anticipated increase in visitors to the area, we have considered the same assumptions as for the operational jobs (i.e. 75-90% at the local level and 90-100% at the regional level).

As illustrated by Table 15.3, application of this assumption to anticipated additional employment associated with an increase in visitors results in 52-71 of the 67-77 net FTE jobs created at local level being taken up by Tyneside residents while 61-84 of the 67-84 net FTE jobs created at regional level would be taken up by North East residents.

Table 15.3: Local and Regional Recruitment – Operational Employment

Impact at local level	Net direct jobs	% local recruitment	Total jobs taken up locally	Induced and indirect jobs	% local recruitment	Total jobs taken up locally	Total
Total employment at local level (FTE)	59	75-90%	44-53	8-18	100%	8-18	52-71
Impact at regional level	Net direct jobs	% local recruitment	Total jobs taken up regionally	Induced and indirect jobs	% regional recruitment	Total jobs taken up regionally	Total
Total employment at regional level (FTE)	59	90-100%	53-59	8-25	100%	8-25	61-84

Summary

As illustrated in Table 15.4 below, when considering the potential for a Regional Casino and hotel development to generate net additional employment at local (Tyneside) level, of the 540-946 net FTE jobs likely to be created in the area, our analysis suggests that in the region of 399-847 of these additional posts may be taken up by local residents.

From a regional perspective, of the 498-952 FTE net new jobs created across the region, between 431-941 of these opportunities are likely to be taken up by North East residents with only 11-67 positions being taken by non-residents.

Table 15.4: Local and Regional Recruitment – Summary

	Local perspective		Regional perspective	
	Net additional employment	Jobs taken up locally	Net additional employment	Jobs taken up locally
Construction	183-255	116-209	199-308	157-297
Operational	290-615	231-567	232-560	213-560
Tourism	67-77	52-71	67-84	61-84
Total	540-946	399-847	498-952	431-941