

MIDDLESBROUGH COUNCIL

RESPONSE TO CASINO ADVISORY PANEL QUESTIONS

SEPTEMBER 2006

This submission responds to the questions put to Middlesbrough Council by the Casino Advisory Panel. Our response draws on information previously supplied in our regional casino bid, and our subsequent submission in August 2006 which re-interpreted information in the original bid in the light of our shortlisting for a large casino only. We would therefore draw the Panel's attention particularly to this second submission.

1 Type of Area

No questions from CAP, please therefore refer to our original bid and subsequent information provided in August '06.

2 Social Impact

'We are advised that the Middlehaven site being located in the proposed new site of Middlesbrough College will bring the casino near a student community of 35,000 young people is this statement factually correct?'

Our regional casino bid used the Middlehaven site as an exemplar of the type of impact which a regional casino could have in Middlesbrough. Our shortlisting for a large casino means that location issues have changed. Our assessment of a regional casino was that it would be a stand-alone destination, both requiring and stimulating a large-scale development area, including a hotel and performance arena. A large casino will have a smaller footprint, and therefore can feasibly fit in to a number of different locations. This is discussed further in section 3 below. Consequently, the Middlehaven site is not now considered the exemplar site for a large casino in Middlesbrough, but is one of a wider selection of sites in and around the town centre that comes into play.

Notwithstanding this, the location of a large casino in Middlesbrough will be in or adjacent to the town centre area (see section 6 below), which will place it near to a student community of approximately 35,000 young people; 14,000 at the new Middlesbrough College site, Middlehaven, and 21,000 at the University of Teesside town centre campus.

'If so, would it not present a danger to students particularly those already spending too much on alcohol?'

Our widespread consultation and partner engagement in development of our regional casino proposals included Middlesbrough College and the University of Teesside. Both bodies supported the bid for a regional casino licence, and have reconfirmed their support for a large casino bid. Neither institution felt that a casino

would represent a danger to their students, they rather saw the significant opportunities that a casino could create in terms of enhanced training facilities and training and employment opportunities, at a range of levels from operational to senior management, corresponding to the range of FE/HE provision currently available or with the potential to be developed. Neither institution expressed particular concerns about student consumption of alcohol, nor is there any data to suggest that this is a particular or disproportionate issue amongst students in Middlesbrough.

Many of the locations under consideration for both regional and large casinos have significant student populations, and the number of students in Middlesbrough is by no means untypical for a sub-regional centre. The original DCMS review leading to the revised licensing laws did not identify proximity to educational institutions as a issue of concern, nor consider that the existence of a significant student population should be a factor precluding the granting of a regional or large casino licence.

'As in Middlesbrough there is much poverty is it a good idea to offer people in economic distress an attraction – a quick fix – which could make their position worse?'

At both national government policy level, and at local level, the underpinning driver for the development of the new casinos has been and remains the regeneration impact which casinos can have on local economies. By definition, areas which have a need for significant regeneration are likely to have areas of disadvantage and poverty, and it is a desire to improve these economic and social conditions which has led Middlesbrough Council to seek a casino license in the first place. Greater economic opportunities, for jobs and training, are still a pressing need in our area to overcome poverty. The government has also taken the view that on balance the benefits of the new casinos outweigh the potential negative impacts. This was established in the national review, and this position has been accepted by Middlesbrough Council and our partners. We identified nothing in our local research that suggested Middlesbrough had any greater, or any lesser, problems associated with gambling, or any greater vulnerability to these, than any comparable area. We therefore consider this matter to have been fully debated and resolved.

We are of course mindful of the potential negative social impacts, particularly on those at risk of problem gambling who can be found in any town or city. Our thorough and innovative plans to manage potential negative social impact were fully outlined in our original bid, and have been restated in our August submission, and our commitment to these remains in place.

3 Need for Regeneration

'What is the current status of Middlehaven regeneration? What are the timescales for the detailed phases: what challenges, hurdles are yet to be overcome?'

As stated in our original submission, phase 1 of Middlehaven has outline planning permission for a variety of mixed use developments including the principle of casino use. This planning approval, along with the site's Masterplan Framework is being

used to take forward the actual physical development of Middlehaven, and major developments on the ground can be summarised as follows:

- office accommodation – the first of five phases of office accommodation has been completed and is now ready for occupation;
- Middlesbrough College – construction started on site at the beginning of September, and the College remains on target to open its new 32,000 m² campus in September 2008;
- mixed use development – the preferred developer for the majority of the phase 1 site is working on detailed plans for this mixed use scheme -- construction is expected to commence spring 2007.

In addition, site acquisition and demolition continues on the phase 2 area, and this preparation for the future development of Middlehaven is progressing to meet the long term programme and aspirations of Middlehaven for Middlesbrough.

However, with our shortlisting for a large casino we have had to reconsider locational issues. Our regional casino bid focussed on the Middlehaven area as the area which we felt could both best accommodate the regional casino, but which also best exemplified the considerable regeneration impact which a regional casino in Middlesbrough could achieve.

A large casino raises a series of different issues which we have needed to consider namely:

- the smaller footprint of a large casino;
- the reduction in regeneration benefits including the hotel and performance arena;
- a large casino's inability to act as the anchor point of a stand alone destination;
- the need for large casinos to be better integrated with existing leisure/transport infrastructure.

All of these have meant that other potential sites have now come forward for consideration.

These sites have been categorised as follows:

- a. sites considered particularly appropriate for a large casino location by Middlesbrough Council namely:
 - Middlehaven – Middlehaven remains a significant regeneration project, of core importance to Middlesbrough and the wider Tees Valley. Whilst the regional casino would have anchored the development of a key site as a stand alone destination a large casino could still contribute significantly to the delivery of the Middlehaven vision. Within the Middlehaven area a number of suitable options exists for a large casino location, including the North Dock area, and as part of the phase 1 developer's proposals. Tees Valley Regeneration and its preferred developer will bring forward revised proposals for a large casino to the Council as part of the Council's competition to award the large casino licence at the appropriate time in the approval process.

As identified in our original bid Middlehaven already has outline planning permission, including for the development of a casino.

- Middlesbrough Leisure Park – is a well established area for entertainment within Middlesbrough town centre, but distinctive from both the main retail and pub/club areas (so minimising concerns about proliferation and 'casual' access to the casino). Its main feature is the CineWorld eleven screen multiplex cinema which attracts over a million visitors annually; other features include a sports/leisure club and a number of restaurants. A second phase of development is proposed on the existing car park with replacement car parking provided in multi-storey form. The space requirement of a large casino could be accommodated either in a new build format on phase 2 or by conversion of an existing unit on phase 1.

The Leisure Park has extant planning approval for the development of a casino, which requires submission of a full detailed scheme.

- b. other sites identified as suitable by operators/developers:
The Council will launch a competition to select a suitable operator as per the requirements of the Gambling Act. It is anticipated that other developers/operators will identify further sites, which may be suitable for a large casino operation. These will be brought forward and assessed alongside the sites above as part of the selection process, and on the basis of the regeneration impacts which they would deliver. As a minimum however any site will need to be within the area identified as suitable for casino operation as identified in the Middlesbrough Local Plan, namely Middlesbrough town centre and Middlehaven areas.

'How critical are the arena and conference centre projects to your overall regeneration plan? How would their status be affected by the prospect of a large casino emerging rather than a regional one?'

We undertook significant market testing in drawing up our regional casino bid, and were able to make our case for the regeneration impacts of a regional casino with confidence. Since being advised that we are being considered for a large casino licence only we have had to revise and scale down our original proposals. We have not, however, undertaken a similar market testing exercise for a large casino, as we felt that this would be inappropriate whilst the CAP assessment process was still ongoing. We will obviously seek to maximise regeneration benefits from a large casino, and may find that these exceed our current anticipated benefits. However, currently we anticipate that a large casino will not generate an arena in Middlesbrough (for clarity we had not proposed a separate conference centre).

The arena is and remains a longer-term objective for Middlesbrough/Tees Valley which we will continue to seek suitable opportunities to develop. However we are of the view that a large casino, whilst not directly delivering an arena as a regional casino would have done, will still add weight to our efforts, for the reasons outlined below.

A large casino will add significantly to Middlesbrough's position as the leisure, entertainment, and retail centre for the Tees Valley sub region. It will impact significantly on the diversification and development of the current night time economy, giving us an additional high quality, high impact facility, which will bring new people in to Middlesbrough, and significantly raise our profile. It will therefore add considerably to our 'critical mass' as a leisure and entertainment destination. This will in turn both directly and indirectly strengthen our case for the development of an arena in the future, both by raising awareness of Middlesbrough, and by increasing the willingness/preparedness/familiarity of a wider group of people visiting Middlesbrough who currently do not do so. It will also, we believe, add to the development of our leisure infrastructure, stimulating further hotel, restaurant, etc, facilities. All of this adds to Middlesbrough's significance as a leisure/entertainment centre, in turn strengthening our case to the private sector to invest in an arena facility in Middlesbrough in the future.

'In paragraph 3.4 of your proposals you tell us that you expect a regional casino to employ up to 1,500 people directly? How many would you expect a large casino to employ both directly and as a result of multiplier effects?'

We currently anticipate that a large casino in Middlesbrough would provide 327 direct jobs, (250 directly gaming related, 77 ancillary, e.g., restaurant, etc) with up to 120 additional indirect jobs (please note this is a revised estimate from our August submission). This estimate is based on research and modelling, and a scaling down of our regional casino proposals which were based on extensive market testing.

Our original submission estimated 1,500 jobs from approximately 10,000 sq m regional casino development (5,000 sq m gaming area). This was based on extensive market testing and analysis, including submissions made to TVR as part of their selection of a preferred partner for a regional casino at Middlehaven. This information was independently assessed by consultants Deloitte and made available (subject to commercial confidentiality) to the Council to support our work in preparing the regional casino bid. This has comprised part of our assessment of the impacts, including employment impacts, of a large casino, through a scaling down exercise. We therefore believe our assessment accurately reflects the intensity of employment to be expected from a large casino, particularly given the significantly reduced number of slot machines, and the point that these will not be unlimited slots.

As well as evidence from market testing we have drawn on available research, including research undertaken by PION¹ Economics and by English Partnerships/ARUP².

The PION research identifies an economic impact model for large casinos which estimates a contribution of £9m GVA from a large casino; staffing costs of £6.5m per annum; and 513 jobs created.

The ARUP study for English Partnerships establishes job density benchmarks generally used in impact analysis for major regeneration projects. This identifies

¹ PION ECONOMICS, CASINOS IN NORTHWEST ENGLAND JUNE 2005

² ARUP ECONOMICS AND PLANNING: EMPLOYMENT DENSITIES JULY 2001

relevant job densities of 6 sq m per job for casinos in the middle upper market, of 40 sq m per job in amusement and entertainment centres, and of 13 sq m per job in restaurants. Using these rates would create an estimated 494 jobs. We currently estimate 327 direct jobs for a 4,000 sq m total development (2,500 sq m gaming area), a job density of 1 job per 12.5 sq m. Our estimated job numbers/job density therefore lies well within these established benchmarks/models.

This compares to the two comparitors provided by the panel as follows:

	Middlesbrough Regional	Middlesbrough Large	Star City	Hohensyburg
Gaming Area Total Area	5,000sq m 10,000sq m	2,500sq m 4,000sq m	2,039 sq m 3,156sq m	6,729sq m n/a
Slots	1,250 (no limit)	150 (up to £4k jackpot)	90 (s21/31)	320 (no limit)
Jobs	1,500 (all areas)	250 (gaming) 77 (other)	194 (all areas)	350 (gaming only)
Job Density	1 per 7 sq m	1 per 12.5 sq m	1 per 16 sq m	1 per 19 sq m

Our estimated job density is higher than the Star City example quoted which currently provides 194 (14 not-full-time, assumed to equal 7 fte) jobs within 3,156 sq m total area, a job density of 1 job to 16 sq m. The Hohensyburg example cited has an even lower rate of job density, with 350 gaming employees within a gaming area of 6,729 m sq, a job density of 1 job per 19 sq m of gaming space.

It is difficult to reconcile our estimated job impacts with the Star City example given the difference in nature between a large casino licence and activities possible under current licensing. Clearly Star City provides a much lower offer than our large casino proposal in relation to the number and jackpot value of slot machines. Our market testing/discussions with operators indicated that slot machines will be a key factor for them in terms of generating revenue and attracting customers, with a higher revenue/player density than gaming tables. This in turn drives a higher level of ancillary and support service employment. Star City is also competing with a much more developed night-time economy in Birmingham, including other casinos, whereas in Middlesbrough there is no direct competition from other casinos, and very limited competition within the rest of the Tees Valley (see our original bid for details). Similarly Birmingham provides much more in the way of complementary night time attractions such as restaurants, whereas Middlesbrough's offer remains more limited. On-site restaurants and other facilities are therefore expected to be more significant in Middlesbrough than in Birmingham

Comparisons with Hohensyburg are even more difficult. The operating environment in Hohensyburg differs significantly from the anticipated operating environment for a large casino which may make comparisons less appropriate. We note also the difficulty which some regional bidders have had in responding to these exemplars

when compared to other evidence – primarily market testing and economic impact modelling (see responses from Blackpool, Glasgow, Manchester).

Clearly CAP will need to make its own assessment of the significance of this comparator, however we are confident in the robustness of the data/sources we have used to model our anticipated job creation and would again confirm our confidence in the market testing, and economic impact modelling which we have undertaken in support of our bid.

Our regional casino submission identified an additional 600 jobs would be created though the multiplier effect. Using the same methodology identified above we now estimate that this will be in the region of 120 jobs. Construction employment was estimated in our original bid at 2,000 jobs created/safeguarded and this has been revised to 130 based on a £10m estimated capital spend. The estimates in our original bid about low levels of leakage which we expect, based on the low level of development of our existing tourism/leisure industries, remain valid for a large casino.

4 Willingness to License

'What is the Council's current position now with regards to support for a large casino? Is there a resolution of the full Council?'

A resolution to pursue a regional casino licence was endorsed at a full meeting of Middlesbrough Council on 12th April 2006. It was understood at this time that we would bid for a regional casino with a large casino fallback position, and the pursuit of this option continues to have full support of the Council, reinforced by the Mayor of Middlesbrough, Ray Mallon and the Executive Member for Regeneration and Culture, Councillor Dave Budd.

Middlesbrough Partnership passed a resolution in favour of a pursuit of a large casino licence specifically, at its meeting on 26th July 2006.

5 Probability of Implementation

'When would the proposed large casino be developed? What evidence is there to support your answer?'

A detailed implementation timetable is in place summarised as follows:

Recommendation of a large casino license for Middlesbrough by CAP	end Dec 2006
Approved by DCMS (note, to our knowledge a timescale for this has not been confirmed. We assume here that this will take 3 months, but can respond if this stage turns out to be shorter)	end Mar 2007
Confirmation of Licensing Code of Conduct - final confirmation of the role of the licensing process in decision making is anticipated to be available in April 2007. It may be necessary to make	April 2007

adjustments to the process outlined below as a result of this, though it is anticipated that in broad terms a two-stage model will still apply	
Seek Expressions of Interest from operators/developers to operate in Middlesbrough - this can commence immediately a decision is received or, subject to CAP advice, once the CAP recommendation is known. Documentation is already being prepared and is close to being finalised	May/June 2007
Assess Expressions of Interest and identify shortlist for full submission - assessment criteria are being prepared and close to being finalised	July 2007
Invite Full Submissions from Operators - documentation is already in preparation	August- September 2007
Assess Full Submissions - assessment criteria are being prepared and close to being finalised - assessment process is in place and shortly to be agreed with partners	October 2007
Successful Operator announced	November 2007
Detailed Design & Planning - a six to nine month period is envisaged for detailed design and planning. This is based on - planning policy in the existing Local Plan and proposed LDF identifies the town centre and Greater Middlehaven areas for major leisure/casino development - there are two sites within this area which already have outline planning permission for a casino - sites are already well served in terms of access/transport infrastructure, etc and major highway works will not be required	November - April/July 2008
Construction Phase - an 18month construction phase is anticipated	April/July 2008 – Oct '09/Jan '10
Casino opening	Oct '09/Jan 2010

Our current view is that it would be inappropriate to commence activity on selecting an operator prior to receiving CAP's recommendations, and the approval of these by DCMS. We are also mindful of the much more concrete proposals we are likely to receive after CAP's decision is known, rather than in advance. However if CAP guidance is that this activity could commence prior to CAP recommendation/DCMS confirmation then we would be able to bring forward the Expressions of Interest stage from May/June 2007.

Similarly to above we would currently consider it inappropriate to embark on any selection exercise whilst the CAP assessment is still ongoing. However should CAP advise that this could take place prior to CAP recommendations/DCMS approval, then the Assessment of Expressions of Interest stage could also be brought forward.

If this approach was approved by CAP then these first stages could be undertaken as early as January/February 2007 (Seek Expressions of Interest), and March 2007 (Assess Expressions of Interest) respectively. Assuming confirmation by DCMS in March 2007 we would then be able to invite full submissions from operators in April 2007 (subject to any requirements of the Licensing Code of Conduct), and the remainder of the timetable identified above would be shortened by 3 months. We would welcome CAP response to these issues, and your guidance as to whether you

would welcome, or not welcome us, commencing this process whilst you are still involved in assessment of bids.

Our evidence in support of the above timescale is as follows:

Operator Interest - Our previous market testing for a regional casino evidenced the high level of interest of operators in Middlesbrough. Whilst this exercise has not been repeated for a large casino we have subsequently received informal approaches from a number of operators. Amongst those who have already expressed interest informally are well established national and international operators with strong existing operations, track record and standing within the industry. We have advised all operators that the Council will undertake an open competition at the appropriate time, and that they will be invited to make submissions.

Assessment Stages - Middlesbrough Council, and its partners, have significant experience in assessing submissions for major capital regeneration projects. Appropriate documentation, including assessment criteria, are currently being prepared, and will be finalised well in advance of the process identified above. Specific technical expertise may be required in assisting us to assess submissions, and consultants that can effectively provide this are currently being identified. The high political commitment which is being given to the casino by the Mayor of Middlesbrough will ensure that it will remain a high corporate priority for the Council, and that the management of the assessment/selection process will be given the highest priority. The process outlined is also fully aligned with our draft licensing policy, which is currently out for consultation. However we also await the publication of the Code of Practice regarding the procedure to be followed in making decisions and both our Licensing Policy and the process outlined above, will need to be reviewed to ensure it is in line with this.

Detailed Design and Planning - a clear planning framework is in place which identifies the areas within Middlesbrough in which casino development will be permitted. These are established and agreed. The principle of a casino has not been challenged through the LDF consultation undertaken to date. Comments received have been highly supportive of the proposal.

Sites identified as being particularly suitable for a casino development already have extant outline planning permissions for casino operation, (Middlehaven and Middlesbrough Leisure Park). The principle of casino development is accepted on these sites, requiring only full scheme details to effect these approvals.

Other sites may be brought forward by operators which do not have existing planning permission, but which may be compelling in regeneration terms. If one of these sites is selected it will be necessary to demonstrate that it meets the requirements of PPS6 and is likely to require additional work/assessment before an application can be determined. This may add additional time to the planning process outlined above.

Construction Phase - our evidence for the timescale here is based on our experience of similar large-scale investments. It may be that a developer can offer a

scheme with a shorter development time, and this will be considered as part of the assessment criteria.

Supportive Local Environment - there remains, as evidenced in our original bid, a high level of support for the development of a large casino in Middlesbrough. Whilst, inevitably, not everyone will be in agreement, it is not anticipated that the above process will not be disrupted by significant local/community opposition.

There are therefore no local issues of land assembly, planning constraints, relocation/demolition of existing buildings, significant highways infrastructure, etc, which could cause a significant risk of delay to implementation. The political and community environment is supportive, and includes the support of the widest range of statutory bodies and sub-regional agencies as detailed in our original bid. The Council is strongly committed to successful delivery of a casino if granted a license, as part of our long-standing and long-term vision for the future of Middlesbrough at the heart of the Tees Valley. Despite our disappointment in not securing a regional license we have quickly and constructively re-focussed onto the potential which a large casino can still bring to Middlesbrough, and embraced the idea as something which still adds significantly to our overall regeneration objectives.

6 Regional and Local Context

'While the remit of the Panel is to consider Local Authority areas rather than specific sites, you chose in your proposal to advance the Middlehaven regeneration site as one of its merits. What is your response to the policy preference in PPS 6 to casinos being located in town centres?'

Reference is made to the comments made previously, and the fact that a range of sites can now be considered for a large casino. Our position is fully compliant with PPS6. The town centre and the Greater Middlehaven areas are identified within the Middlesbrough Local Plan and proposed LDF as appropriate for major leisure/casino development (policy TC9 of the Local Plan, and policy CS15 of the Core Strategy). The town centre area includes part of Greater Middlehaven as redefined in the proposed LDF (Core Strategy and Regeneration DPD policies CS1, CS13 and REG18). PPS6 advocates a sequential approach to site selection of town centre uses such as casinos. It is considered that a site either within the town centre or Middlehaven, would be compliant with the requirements of PPS6 not only because a proposal would be in accordance with an up to date development plan strategy, but also because both sites would:

- a) enable a casino and associated uses to be developed in close relationship and complementary locations to each other;
- b) create a landmark development of iconic qualities appropriate to a large casino;
- c) deliver the associated regeneration benefits; and
- d) ensure that the scheme could be successfully integrated with surrounding land uses.

7 Community Benefits

'In what way would a large casino help fulfil the aspirations that you have for a regional casino? What ambitions will not now be so likely of achievement?'

Reference is made here to the submission which we made in August 2006, which reinterpreted our assessment of the regeneration and community benefits which a large, as opposed to a regional, casino would secure in Middlesbrough.

We believe that a large casino in Middlesbrough will:

- boost Middlesbrough's position as the leisure, entertainment and retail centre of the Tees Valley sub region
- impact significantly on the diversification and development of the current night time economy
- add a high quality, high impact facility to Middlesbrough
- provide significant community benefits in terms of job and training opportunities
- provide a Community Support Fund to invest in new support services, local community cohesion, and regeneration priorities
- provide approximately 327 direct jobs with up to an additional 120 indirect jobs
- provide a capital investment of £10 to £12 million.

These are more fully detailed in our August submission, Community Benefits section.

Ambitions which will not be so likely to be achieved include the following:

- loss of a major step-change for the development of Middlehaven - Tees Valley Regeneration's proposal for the development of Middlehaven remain ongoing, the loss of a regional casino means that a significant shortening of the development timescale will now not be experienced, but nevertheless development will continue. Should Middlehaven be selected as the site for a large casino then some similar benefits will be experienced, but they will not be of the scale and impact that a regional casino would have achieved;
- performance arena - as previously discussed we do not currently believe that a large casino licence will secure investment in a performance arena. Again this continues to be a long-term objective for Middlesbrough, and whilst the opportunity to make a significant step toward securing this has been lost, it remains a long-term ambition which a large casino will help to facilitate;
- hotel – our current assessment is that a new hotel would not be delivered as a result of our securing a large casino license. However, a large casino would indirectly stimulate further hotel development in Middlesbrough as a result of additional visitors to the area which the casino would generate, from the boost which a casino would give to Middlesbrough as a leisure and night time destination, and from the increased national profile that winning a large casino would give to the area. In the longer term then, our ambitions for further hotel and tourism development would still be achieved.

8 Unique Characteristics

Please refer to our August submission which outlines Middlesbrough's unique characteristics:

- Middlesbrough is a significant sub regional centre at the heart of a conurbation of 650,000 people
- the area is significantly underdeveloped without the city centre facilities which a conurbation of this size should enjoy, this is particularly true in the areas of culture, leisure and entertainment.

The impact of a large casino will be highly visible and obvious in an area like Middlesbrough, whereas in established cities already undergoing significant urban regeneration:

- regeneration is less needed and
- the regeneration benefits will be masked by the impacts of other forces already in place.

Hopefully this response fully answers the Panel's questions, however, if you require any further clarification, or any further supporting information, please do not hesitate to contact us via the contact below.

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