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33 Sheepen Road  
Colchester CO3 3WG

28<sup>th</sup> January 2013

Stour Valley Visitor Centre at Horkesley Centre

Application reference: 120965

Dear Mrs Jackson,

Viability

There are many reasons why this proposal should not be allowed to proceed, all of which are clearly expressed in the documents that the Stour Valley Action Group ("SVAG") has produced. The one aspect which I would like to address in this letter is the financial viability of the project.

Viability is absolutely critical to any assessment of this project. If the proposition is not viable, then none of the purported benefits will be achieved. The very fact that Colchester Borough Council ("CBC") commissioned an independent report on viability from Britton McGrath Associates ("BMA") indicates how serious this issue is.

All objectively viewed evidence suggests this proposal is not viable.

In their report of November 2012, BMA state, inter alia:

*"If one were to apply even the most positive interpretation of our revised estimates to the P&L outlined in the business plan, it is quickly apparent that the business as currently proposed is unviable"*

and

*"Essentially the assumptions for many of the key foundations of the Business Plan appear to be fundamentally flawed resulting in our overwhelming conclusion that this is a business which would quickly become insolvent thereby resulting in any possible wide benefits to the community being lost."*

and

*"In conclusion, whilst there may be a number of merits to this scheme, both for the Bunting family and the region, it would appear that many of these are unlikely to manifest themselves as the business itself, as it is currently conceived, is financially unviable."*

These are not selected extracts to make a particular point: the report is unequivocal and absolutely clear without any caveats that the businessplan is unviable. Using their own estimates, BMA forecast a loss before tax of £1.8m. In their subsequent report of 18<sup>th</sup> December, where the focus of debate had mysteriously shifted to an assessment of whether evidence of regional status could be produced, they confirm their earlier view that the assumptions for visitor numbers are too high (and it is this assumption which largely drives their conclusion that the business plan is unviable):

*"Notwithstanding the points made in the previous section, we stand by the analysis presented in the previous document with regard to the penetration rates."*

and

*“we have not shifted fundamentally in our opinion that 310,000 visitors per annum is overly ambitious. However, the investment in the Chinese Garden should, in our view, help to ensure that the development reaches the upper rather than the lower limits of our estimate of 90-130,000 visitors per annum and could potentially reach 150k.”*

### Independence

Sykes Leisure Projects (“SLP”) make the disgraceful claim in their November report to the BMA review that this report is not independent. On page 4 of their executive summary, they state that “Although the BM report covers a number of key issues, it does not provide a truly independent review of the project” and then go on to list 8 factors in support of this claim all of which barone are not related to independence but are a criticism of how the report was produced (e.g. “BM has only carried out a superficial and unscientific anaysis of certain key factors within its report”). The only factor that is mentioned which hints at lack of independence is:

*“The brief for the study has been provided by CBC planning officers who have not previously supported the project which has been in the planning stage for over ten years.”*

The substance of this comment is repeated again in the document:

*“It is not surprising that the findings they (BMA) unsuccessfully challenge are the issues relating to Horkesley Park being a regional scale attraction and the projected visitor numbers. They are the issues canvassed by SVAG and CBC planning officers over the years. This would make an independent observer question the objectives of the brief for the BM study.”*

The viability of the project is absolutely fundamental to any assessment of this proposal. If the business plan is not viable, none of the projected benefits for the region will be achieved (raising the profile, increasing visitors, adding incremental employment etc). It is extremely right and proper that the planning officers have the business plan reviewed independently in order to test its viability. To seek to undermine the validity of the BM report by spuriously questioning its independence is outrageous.

SLP also seek to disparage the BM report with a number of inaccurate and misleading statements, extraordinary comments and invalid contentions. As an example, they state the BMA list of comparator visitor centres is “selective and designed to suggest that visitor centres only attract low visitor numbers”. As a counter example they refer to the fact that the very small Bakewell Visitor Centre attracted 186,389 visitors in 2009 neglecting to point out that:

- i. it is free to enter
- ii. it is right next door to Chatsworth which attracts 716,000 visitors
- iii. it is in the Peak District which has a visitor footfall (8.4m) which Colchester can only dream about

They also make the breathtakingly specious comment on visitor centres that the “scarcity with high visitor numbers quoted in the list could be taken to suggest that there is a gap in the market for a good quality visitor centre capable of attracting visitors from throughout the region and from neighbouring regions.” There aren’t many pubs in Saudi Arabia but I don’t suppose too many brewers are rushing to set up operations there!

### Visitor numbers:

The viability of the business plan largely depends on the number of visitors. The forecasts which have been made in this respect are as follows:

	<b>Number</b>
SLP	310,000
BMA	Up to 150,000
Visitor Attraction Consultants*	100 – 150,000
SVAG financial experts	150,000

\*Independent consultants commissioned by SVAG

The assessment of visitor numbers is driven by two key factors: the catchment area and the penetration rate. The forecast visitor numbers of 310,000 in SLP's May 2012 Tariff Evaluation Report has been based on the following:

**TABLE 2**  
**HORKESLEY PARK**  
**RESIDENT & VISITOR MARKETS**

<b>PRIMARY MARKET (0-60 minutes driving time)</b>	<b>POPULATION</b>
Resident Market	1,067,160
Visitor Market: Domestic Tourists	4,300,000
Visitor Market: Overseas Tourists	300,000
<b>Total Primary Market</b>	<b>5,667,160</b>
<b>SECONDARY MARKET (61-120 minutes driving time)</b>	
Resident Market	5,924,706
Visitor Market: Domestic Tourists	14,100,000
Visitor Market: Overseas Tourists	4,010,000
<b>Total Secondary Market</b>	<b>24,034,706</b>
<b>TOTAL MARKET</b>	<b>29,701,866</b>

**TABLE 13**  
**ATTENDANCE & MARKET PENETRATION OF RELEVANT**  
**ESTABLISHED VISITOR ATTRACTIONS**

<b>Attraction</b>	<b>Market Size 2 hrs drive time</b>	<b>Annual Attendance</b>	<b>Penetration rate (%)</b>
Flatford Mill, Constable Country (1)	29,701,866	250,000	0.84
Flatford Bridge Cottage (4)	29,701,866	120,000	0.40
Colchester Castle Museum (5)	29,701,866	88,488	0.30
Colchester Zoo (5)	29,701,866	755,136	2.54
Gainsborough House, Sudbury (3)	43,902,332	17,600	0.04
Hop Farm Country Park, Tonbridge (2)	69,927,348	500,000	0.72
Fishers Farm Park, Billingshurst (3)	75,524,995	144,532	0.19
Willows Farm Village, St Albans (3)	86,540,837	320,000	0.37
Hidcote Manor Garden, Chipping Camden (5)	46,432,809	148,278	0.32
Sheffield Park Garden, Uckfield (5)	65,325,673	197,202	0.30
<b>Horkesley Park</b>	<b>Market Size 2 hrs drive time</b>	<b>Day Visitors Opening Year</b>	<b>Penetration Rate (%)</b>
<b>Horkesley Park</b>	<b>29,701,866</b>	<b>310,000</b>	<b>1.04</b>

In order to arrive at a total market of 29.7m, SLP has made the critical assumption that the catchment area should include those within 1 hour and 2 hours of driving time (and 40% of the visitors are assumed to travel between one and two hours). To support this assumption, SLP in their response of November 2012 point to

- a report produced by Anian Leisure Consultants into 584 locations in Avon, Cornwall, Devon, Somerset, Wiltshire and West Dorset on behalf of the West

Country Tourist Board which concluded that “the geographical spheres of influence of modern “state of the art” heritage and natural attractions are less than two hours, with the majority of visitors travelling less than one hour in each direction.”

- MEW research commissioned by the East of England Tourist Board to look at holiday makers perceptions of the East of England in 1997 whose findings would suggest that a ‘Constable Country’ themed attraction would be capable of attracting visitors from a 2 hour catchment area.

These research findings - described unbelievably as “comprehensive” - lead SLP to the conclusion that “a themed attraction of the quality and scale proposed, that is supported by an effective marketing budget, is likely to have a catchment area along the lines of Colchester Zoo.”

I have not seen the above reports but would comment that:

- it is not clear from the commentary on the Anian Leisure report whether the visits to the attractions were from day trips or excursions during a holiday to the region where the travel time might be measured relative to where the visitor lived rather than where they were staying. If the latter, this analysis is flawed as the West Country is a much more popular holiday destination than the East of England.
- the MEW research is not exactly current
- the commentary on the MEW research also mentions that one of the reasons for the enthusiasm of the respondents to visit Constable Country was that “the image was of a quiet, peaceful, lovely area” i.e. exactly the environment that the Horkesley Park project will destroy!
- the independent BMA view is that:

*“Our assessment of the proposed visitor experience, combined with the feedback from operators of not dissimilar visitor attractions, leads us to conclude that it is most likely that the majority of visits to Horkesley Park will come from within a 60 minute, or even a 30 minutes, drive time radius of the site.”*

- BMA in their report also comment that:

*“the general rule of thumb is that families with younger children are prepared to travel thirty minutes to an hour for half a day or perhaps 90 minutes for a whole day trip away from home. If holidaying in an area, tourists will normally seek out sights and attractions within a one hour journey time from where they are staying.”*

- those who live in the region and who have to endure the nightmare journey from Central London up the A12 will smile wryly at SLP’s contention that “improved communications means that Horkesley Park will be easily accessible to over 29.7 million people living or staying on holiday within two hours drive time of Horkesley Park.”

SLP is also making the assumption that the catchment area includes tourists. From their table 2 shown above, domestic and overseas tourists account for 18.1m out of the 29.7m forecast total (60%). The inclusion of such a significant number in the assessment of the market is very questionable given

- SLP’s own observation in their Tourism Evaluation Report that according to the International Passenger Survey “Colchester does not even make the “top 20” of towns visited by overseas residents.”
- BMA’s view that its “study of comparator attractions suggests that there is little evidence that this will be a tourist destination. They also observe that “less than 1% of the visitorship of successful sites such as Willows Farm Village (which is cited by SLP as being a relevant comparator) are visits from tourists.”

In their supplementary review of 18<sup>th</sup> December, BMA recorded that there was some considerable debate during the meeting about the principle of disaggregation and aggregation in relation to likely penetration rates and forecasting visitor numbers. They noted that the Bunting & Sons team believe

that the BMA analysis underestimates the appeal of the Horkesley Park proposition by failing to take in to account the aggregated effect of the multi-faceted offer. SLP corroborate this view in their response of January 2013 by saying that “basically BMA does not accept re aggregation at Horkesley Park and therefore its analysis is fundamentally flawed and cannot be relied upon in terms of visitor numbers.”

Interestingly the concept of aggregation is not specifically referred to in the SLP’s Tourism Evaluation Report of May 2012(is this an afterthought to justify the very optimistic forecast?). There is reference, however, in the Tourism Feasibility Study of Dec 2008 (which covered the previous project which was rejected by CBC) to “the synergy between the Country Park and the gardens and similarities between some of the target groups” such that “there will be an opportunity to promote joint ticketing to encourage visitors to visit additions/ elements of Horkesley Park”. This synergy (which I assume is equivalent to the aggregation effect) was estimated then at 44,000 visitors, only 13% of the total visitors estimated to visit the Country Park attraction (231,000) and the Gardens (101,000). Given this very low percentage, the issue of aggregation seems to be a smokescreen.

Penetration rate:

SLP do not give any methodology as to how they arrive at a penetration rate of 1.04 from the table given above (which is somewhat ironic given that their response to the BMA frequently bleats about the BMA analysis being “unscientific”). The only assumption given is that “it is assumed that the unique concept for Horkesley Park would hope to penetrate its market as effectively as the leading country park, wildlife, garden and art galleries highlighted in Table 13, based on the development concept outlined in Chapter2”. This is quite an assumption. The following should also be noted:

- the penetration rate is significantly higher than all the attractions with the exception of Colchester Zoo. With regard to Colchester Zoo, it should be noted that (i) c. one third of its visitors are season ticket holders (compared with 15% for Horkesley Park) and (ii) it has only reached this visitor level after 25 years of marketing, public awareness, repeat visits etc; 25 years ago visitor numbers were a fraction of this level. (iii) Colchester Zoo is largely an attraction for families and children. As noted by BMA: “In discussion with Kate and Hector Bunting, it was agreed that the three key product drivers for Horkesley Park are:

1. The Chinese Garden
2. The Constable Experience
3. The Suffolk Punches.”

None of those features have any significant appeal to children so it is very hard to see how Horkesley Park can attract anything like the footfall of Colchester Zoo.

- Flatford Mill, which is stated on a number of occasions as indicating the potential of the Constable theme to attract visitors is free. Horkesley Park by contrast has an entry price which is at the very top end of those offered by similar attractions (described by BMA as being “extraordinarily high”).
- BMA calculate that the visitor numbers would on a different basis of calculation be:

<b>Basis of penetration rate</b>	<b>Penetration rate adopted (%)</b>	<b>Total Market</b>	<b>Visitor numbers</b>
(i) Average of comparators in table 13	0.6	29,701,866	174,000
(ii) As (i) but with correct figs for Hop Farm	0.54	29,701,866	156,000
(iii) As (ii) but excluding Colchester Zoo	0.32	29,701,866	93,000

In conclusion, SLP has not produced any sound evidence as to why 310,000 visitors can be expected to visit Horkesley Park. On the contrary, independent analysis strongly suggests that Horkesley Park would do very well to get half this forecast at best.

### Conclusion

BMA believe the business plan to be seriously flawed and that the project is unviable. The analysis done for SVAG by its team of financial experts reached the same conclusion (forecasting almost identical likely visitor numbers, the key determinant of profitability). The independent leisure consultant's report commissioned by SVAG also came to a similar conclusion.

The commentary above only looks at the visitor numbers and penetration rates. It does not seek to comment on other areas such as ticket prices, revenue from retail and food where BMA again found SLP's forecasts to be far too optimistic. Tellingly, SLP do not comment on any of these in any detail in their response to the BMA review which suggests that the case for their own forecasts is weak.

As BMA comment: "It is worth pointing out that this represents an extraordinarily profitable business with net profit at just short of [figure redacted] of total turnover. **This is unprecedented in the leisure attraction industry.**"

The reason for changing the scope of BMA's second report from viability to the nebulous concept of regional status is not known. It seems absurd that BMA should be asked to opine on a topic where there was no initial consensus as to what regional status meant and where it was subsequently confirmed by Arthur Tyrrell, Planning Manager after some research that there is no clear definition of what constitutes regional status in planning terms and in relation to visitor attractions.

Notwithstanding BMA's positive recommendation on the basis of the regional status test, their view on viability has not changed. By all means the council can consider regional status, but the viability test remains a critical determinant of whether this project should proceed. The project is not viable and it should not be allowed to go ahead. I do not understand how CBC can go to the trouble and expense of commissioning a viability report, receiving a crystal clear opinion on the unviability of the project and then completely ignore it.

Yours faithfully,

Jonathan Eddis.