

Land North of Madgwick Lane, Chichester

**Town and Country Planning Act 1990
Appeal by CEG and the Landowners**

**Appeal reference: APP/L3815/W21/3270721
LPA reference: WH/20/02824/OUT**

**Proof of Evidence on Goodwood Economics
on behalf of Goodwood Estates Ltd
Rule 6(6) party
July 2021**

Proof of Adrian Sargent
Chief Financial Officer

Economics

I. Job, experience, qualifications, professional memberships

Adrian Sargent, Chief Financial Officer

I joined Goodwood Group in May 2000 and have held a number of financial positions within the company during that time. I initially joined as Group Management Accountant and subsequently moved into a divisional Head of Finance position covering all Events and Sports business areas. This role evolved into Divisional Finance Director where I worked closely with the line Managing Director and General Managers to drive commercial growth within the portfolio of business areas under our remit, including all motorsport events, aviation, motor circuit, golf and horseracing.

In June 2017, I was appointed Group Finance Director which transitioned into Chief Financial Officer in January 2020. My Group role includes overall responsibility within the following areas; Finance, IT, Legal, Digital and Data. In addition, I am a long-standing trustee for the Goodwood Pension Scheme Limited having been appointed as employee representative. I am an accountant and a member of ACCA.

II. Economic benefits of The Goodwood Estate

In early 2019, following a comprehensive tender process, Goodwood appointed London School of Economics 'LSE' to undertake an independent study into the annual economic impact the Goodwood Estate contributes into the local and national economy (attached as appendix to this proof).

This was a comprehensive study, completed by Dr. Alexander Grous of LSE and the analysis and research was based on Goodwood's 2018 financial performance and data. This study utilised extensive residential stays, day-visits and attendance at headline Events to undertake primary research that was complemented by significant secondary research. The report was completed in February 2020 with a copy of the full detailed report attached.

At headline level the report findings are as follows:

- a) Goodwood attracts c.1m visitors annually, with the headline events (Members' Meeting, FOS, QGF and Revival) accounting for approximately 60% of this visitor number. This represents just 14 days of the calendar year.
- b) The total economic contribution Goodwood makes annually is estimated at **£435m** through a direct, indirect and induced mode. An additional £125m is also generated across all tax categories. This can be broken down as follows:
 - Local economy contribution £314m and £100m taxes
 - National economy contribution £121m and £25m taxes
- c) The basis of the report has been built around the following contribution types; direct costs, indirect costs and induced contributions and covers the following areas; travel, accommodation, materials, supplier costs and employment.

III. Adverse economic impact on Estate of past negative event circumstances

Goodwood is a family-owned business that employs c600 full-time employees growing to 1,000+ inclusive of casuals during the Events season. Pre-covid the business generated turnover of c£105m with a profit before tax margin of c5%. The ethos of the business is to re-invest all of the profit generated back into the company to fund an extensive list of capital projects and initiatives that are required to ensure the Estate has a long-term stable future.

The business model is heavily reliant on the profitability generated from the headline events that Goodwood operates annually, and despite certain perceptions, the business model is one that is based on high volume and high risk returning relatively low profit returns, with the on-going maintenance to maintain the 12,000-acre Estate at large expense. The profitability and commercial sustainability of the business is therefore sensitive to any small negative margins of impact, particularly around its Events portfolio given the large operational cost base and on-going employee related investment required to deliver such events. The difference between being commercially successful is marginal, with small percentage swings in paid attendance having large consequences on profit.

Managing and having an effective on-event traffic system is of strategic importance to the Group. The company has invested c£0.8m in car park road-ways and entrance point improvements since mid-2016 to ensure we have robust infrastructure in place which is able to effectively, as is possible, deal with peak event volumes even during inclement weather. This investment was founded on an in-depth internal review of poor customer experience touch points experienced over the previous 5 years and this highlighted that traffic management and the journey time of the customer was increasingly becoming an issue of concern. A combination of first hand on-event experience and post event customer feedback highlighted a fundamental concern that the customer experience was being heavily impacted by traffic issues, so the business rationale to invest quickly in this area was deemed an important protective necessity at Executive Board level.

A direct consequence of poor customer experience is reduced customer retention levels, subsequently demanding higher levels of new customers to be found to maintain existing levels of attendance. This puts additional pressure and demands on our marketing team to deliver the sustainable revenue requirements for a particular event. A secondary knock-on impact is the confidence, or lack of, we as a business then have in the following year to be able to increase ticket prices.

In 2017, the Goodwood Revival event held in that year experienced a wet weather situation across all 3 days. Whilst accepting that traffic management forms only one element of a customer's event experience, the impact this had on the customer was evident and can be classified as follows;

- a) **Post Event Complaints** - The number of post event complaints that were directly attributable to traffic issues represented 39% of all serious complaints received requesting a refund. This compares to 15% in 2016, and 4% in 2018 and 2019.
- b) **Post Event Net Promoter Score** – The NPS score for the Revival in 2017 was 7.9 (out of 10). This compares to 8.8 in 2016, a negative swing of 0.9 which is considered a significant drop in the industry. To put this into context, the all-sport industry average that year was a score of 8.2.

In addition, of those customers surveyed post event, the number of customers likely to recommend Goodwood Revival to a friend dropped from 67% to 49%. It is totally accepted that these declining statistics weren't wholly attributable to traffic issues alone, however, this certainly was perceived by Management as one of the driving factors behind this reduction and our reaction to subsequently invest significantly in mitigatory actions in this area support this.

- c) **Direct impact on following year Revival sales curve** – the external insight received following the 2017 on-event survey indicated that 13% fewer customers were likely to return the following year (74% v 87% in 2016).

Subsequently in 2018 the Revival ticket sales curve did then always track behind that of 2017 and despite our best marketing efforts the total volume of tickets sold ended 4% down on 2017 actuals. This was driven by a lower direct return customer which was down 3% on prior year. On a like for like basis this equates to £0.2m of revenue – representing a significant percentage of the budgeted event profit.

To provide wider context, using 1% purely as an illustrative base, this level of reduction in consumer related products, would have a negative revenue consequence as follows; Members' Meeting £30k, FOS £0.1m, QGF £50k, Revival £70k. This highlights that any impact on negative customer experience that results in even a minor downturn of paid attendance would have significant financial consequence. Any greater impact on volumes has a direct correlation on revenue.

In addition to the points raised above, any impact that commercially compromises our Aviation business will be hard felt and damaging. Aviation is another high volume and transactional business at Goodwood generating c£0.3m profit per annum. With a deep heritage going back to the Second World War, the company remain fully committed to support Aviation in the long-term which was testament to the significant investment prioritised by the Group to fund a new Aero Club building (c£3m) and grass runway (c£1m) over the past 5 years. The airfield is seen as a key customer arrival point to the Estate for both fixed wing and rotary aircraft whilst offering a range of closely associated and connected general aviation offerings. Should the proposed development be successful, noise related complaints are inevitable given the close proximity to the airfield. The suggestion of "very minor re-routing" of the helicopter circuit are simply not deemed acceptable from a safety perspective. To provide context, the inability to operate the existing helicopter operation would result in a direct profit impact of £0.1m per annum which is materially significant for this business enterprise and the Group.

Furthermore, the air display at the Goodwood Revival has become an important content contributor and customer attractor to the annual event. It is difficult to quantify the exact financial impact it would have if a direct consequence of the proposed development resulted in the inability to perform this display, but as highlighted above, any downside in reduced consumer demand and subsequent lower paid attendance carries sizeable financial risk. To restate, a 1% reduction in Revival attendance results in a £70k revenue/profit reduction. We also remain seriously concerned that the removal of any key content element from the Revival event would seriously limit our ability to increase future ticket prices. Inflationary increases annually are a necessity just to stand still.

A more extreme view of impact would be if the whole Circuit operation became compromised over time. The site operates 365-day operation for businesses covering Aviation, Motor Circuit, Cycling and Catering (in two separate fixed locations), whilst also hosting a number of events annually which include the Members' Meeting, Revival and x6 breakfast clubs held on Sunday mornings. The Circuit is also hired for a number of third-party operated events each year. Focussing on the Circuit, if a related consequence, due to noise complaints, subsequently had an impact on existing planning conditions, a reduction or loss of category 2 or 3 days would have significant financial consequence. This would result in the Motor Circuit business losing up to £0.7m profit p.a. and its on-going viability to continue to operate. A reduction or loss of category 1 days (x5 annually), which are used for Members' Meeting and Revival would be catastrophic financially.

Using 2019 actual profit figures, the consolidated profit before tax 'PBT' generated from all businesses operating on the site totalled £4.4m. This represents a significant percentage of the Group's total PBT and is of paramount importance to the future commercial viability of the total Estate.

IV. Time / economic cost of processing increased complaints/adverse comments resulting from appeal scheme

It is strongly expected that if the application for the proposed development is successful, Goodwood will inevitably receive a higher volume of complaints, from not only the residents in the new development given their close proximity to Goodwood, but also from high value event customers complaining about Event traffic or reduced Revival content (removal of air displays). It is anticipated that the on-going management and response time required to adequately deal with such complaints would cost Goodwood up to £25k-£30k per annum.

V. Economic cost of adverse impact of appeal scheme upon events/operations and events traffic/traffic management

Until the exact highway plan is fully known and understood it is difficult to estimate the cost, per event, of any necessary additional traffic management requirements to deliver our existing experience – we currently invest £0.8m per annum using a third-party contractor to manage our Event traffic management solutions, highlighting the importance of ensuring this is an efficient part of the customer journey. Our current understanding given the location of the proposed single entrance/exit point is that the mitigation of this issue is highly likely to be beyond that of a simple monetary solution.

As previously stated, a 1% reduction across all headline event attendees at Goodwood would result in a c£250k annual profit reduction. It is felt that this is the bare minimum financial consequence that Goodwood could expect to be impacted by – whilst the figure has potential to be significantly higher. This would be wholly dependent on the scale of variation impact on the increased duration of time felt by the customer during peak arrival and departure journeys.

VI. Conclusion

To conclude, the Family and Board of Directors have substantial concerns that a consequence of the proposed new development will have direct financial impact on the company, and this is one that will last forever with long-term and damaging repercussions. This point cannot be stressed highly enough.

It is accepted that to conclusively put an exact specific value on this is difficult, however, any impact that compromises our long-standing business operation will be hard felt and will also naturally have a negative consequence on the wider Economic impact that Goodwood generates both locally and nationally. The directly attributed scale of financial impact on Goodwood could well be multi-dimensional with ramifications relating to; traffic management issues, Revival content reduction, complaint handling and potential operational limitations for Aviation and/or Motor Circuit businesses due to noise complaints resulting in license modifications. Our best estimates value the annual profit impact range between £250k and £4.4m.

The multiplier effect as evidenced in the LSE study is clear on this link, so any reductions to the existing levels of revenue generated at Goodwood will also directly reduce the significant wider economic benefits being delivered. A multiplication ratio of 4.3x represents a fair guide, based on the independent LSE report.

Finally, the road network into Goodwood from the South was already under-pressure due to the bottleneck intense Event traffic demand places on it. This was evident even prior to the Madgwick Park Estate being developed and due to covid-19 we have yet to experience a large event at Goodwood to understand the ramifications this has on both the road network and number of complaints this generates.

Adding further housing pressure can only result in further consequences that ultimately have a direct impact on Goodwood which is deemed totally unacceptable.

Appendix The Goodwood Estate: Estimating Socioeconomic Contribution

Dr Alexander Grous LES January 2020