

RELEVANT REPRESENTATION BY MERLIN ENTERTAINMENTS REGARDING THE LONDON RESORT DCO APPLICATION

I. Overview

We – [Merlin Entertainments Group](#) (MEG) – are submitting this Relevant Representation (in accordance with [Advice Note 8.2](#)) in order to become an Interested Party (IP) in relation to the London Resort (LR) Development Consent Order (DCO) application, in accordance with the Planning Act 2008 (PA2008).

This representation draws on MEG’s global knowledge and [experience](#) of operating 129 visitor attractions across four continents. We are the world’s second largest visitor attraction business; only Disney attracts more guests worldwide. MEG delivers memorable experiences each year to some 67 million guests around the world, through iconic global and local brands, and employs c.28,000 employees (peak season). Headquartered in the UK, MEG has [28 domestic attractions](#), including Alton Towers, THORPE PARK, Chessington World of Adventures, Warwick Castle, LEGOLAND Windsor, The London Eye, Madame Tussauds and various SEA LIFE centres.

MEG very rarely comments on planning applications made by others. We acknowledge that other businesses enter the visitor attraction market and that this is important to the vitality of the sector as a whole. New attractions can create interest and add to the range and diversity of provision, raise standards and spur others to invest in their offer. However – following review of the LR proposal by both (i) our internal team and (ii) our town planning and economic consultants, Lichfields – we are wholly unconvinced by the scheme (including its stated benefits). MEG is deeply concerned about the significant displacement and damage this project would be likely to cause to an industry which is in the very early stages of recovery from the global pandemic. The comments in this submission reflect the combined view of both ourselves and Lichfields.

In September 2020, Lichfields made a brief response (on our behalf) to the pre-submission statutory consultation for the LR proposal, as acknowledged in the Consultation Report [Appendix 5.31](#) which accompanied the DCO [application](#) by London Resort Company Holdings (LRCH). In that representation, concern was raised that LRCH’s consultation documents gave the false impression that MEG’s theme parks operate mainly as day visitor attractions, whereas in fact they are multi-day resorts hosting numerous hotels and lodges. In offering this clarification, we were keen to ensure that the baseline for MEG’s UK attractions was fully understood, given that LRCH was offering a direct comparison between its scheme and these.

The LR proposal is in an area with environmental and conservation constraints and must be able to demonstrate – with sufficient and convincing evidence – a level of benefit which clearly outweighs **any harm** it may cause. The LR proposal also seeks powers of compulsory acquisition, for which a compelling case in the public interest must be demonstrated under [Section 122](#) of PA2008. This is particularly the case given the lack of any National Policy Statement (NPS) (or any other national policy) which is directly relevant to the LR proposal. The Examining Authority (ExA) and the Secretary of State (SoS) must consider whether the proposal amounts to sustainable development, including having regard for the likely environmental, social and economic impacts it would cause. For the reasons set out below, we consider that the LR proposal does not meet that standard.

2. Principal Issue

Having now reviewed the extensive documentation submitted with LRCH’s application, **we remain deeply concerned that the UK’s existing visitor attraction market is not being accurately portrayed**. Consequently, we believe **a case for the LR proposal has not been demonstrated**.

We consider this to be an important and relevant consideration in the determination of the DCO application, given how LRCH seeks to set out the need for its proposed development in comparison to the existing market. We anticipate expanding on these points at the Examination stage, along with other matters which the ExA identifies as relevant to the determination of the application. We would like to reserve the right – as an Interested Party – to be heard by the ExA during the Examination on the matters contained in this Relevant Representation and generally.

[Section 105](#) of PA2008 is clear that the SoS must consider (in relation to an application such as this to which no NPS applies) “*any others matters*” which he thinks are “*both important and relevant*” to the decision. As evidenced through other DCO applications (and the range of topics in reports prepared by the ExA on such schemes), the scope of considerations can be wide – including on the issue of **need**. LRCH’s Planning Statement (PS) claims that there is “*no specific requirement to establish and demonstrate the ‘need’ for the Proposed Development, in the absence of an NPS*”. On the contrary, given the significant potential environmental, social and economic impacts, along with the intention to compulsorily acquire a large amount of land occupied by existing businesses – it is clear that the “*need*” for the development is a fundamental issue of public interest that goes to the heart of this application. The ExA should identify “*need*” as a “*principal issue*” to be fully assessed during the Examination stage, i.e. whether the applicant is able to demonstrate a need for the development. It is our position that this aspect is self-evidently both important and relevant to the SoS’s decision.

3. Initial Assessment of Key Issues

Issue One: need and benefits of the LR

Expanding on what is touched on above, we have considered whether (i) there is a need for the scheme and (ii) the suggested benefits arising from the proposed development are realistic and evidence-based. There are several assumptions and statements in the LR proposal that must be thoroughly examined, because they underpin the application and the viability of the proposed scheme:

- A) The PS claims that the UK is “*considerably underprovided in terms of global entertainment resorts*”. Yet “*under-provision*” can only practically exist if there is clear, unmet demand for what is being proposed. The type of comparator resorts to which LRCH is referring are successful because they (i) are in countries (or within a cluster of countries, like the EU) with a much larger population and (ii) are headlined by long-established Intellectual Property (IP) brands (such as Disney or Universal) which draw in customers on a scale which makes them a global attraction. The LR proposal offers neither of these. In MEG’s experience, the critical importance of leading IP brands to the success of larger visitor attractions cannot be overstated. It is therefore impossible to see how the LR proposal could possibly come to fruition or be sustained.
- B) It is also worth noting that few new theme park developments in the last 25 years – particularly in the mature European market – have been successful for the initial investors, with unrealistic attendance assumptions being a common theme – i.e. projected numbers, and therefore revenues, not materialising. For example, Disneyland Paris (DLP) was not the success story which LRCH is now painting it out to be. The cost increased from £1bn to £5bn, and significant losses were incurred in its early years. As an [information note](#) (produced by Hong Kong’s Legislative Council Secretariat) sets out, the Resort was subject to “*huge financial restructuring*” over the years to ensure its viability. DLP’s visitor numbers also fell short of initial projections, as detailed in Harvard Business School’s “*Euro Disney: The First 100 Days*” [assessment](#). All of this is despite DLP having the benefit of the world’s strongest theme park brand and IP, which the LR does not have. In overall terms, very different market circumstances apply to European theme parks (which tend to be smaller in scale), and therefore broad-brush comparisons with other global theme parks are not valid. This fundamentally calls into question LR’s projected visitor numbers of 6.5 million in 2024 / 2025 and 12.5 million by 2038.
- C) Linked to (A) & (B) above, we note that the Economic & Regeneration Statement (ERS) reiterates the claim that there would be 6.5 million visitors to the LR in 2025 – and the various projections on employment and economic impact (i.e. suggested benefits) are no doubt based on this. Yet, there is a complete lack of consumer demand analysis undertaken to support the projected visitor numbers; nor any sensitivity analysis relating to the impact of COVID-19 on the scale of the market. The ERS claims that the growth of the international theme park market has been based (amongst other things) on “*intellectual property-based stories*”, yet the LR proposal has – by comparison to other visitor attractions on the scale of what they are proposing – a complete paucity of IP / brands being offered. We are very concerned that the visitor numbers are unsubstantiated and if they are not achieved, all the benefits are significantly overstated. This matter should be considered in detail by the ExA.
- D) The ERS also claims that its demand will be “*largely additional*” to that relating to existing UK visitor attractions; before saying that displacement would be low as the LR has “*no UK competitors*”. Such assertions are not consistent with the characteristics of the market and do not have regard to the fact that consumers have limited disposable income, meaning that competition is inevitable. Consumers generally make choices between spending money on one form of leisure or another (however different such options may supposedly be). Furthermore, the ERS refers to a standard rate for “*low displacement*” of 25% (although we consider that an impact of 25% cannot be described as “*low*”). Taking this into account means that the LR is still projecting 4.8 million net additional visitors being attracted – which given the inherent weaknesses of the proposed IPs / brands seems very unlikely. Such numbers would be unprecedented in terms of any other UK theme park or equivalent visitor attraction; even those that are much longer established and have globally recognised brands compared to what LRCH is proposing. We do not consider that the LR would draw numbers from overseas on anything like the scale which is being suggested. This is an important and relevant topic for the ExA.
- E) Given (D) above, we consider that the level of displacement would be considerably higher than 25%. The ERS cites Peppa Pig World and Warner Bros Harry Potter as two examples where there was no adverse impact on other theme park visitor numbers, yet no data has been provided in support of these conclusions. The issue of displacement raises another issue which we consider appropriate for the SoS to consider. The Government is committed – through its “*levelling up*” agenda – to seeing prosperity spread more evenly across the UK. Notwithstanding the fact that there are a number of theme parks (and other visitor attractions) clustered in the Home Counties, there are also many similar attractions spread across the UK (including MEG attractions in Staffordshire and Lancashire). We consider that locating a new “*global entertainment resort*” in Kent – with the resulting impact on visitor displacement – runs completely contrary to the Government’s levelling up agenda; and would cause further imbalance in the distribution of visitor attractions across the UK. The ExA should explore all such matters given the SoS’s likely interest in this aspect. The Government’s “*levelling up*” agenda is an important and relevant consideration.
- F) The ERS also concedes that its analysis is highly sensitive to a number of specific assumptions and caveats, including admissions that (i) “*all components of the resort are in early conception stage*”, (ii) “*the attendance estimates for the second gate theme park have been based on generic ratios*” and (iii) that a “*feasibility update would need to be undertaken*” once more

clarity on the concept, pricing and operational strategies are available. All of this only serves to confirm that the projected benefits cannot be evidenced in any meaningful sense, so should not be given material weight when considered against any wider resulting harm. Without any ability to articulate the content of the LR proposal, the application is wholly premature. The use of a DCO is not appropriate and it would be more appropriate to seek an outline planning permission or a local plan designation for the LR proposal. Only thereafter should the powers for its construction be sought.

Issue Two: need and components of the LR

G) Whilst the LR documents principally focus on the creation of a theme park and generally compare and contrast the development to other such attractions in the UK, there are also extensive “associated development” elements proposed, including retail outlets, a ‘Conferention’ Centre, an e-Sports Coliseum, theatres, cinemas and a water park. These proposed elements are justified based on a supposed need (and under-provision); yet little or no data is provided to support these assertions, nor an explanation about how these elements would interact and whether they are required in their own right or in order to support the LR proposal as a whole. Furthermore, the issue of displacement from existing providers in these markets (such as theatres and cinemas) has not been considered in any meaningful sense and with no awareness of the current market climate (post-pandemic).

Issue Three: funding of the LR

H) The availability of funding to implement the LR proposal is also both an important and relevant planning consideration and a critical element in demonstrating any compelling case in the public interest for the compulsory acquisition of land. LRCH is required to submit a Funding Statement (FS), setting out how they “propose to fund the acquisition of land and rights to be acquired, as well as the implementation of the Proposed Development”. Unlike other DCO applications, the FS is significantly lacking in detail, merely stating that “investors to fund the equity and debt financing have been identified but have chosen to remain confidential at present” and LRCH has commissioned a model which supposedly demonstrates that the “proposed development can deliver sufficient operating revenues to allow the required debt / equity to be secured”. However, if this model is based on the unrealistic assumptions set out in the ERS, it is difficult to see how prospective investors can commit, with confidence, to funding the scheme. As such, the ExA should very carefully explore whether there is a realistic prospect of the required amount of equity and debt financing being secured to deliver the scheme and whether there is likely to be an impediment to the delivery of the LR proposal as a result of funding considerations.

I) On this point, it is also worth noting that LRCH made clear in its most recently published [accounts](#) that it was intending to raise funds in 2021 from additional sources in “London capital markets and other financial centres”. This does not sound like a scheme that at present has – as the FS is supposed to set out – the funding in place to fund the acquisition of land compulsorily and implementing the project for which the land is required. If confirmed funding cannot be evidenced at the time of the DCO application being examined (and then determined) – or the prospect of this funding being secured within the statutory period following the order being made – then this is an important and relevant consideration which must be taken into account in the ExA’s deliberations.

4. Conclusion

Our assessment to date concludes that this DCO application is based on a number of unsubstantiated and potentially inaccurate assumptions, and – as a result – the supposed benefits appear to be significantly overstated. **The application falls substantially short of offering a sound, factual, evidential or policy basis on which a recommendation for granting development consent and making a DCO could be made.**