



Proposed New Manchester Arena : Review of Market Demand Evidence

A Report by Hatch
2 September 2020

Manchester City Council

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1. Scope of this Report

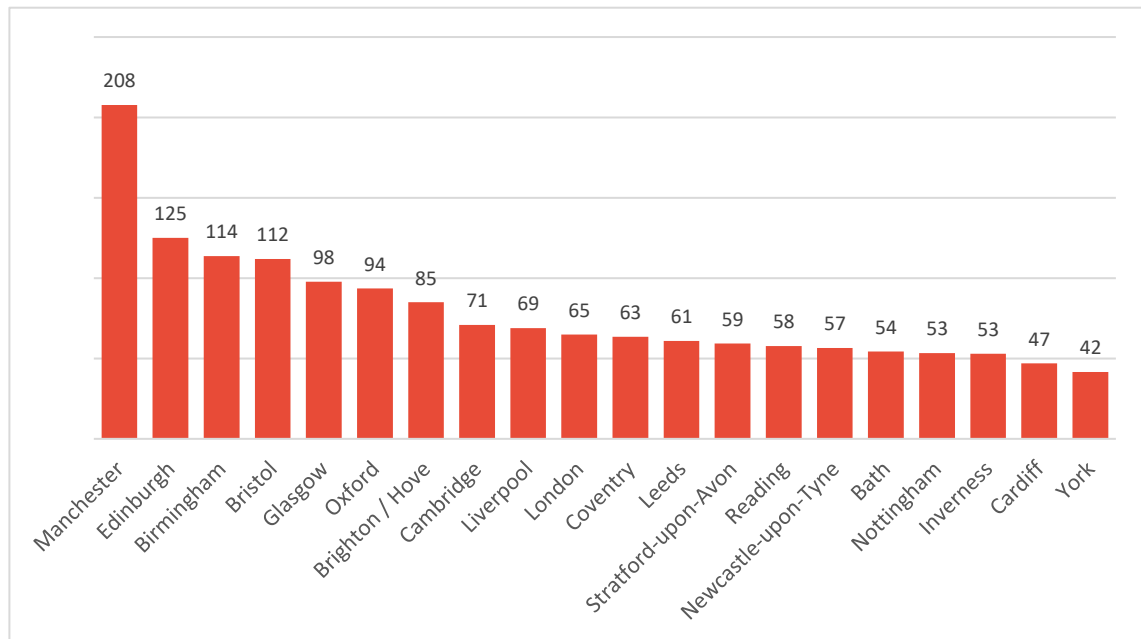
- 1.1 OVG Manchester Limited has submitted a planning application (Ref 126431/FO/2020) for a new 20,000+ capacity indoor arena on a site at the Etihad Campus.
- 1.2 Two main sources of market demand evidence were submitted as part of the initial application. The two main initial documents being:
 - PwC Due Diligence Report Volume 1 : UK Arenas and Manchester Market Overview – March 2020 (referred to hereafter as the **PwC** report)
 - Ekosgen UK Large Arena Market and Growth Scenarios – February 2020 (referred to hereafter as the **Ekosgen** report).
- 1.3 ASM Global¹, the operators of the existing Manchester Arena, are opposing the OVG application. ASM has submitted its own market demand evidence in response to the application. The main market demand evidence submitted by ASM is contained in:
 - Charles Rivers Associates Economic Analysis of Manchester Arena Market – June 2020 (referred to hereafter as the **CRA** report).
 - An earlier Grant Thornton Manchester Arena Economic Impact Assessment dated June 2019 (referred to hereafter as the **Grant Thornton** report).
- 1.4 In response to the submissions of ASM, OVG has submitted further application material on the issue of market demand. This takes the form of the July 2020 Amion Consulting report New Arena in Manchester Assessment of Demand, which includes primary research undertaken by the Audience Agency (referred to hereafter as the **Amion** report).
- 1.5 The overarching planning support statement by Deloitte Real Estate and the overarching planning objection statement by P4 Planning both make reference to market demand issues, but in large part draw on the content of the five reports listed above.
- 1.6 The purpose of this report by Hatch is to **synthesise and distil** this extensive array of evidence of market demand evidence, drawing out the salient points and providing a judgement on the veracity of the arguments presented. Hatch is a global consulting firm that incorporates the former Regeneris economics consulting team.
- 1.7 This report is intended to assist Manchester City Council (MCC) in its decision making on the application.

¹ ASM Global is the trading name of SMG Europe Holdings Limited following a merger between SMG and AEG Facilities in October 2019.

2. Context : Manchester's Continuing Evolution

- 2.1 The application documents point out in several places that Manchester is the second most popular tourism destination in England after London (e.g. see PwC p7).
- 2.2 Hatch agrees that the growth rate of Manchester's leisure and tourism market over the last 20 years has been significant and growth has outperformed all other UK towns and cities (see Hatch analysis in Figure 2.1 below). This positive trend has been driven by strong growth in both domestic tourism into the city and international tourism.

Figure 2.1 : Growth Rate in Staying Visits to UK Cities/Towns (% Change 1999 to 2019)



Source : Hatch via International Passenger Survey

- 2.3 The overall tourism profile of Manchester is radically different now to the position 20 years ago. Many of the factors that have shaped this growth – such as an expanding tourism product, a positive media profile, growing popularity with key demographic cohorts – remain very much in place as drivers of growth today.
- 2.4 The resident population of Greater Manchester has also grown substantially over the last two decades. This is made clear in the application documents. The 2019 draft of the Greater Manchester Spatial Framework (GMSF) states : “Greater Manchester is home to 2.8 million people, and has seen an increase of over 200,000 residents in the last decade alone” (see GMSF 2019, para 2.4).
- 2.5 The profile of Manchester provided by the influential Core Cities group points out that Greater Manchester now represents the UK's largest functional economic area outside London.
- 2.6 A key point for this application is that the population trends of the last 20 years are expected to continue. The 2019 GMSF, which is itself predicated on official government population projections, states that the population of Greater Manchester is forecast to grow by around another quarter million people by 2037 (see GMSF 2019, para 2.4).

- 2.7 This large scale growth of the resident population was only referenced in passing in the initial application materials but is utilised more explicitly in the applicant's subsequent materials (see the Amion Consulting report). Section 5 of this report provides more commentary on how a growing resident population could drive arena market growth, as per the arguments put forward by Amion.
- 2.8 The positive trends outlined above – a growing tourism sector and a growing resident population – are matched by policy ambitions set out for Greater Manchester.
- 2.9 The Mayor's Greater Manchester Strategy (2018) has a vision to “..make Greater Manchester one of the best places in the world to grow up, get on and grow old”. The ambitions include that “Greater Manchester will become a top 20 global city by 2035” p33.
- 2.10 The ambition to better position the city-region on an international stage is picked up in the Greater Manchester Internationalisation Strategy (2017). The Internationalisation Strategy states that the long-term vision of becoming a top 20 global city by 2035 will be measured by (p2):
- “Our attractiveness to international investors, visitors, business and academic talent and students”
 - “Our international cultural and place offer and the propensity of our business base to trade internationally”
- 2.11 Manchester is positioned as a central part of the UK's “levelling up” agenda – which seeks a more balanced distribution of economic growth and economic prosperity throughout all parts of the UK. The recent UK2070 Inquiry into Regional Inequalities² noted that Manchester was one a small number of northern cities that had kept pace with UK growth, but noted...”(its) level of economic performance has, however, been held back by the unintended consequences that have arisen from sustaining the global role of London” (p13). Alongside the ambition of becoming a more prominent global city, also lies an ambition for Manchester to become a more effective UK counterbalance to London.

Key Points from this Section

- In the last 20 years tourism trips into Manchester have increased at a rate significantly greater than any other UK urban location, and the population of the conurbation has grown by 200,000 in the last decade.
- These trends are likely to continue with 250,000 extra residents forecast in Greater Manchester by 2037.
- Greater Manchester has a very explicit aim of becoming a leading global city, and to be recognised in the ranking of top 20 global cities by 2035.
- The fact that Manchester is a rapidly growing conurbation and has made a very explicit ambition to increase its global profile and standing are material considerations in determining the application.

² UK 2070 – An Inquiry into Regional Inequalities Towards a Framework for Action. Chaired by Sir Bob Kerslake.

3. Multi Arena Cities

In the UK

- 3.1 The application documents (e.g PwC p8) draw attention to the case of Birmingham and the fact that it operates two larger scale arenas – the Arena Birmingham and Resorts World Birmingham, both with capacity of c15,800 and under common ownership. The application also cites London with two larger scale facilities – with the O2 Arena (capacity 20,000) and the SSE Wembley Arena (capacity 12,500).
- 3.2 A planning application has been submitted to refurbish and expand the Resorts World Birmingham facility to a 21,500 capacity arena. Proposals are in place to develop the new 21,500 capacity MSG Sphere in London. Both of the other UK cities with more than one large arena are therefore each likely to expand their offer in the coming years, subject to planning approval.
- 3.3 The argument put forward by the applicant is that cities of a reasonable size can support two arenas and that “a common theme across the two arena models is that their arenas have adapted their event mix to accommodate the presence of two venues” (see PwC p8).
- 3.4 In respect of Birmingham, the application goes on to state “Birmingham provides an example of a city which has historically successfully operated two arenas over a long period of time, demonstrating growth in both revenue and events numbers. This may have been facilitated, in part, by common control of the venues allowing for more efficient, complementary, programming decisions”. (PwC p50)
- 3.5 PwC state that over the last ten years the number of events at the two Birmingham arenas increased considerably from c120 in 2008 to c170 in 2018, and that the CAGR for revenue has been circa 10% per annum for both Birmingham venues over that same period (PwC p50).
- 3.6 The SMG representations seek to challenge the usefulness of Birmingham as a comparator. In the CRA report (p45 of .pdf³) it is suggested that:
 - The combined 2018 revenues of the two Birmingham facilities at £49M was only marginally higher than the revenues at the single Manchester Arena in the same year (£46M)
 - Much of the synergy and complementarity of the two Birmingham venues was due to common ownership.
- 3.7 Hatch’s view is that Birmingham is a reasonably helpful comparator on how two arenas can operate harmoniously. The combined revenues of the two arenas was close to Manchester in 2018 but was substantially greater the year before (c£65M versus c£49M) and the Birmingham venues have, as noted by PwC grown considerably in the last decade.
- 3.8 Whilst the common ownership is certainly a factor in enabling synergistic schedules it is not the only factor. This is evident from the way in which both London and numerous other international cities operate dual arenas and achieve a degree of complementarity across their programming schedules.
- 3.9 Economic realities dictate that dual arenas operating in close proximity typically find ways to develop different specialisms, different niches and complementary programming.

³ No printed page numbers nor paragraph numbers available.

Outside the UK

- 3.10 Birmingham and London are not the only large cities to sustain multiple arena venues.
- 3.11 Elsewhere in Europe Madrid and Athens both host more than one large arena. The metropolitan area of Greater Madrid is larger than Greater Manchester although the metropolitan area of Athens is more comparable in size. Both cities are known not only for their ability to schedule major music and family events but also their passion for sport.
- 3.12 Cities such as Copenhagen, Berlin and Turin also host more than one medium (10,000+) to large arena to host a variety of music, sporting and other events.
- 3.13 Dubai hosts more than one large arena, using its international tourism profile to sustain a number of world leading events. The city of Dubai is comparable in size to Greater Manchester.
- 3.14 A number of US and Canadian cities also successfully host multiple larger scale arenas. The comparability with UK cities diminishes however due to the presence and popularity of the professional NBA (basketball) and NHL (ice-hockey) leagues which shapes the scale of the arena market in the US.
- 3.15 There are demonstrably other European and global cities that host and sustain more than one large arena.

Key Points from this Section

- Birmingham has successfully operated two arenas over the last decade and London also. In Birmingham common ownership has certainly driven the ability to run the two facilities in a complementary way, but this is not a pre-requisite for dual arenas operating harmoniously in a single city.
- Both of these two UK locations are potentially expanding their arena offer further – Birmingham via refurbishment/expansion and London via new build. This latest round of investment suggests the twin arena model is working in these locations.
- Outside of the UK the concept of dual arena cities is relatively widespread, albeit sometimes with different market drivers to the UK.
- A key point is that the idea twin arena city is not new nor novel. There are numerous precedents and not just in the very largest global cities.

4. The Vision for the New Arena and for the Existing Manchester Arena

The Role of the Existing Manchester Arena

- 4.1 Manchester Arena opened in 1995. It has, and continues to be, an important asset within the Manchester tourism and leisure sector, attracting an average of 1.1 to 1.2 million ticket sales per year over the last decade.
- 4.2 Taking account of supply chain spending and employee expenditure, the Grant Thornton report (Executive Summary p8) estimated that Manchester Arena supports a total of 890 jobs in the Greater Manchester economy, and more through associated visitor expenditure.
- 4.3 Data in the various application/opposition documents shows that Manchester Arena had a largely stable average of 125 events per annum and steady revenues over the period 2008 to 2018.
- 4.4 Data provided by PwC (p39) shows largely flat line growth in events and revenues at Manchester Arena over the last decade, at a time when the Greater Manchester population base and economy has been growing significantly. This same period has seen the introduction of two new arenas in the north of England: Liverpool Arena in 2008 and the Leeds Arena in 2013.
- 4.5 Data provided by PwC (p53) shows that a large proportion of events at Manchester Arena (50%) are for audiences of below 10,000 and of that 33% host under 7,000. Manchester Arena is not a venue that hosted many of the truly larger audience events with only 30 events per year in excess of 12,000 customers (25% of the 125 events held) and circa 10 events per annum with an audience of 15,000 or more⁴. The overall average attendance in the last decade has been circa 9,000 per event.
- 4.6 The distribution of events at Manchester Arena by entertainment type has remained largely stable in the last decade. The application materials show that the majority of events at the existing Arena each year are consistently music concerts (60%) with a strong share in the “family events” category. Headlining comedy shows in the last decade, like Peter Kay, have boosted the “other” category during some years⁵, and there are a small number of sporting events each year.
- 4.7 In mid 2020, the existing Manchester Arena announced proposals to invest up to £100m to...“modernise, increase capacity, improve and transform its venue adding more flexibility to attract an even broader range of events”.
- 4.8 According to the ASM Global representations the investment will seek to deliver:
 - An increased capacity to circa 24,000
 - New VIP / premium experience with hospitality lounge
 - Two new concourse levels to improve circulation and egress
 - A more modern and engaging external aesthetic with a new façade and arrival experience.

⁴ Based on data provided by Pollstar via PwC.

⁵ It should be noted that the existing Arena suffered from the late cancellation of a further significant Peter Kay run of events in 2018, due to personal reasons on the party of the comedian. Had that major run of events taken place as planned then both the “comedy/other” category would have been boosted and the 10 year average for events/revenues would have been boosted somewhat.

- 4.9 ASM Global state in their representations that a planning application will be submitted later in 2020 and, subject to securing the necessary approvals, phased works could be completed by early 2023.
- 4.10 The implication of the proposal is that the existing Arena will be seeking more larger events, and potentially a wider range of events, diversifying somewhat from what has been a core business of music concerts.

The Proposed New Arena at the Etihad Campus

- 4.11 The OVG Arena Planning Support Statement outlines the intention to deliver...“the best Arena in Europe, bringing the World’s top events to the city and setting new standards in terms of design and environmental sustainability” (p1).
- 4.12 The capacity of the proposed venue will be 20,000, extendable to 23,500 for certain events and formats.
- 4.13 OVG’s Event Management Plan suggests the New Arena is targeting in the range of 120 events per annum once trade has built up, roughly the same number of events as the existing Manchester Arena.
- 4.14 The Event Management Plan, prepared primarily to outline emergency planning plans for the purposes of the application, shows that the majority of events are anticipated to be run in the 16.7K to 18.3K capacity range⁶.
- 4.15 Achieved ticket sales will not be equal to event capacity, but in the absence of any other data in the planning application we have used this data as a proxy for the size of events that might be held. On this basis, it is fair to assume that OVG will be seeking an average event size in excess of the c9,000 average achieved at the existing Manchester Arena. This is consistent with the stated aspiration to bring the “World’s top events to the city”.
- 4.16 The Planning Support Statement sets out a clear aspiration to bring a new and more diverse event offer to the city. The main new market segments that the New Arena is appearing to target include (Para 2.15 of planning Support Statement):
- More major international artists, across all event types and including residencies
 - International sports events and tournaments
 - The hosting of franchise sports team in UK and European leagues
 - Esport events
 - Technically complex productions
- 4.17 This list draws, in part, on the analysis of PwC and Ekosgen who both identify potential in music concert residencies, the growing range of indoor sporting events and the considerable global growth of Esport.
- 4.18 There is a demonstrable focus on sports events in the application materials. There is clear synergy between this started focus and the rest of the Etihad campus which already includes the Etihad stadium (world leading football stadium), the Manchester Regional Arena (primarily athletics track and field), the Manchester Academy stadium (football training ground/elite sports), the National Cycling Centre (velodrome/BMX) and the Manchester Tennis and Football Centre (indoor and outdoor courts and pitches).
- 4.19 The point is made that this array of other sporting infrastructure provides a compelling reason for international sports events/productions to utilise the New Arena – by providing bespoke warm up/ancillary space.

⁶ OVG Manchester, *Operating Schedule and Event Management Plan* (Laudation)

Comparison

- 4.20 The planning application indicates there may be a natural segmentation between the market focus of the New Arena and the existing Manchester Arena, namely:
- The New Arena proposes to pursue typically larger events than those historically hosted at the existing Arena.
 - The New Arena has a demonstrable planned focus on sports/Esports events – making use of the adjoining space, facilities and sporting profile of the Etihad Campus.
 - The New Arena is seeking to attract more genuinely international music and family events.
- 4.21 The presence of complementary roles will be important if the two arenas are to operate successfully in parallel. That is the lesson from other international cities hosting dual arenas.

Key Points from this Section

- Manchester Arena sustains a significant number of jobs and is an important asset in the city's leisure portfolio.
- The existing Arena has not grown in the last decade, despite considerable growth in the Greater Manchester population and economy.
- The existing Arena hosts on average 125 events per annum at an average size of 9,000 customers per event. On average around 10 events per annum exceed 15,000 customers.
- The event mix is 60% music concerts. There has been no obvious diversification in the event mix over the last decade.
- Manchester Arena has recently released plans for considerable reinvestment in the facility. This reinvestment is designed to attract a broader range of events.
- The proposed New Arena at the Etihad Campus seeks to host around 120 events per annum. Data in the application suggests it will seek to cater for typically larger events than the existing Manchester Arena.
- The targets markets also appear to be different from the existing Arena. The New Arena is seeking to become a significant international presence in sports/Esports events ~ in part leveraging the existing high quality sporting infrastructure of the Etihad Campus. The New Arena is also seeking more major international artists and technically complex productions.
- On paper, there appears to be some clear differentiation in the planned market focus of the New Arena relative to the existing markets of Manchester Arena.

5. Likely Levels Market of Growth in Manchester

- 5.1 A central question for the application is likely levels of market demand – and primarily the question as to whether there will be sufficient growth in market size to facilitate *both* the introduction of the new arena at the Etihad Campus and to maintain current levels of trade at the existing Manchester Arena.
- 5.2 This topic has generated a lot of information both from the applicant and the main opponent to the scheme.
- 5.3 Three main, and connected, issues are embedded in the application/opposition information:
- A quantitative assessment of the likely scale of ticket sales growth in the Manchester catchment
 - A comparative assessment of the current ratio of arenas/arena seats per head of population in different city catchments
 - A largely qualitative assessment of arena events that Manchester may or may not have missed out on in recent years.
- 5.4 We discuss each of these main issues in turn.

Likely Scale of Ticket Sales Growth

- 5.5 No definitive revenue targets for the proposed new arena are included in the application materials. However, using information from OVG's Event Management Plan it is evident that the plan is to build up to circa 120 events per annum and with a higher average attendance than the existing Manchester Arena (which currently stands at 9,000). It would appear the applicant's business model is seeking at least circa 1.2M ticket sales once operational capacity has built up fully.

Ekosgen Report

- 5.6 The Ekosgen report for the applicant outlines three growth scenarios for the scale of additional ticket sales growth they believe will be evident within the Manchester catchment by 2035:
- Scenario 1 - 0.85M additional ticket sales
 - Scenario 2 - 1.27M additional ticket sales
 - Scenario 3 - 1.53M additional ticket sales
- 5.7 Ekosgen invite MCC to attach most weight to Scenario 2 which they describe as the “most likely” scenario (see Ekosgen report – p2).
- 5.8 The growth rates that Ekosgen apply to each sub-market in arriving at ticket sales under Scenario 2 by 2035 are as follows:
- *Music* – growth of circa 1.45% per annum. This is higher than the UK average growth in music tickets sales between 2014 to 2018 of 0.5%. The argument from Ekosgen is that this higher rate is more consistent with longer term trends and reflects the impact a new arena will have on the propensity of people to visit.

- *Family* - growth of circa 2.2% per annum, slightly higher than the historic average of 1.7% per annum seen in the 2014 to 2018 period, taking a more positive view of the combination of national and international brands such as Disney and the likelihood of new entrants, such as Marvel, regularly providing new events and new products.
- *Sports* - growth of circa 8.0% per annum, which they note is still below the historic 10.8% annual ticket sales growth for sports events, and which takes account of Manchester's international reputation for sporting events which attract substantial spectator numbers as well as hosting international and tournament finals.
- *Other* (which includes comedy/transport shows etc) - growth of circa 1.0% per annum. This is in contrast to the evidence from 2014 to 2018 which showed the other category to contract by circa 6.8% per annum. Ekosgen argue that this "historic blip" was due to the major impact of the cancelled UK wide Peter Kay tour in 2018. They also argue that growth will be witnessed in this category due to the potential for new formats to generate new events and ticket sales notably awards such as BBC Sports Personality of the Year and miscellaneous events such as motivational speakers and conventions, taking account of more private and corporate events for international companies using arenas.

5.9 The approach of Ekosgen is to calculate the volume of UK arena growth and to then distribute this spatially - first to northern England and then secondly to Manchester. The distribution method involves allocating 40% of overall UK growth to the northern England and then 50% of that growth to Manchester – meaning that Manchester absorbs approximately 20% of all UK growth.

Amion Report

- 5.10 The applicant submitted further evidence in the form of the Amion Consulting report in late July 2020. Amion were appointed to...“test whether the central growth forecast (from Ekosgen) of 1.27M additional attendance could be reasonably supported by the market” (Amion, p1).
- 5.11 Amion commissioned a survey of 2,164 adults aged over 16 who live within a 90 minute drive time of the proposed new Arena. The survey was undertaken by the Audience Agency, a specialist research agency working in live entertainment, theatre and culture.
- 5.12 The main findings from the Amion survey were as follows:
- Increasing the frequency of visits from those who currently attend arenas would yield an additional 0.9M visits each year – the approach assumes an increase from 9 visits every 5 years to 11.5 visits every 5 years.
 - Appealing to new or lapsed audiences within the catchment (i.e. persuading people who don't currently attend arena events to attend) would yield an additional 0.73M visits each year.
 - Clawing back current attendance by residents within the catchment from facilities outside the catchment would result in an additional 0.42M ticket sales.
- 5.13 In addition, Amion estimate that population growth in the catchment between now and 2035 would lead to demand for at least a further 0.24M ticket sales each year.
- 5.14 The above categories sum to 2.29M additional trips each year. Amion conclude that there is considerable headroom in the central Ekosgen estimate of 1.27M and advise the applicant that the 1.27M is a robust estimate of the likely scale of additional demand in the Manchester catchment to 2035.

ASM Global Representations

5.15 ASM's representations on market demand are anchored primarily in the report by Charles River Associates (CRA). The main argument put forward by CRA in respect of the applicant's quantified growth analysis is as follows:

- The PwC data shows growth in UK attendance levels in the period 2014 to 2018 of 0.3% per annum⁷ (p24 of pdf).
- Ekosgen have given insufficient weight to this historic UK data and utilised a much higher overall UK average growth rate of "between 3.7% to 5.7% per year every year by 2035" (p4 of pdf) by selectively adjusting upward the historic growth rates for individual market segments in the UK, and via assertions rather than evidence.
- Ekosgen have not provided a transparent defence of their apportionment method in distributing UK growth to Manchester.

5.16 In summary CRA believe that Ekosgen have (i) substantially over-estimated the likely future UK growth rate and (ii) potentially exaggerated the proportion of any growth that will flow to Manchester.

Hatch Assessment

5.17 The central scenario of Ekosgen (+1.27m additional ticket sales per annum by 2035) is important as it equates broadly to the level of additional ticket growth that would be required in the Manchester catchment to sustain both a new arena and the existing one.

5.18 CRA suggest a stark contrast between the 0.3% historic ticket sales growth in the UK between 2014 to 2018 versus and the "3.7% to 5.7% per annum growth rate" that underpins the Ekosgen approach. We are unsure how CRA have arrived at the range 3.7% to 5.7%. The actual UK wide growth rate that Ekosgen use under their central Scenario 2 is 2.5% across all categories. So the comparison should read 0.3% historic annual growth versus 2.5% annual growth in the Ekosgen central scenario⁸.

5.19 There are a number of points to consider when assessing this comparison:

- The historic growth of 0.3% per annum was based on a relatively short period between 2014 and 2018, and is subject to short term events. For example, if Peter Kay had not unexpectedly cancelled the circa 50 Arena events due to family reasons in 2018 the growth figure for the arena market nationally for 2014-2018 would have increased to circa 1.5% per annum.
- Whilst some of the uplifts applied by Ekosgen are indeed assertions, as argued by CRA, they are in the main reasonable assertions, as follows:
 - The upward adjustment to the "other" category is entirely reasonable and reflective of the one-off shock to ticket sales caused by the Peter Kay cancellations.
 - The upward adjustment from 0.5% to 1.5% for the music category reflects the growing popularity of new format music events such as indoor music festivals and new genres of music events (KPop / JPop etc).
 - The above upward adjustments are balanced out to some extent by Ekosgen taking a more cautious view of growth in the sports sector. Ekosgen assume growth of 8% per annum, lower than the historic growth rate of c11% per annum – and despite the rapidly growing market for e-sport events.

⁷ CRA also suggest that PwC do not reveal this number in their report.

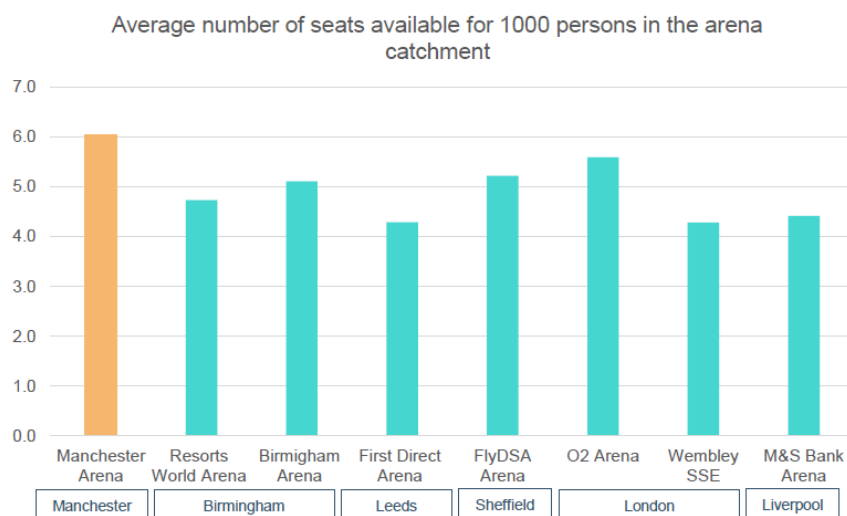
⁸ The correct comparison (0.3% versus the range 1.9% to 3.0%) is shown later in the CRA report in the table at p32 of the pdf.

- 5.20 Hatch are content that the Ekosgen distribution method – which sees 20% of all UK growth absorbed by Manchester – is reasonably robust. Whilst it is in excess of the current market share that Manchester captures, it is important to note that almost half of the overall UK growth is predicted in the sports markets. With the New Arena explicitly targeting this market sector, then it is reasonable to assume that Manchester will secure more market share than has historically been the case.
- 5.21 Hatch also draws considerable comfort from the additional Amion analysis, which shows the Ekosgen growth estimate of +1.27M tickets per annum to be somewhat cautious. We agree in full with the Amion suggestion that simple population growth will drive growth of circa 0.25M alone. The demands of a rapidly growing population base were somewhat overlooked in the original application materials. In addition, the idea that the presence of an entirely new facility will (i) drive a slight uplift in frequency of existing arena visitors and (ii) attract new/lapsed audiences are both plausible. The Amion quantification method for both these aspects appears robust and is based on a sizeable population survey.

Arenas/Arena Seats per Head of Population

- 5.22 Data on the ratio of the arena seat per head of population is not a major feature of the application materials, but does feature in the ASM representations.
- 5.23 The CRA report, on behalf of ASM, introduces data on this topic (see p5 of pdf, and Figure 5.1 below). CRA suggest that Manchester is already better served than all other comparator UK cities at 6.0 seat per 1,000 population.
- 5.24 However, CRA fail to add together the data for the two Birmingham venues (which together amount to nearly 10.0 seats per 1,000 population) and for the two London venues (which together amount to over 10.5 seats per 1,000 population).
- 5.25 In addition, both Birmingham and London are likely to expand their seat capacity in the coming period. This is outlined in earlier sections on this report. These expansions would push the ratio for these two cities yet higher.
- 5.26 Rather than show that Manchester is well served, the CRA data actually shows Manchester is underserved relative to comparator locations.

Figure 5.1 : CRA Data on Seat to Population Ratios



Source : CRA p5 of pdf

Potential Missed Trade

- 5.27 There is some considerable debate in the application/opposition documents on whether Manchester has or has not missed out on major events in recent years.
- 5.28 PwC (p41) suggest that based on industry discussions there are a range of major sporting events that Manchester has been offered, or bid for, but not secured.
- 5.29 Ekosgen pick up this thread (p8) and say that these missed opportunities in the sports sector include high profile, high attendance events in tennis, netball and athletics. They list further (at p20) a series of newer format sports events (Titans of Cricket, Rugbyx, Tie Break Tens, Arenacross etc) that pull in large audiences but have typically only played London thus far.
- 5.30 Ekosgen also provide specific names (see Appendix E, adjoining the Amion report) of events that they believe Manchester has missed out on in recent years. Most of these are major sporting events, but also include:
- Major awards events – MTV music awards, BBC Sports Personality
 - Major music headline events – Taylor Swift, Rod Stewart, Van Morrison, Tom Jones, Country 2 Country festival
- 5.31 The view of Hatch is that the arguments on major sporting events that have historically overlooked Manchester is persuasive. We believe that through a bespoke world class facility, which leverages the existing sporting profile of the city, Manchester can increasingly put itself on a global stage for indoor sporting events. We also see some merit in the arguments that Manchester, as a rapidly growing conurbation, can secure additional awards events and headline music events that it has historically missed out on.
- 5.32 CRA look at this topic through the lens of acts that played London O2 but not Manchester. The CRA report suggests the applicant states that the New Arena “could be filled with the c35% (specifically 37%) of events that currently play London but not Manchester” (CRA p8 of pdf). Hatch can find no claim of this nature in the application materials.
- 5.33 Notwithstanding the above, CRA include some helpful quantified data on the events that played London but not Manchester in 2019 and the reasons they never played Manchester. CRA argue that only 3 percentage points of the 37 percentage points is due to the event being unable to find a suitably attractive venue in Manchester. They argue that much of the remainder are London-centric events that would never come to Manchester for a variety of reasons.
- 5.34 Hatch have two viewpoints on the CRA data:
- First, we believe CRA are too dismissive of the potential for Manchester to secure what they describe as “London centric” events. The whole premise of Manchester’s drive to be a top 20 global city and the UK government’s levelling up agenda is to challenge the current relativities between London and the rest of the UK. Capturing events that have historically been seen as in the possession of London is a key part of Manchester’s growth agenda.
 - Second, there is a disconnect between the ASM ambition to invest circa £100M in the existing arena to attract a more diverse set of larger events and the arguments advanced by CRA. The “London centric” events acts that CRA appear dismissive of are presumably the same types of event that a refurbished Manchester Arena would be seeking to secure.

Key Points from this Section

- There are three main sources of market demand evidence contained in the application and opposition documents. First, scenarios of the likely scale of ticket sales growth in the Manchester catchment. Second, an assessment of the current ratio of arenas/arena seats per head of population in different city catchments. Third, a more qualitative assessment of arena events that Manchester may or may not have missed out on in recent years.
- The central scenario of Ekosgen (+1.27m additional ticket sales p.a. by 2035) is important as it equates to the level of additional ticket growth that would be required in the Manchester catchment to sustain both a new arena and the existing one.
- CRA believe that Ekosgen have (i) substantially over-estimated the likely future UK growth rate and (ii) potentially exaggerated the proportion of any growth that will flow to Manchester.
- Hatch has reviewed the Ekosgen central scenario and believe it to be robust. The growth rate that underpins the central scenario is greater than the historic rate over the last 4 years but that historic growth rate covers a short period and was impacted by one-off events. Once the historic growth rate is adjusted for these one-off events it is closer to the Ekosgen future growth rates. The sub sector uplifts that Ekosgen have applied are reasonable.
- Hatch are content with the Ekosgen distribution method – which sees 20% of all UK growth absorbed by Manchester. Whilst it is in excess of the current market share that Manchester captures, it is important to note that almost half of the overall UK growth is predicted in sports markets. With the New Arena explicitly targeting this market sector, then it is reasonable to assume that Manchester will secure more market share than has historically been the case.
- Hatch also draws comfort from the additional Amion analysis, which shows the Ekosgen growth estimate of +1.27M tickets per annum to be somewhat cautious. We agree in full with the Amion suggestion that simple population growth alone will drive growth of circa 0.25M attendances. In addition, the idea that the presence of an entirely new facility will (i) drive a slight uplift in frequency of existing arena visitors and (ii) attract new/lapsed audiences are both plausible. The Amion quantification method for both these aspects is robust and is based on a sizeable population survey.
- Data on the ratio of the arena seats per head of population is not a major feature of the application materials, but does feature in the ASM representations. ASM argue their ratio data shows that Manchester is well served, but it actually shows the reverse. The data shows that at 6.0 seats per 1,000 population Manchester currently lags both Birmingham (10.0) and London (10.5) and with the ratio set to rise further in both these other locations.
- The applicant's arguments on major sporting events that have historically overlooked Manchester is persuasive. We believe that through a bespoke world class facility, which leverages the existing sporting profile of the city, Manchester can increasingly put itself on a global stage for indoor sporting events. We also see some merit in the arguments that Manchester, as a rapidly growing conurbation, can secure additional awards events and headline music events that it has historically missed out on
- CRA are too dismissive of the potential for Manchester to secure what they describe as "London centric" events. There is also a disconnect between the ASM ambition to invest circa £100M in the existing arena to attract a more diverse set of larger events and the arguments advanced by CRA.

6. Impact of COVID

- 6.1 CRA argue that the applicant has failed to adjust their growth estimates to account for the effects of the COVID-19 pandemic. CRA argue that..."(COVID) will reduce the demand for large events going forward, even once the lockdown has ended" (p9 of pdf).
- 6.2 These points are developed further (p36 of pdf), where CRA state "...live entertainment is clearly one of the last sectors of the economy to be released from lockdown and there is a tail risk that event demand could be suppressed long term through some combination of restrictions on large gatherings, economic downturn or other factors such as restriction on travel making multi-national tours less feasible".
- 6.3 The applicant rebuts these arguments, primarily in the Deloitte Response to Representations Volume 1 and 2 documents. The applicant states:
- The New Arena will not be fully operational until 2023
 - Most countries expect growth and recovery to be embedded by 2023 at the very latest
 - Survey work by Live Nation (global entertainment company) suggests that the live entertainment industry will recover to pre COVID levels by 2022 and that 80% of live music fans expect to be back at events within 4 months of lockdown ending, with the number increasing further at +5 months and +6 months
 - That bookings for Summer 2021 events/festivals are building well.
- 6.4 The view of Hatch is that COVID-19 is demonstrably having a very profound impact on the live entertainment industry right now. However, the consensus amongst health experts is that they anticipate some form of effective global vaccine to be in place by mid-2021 which will facilitate the further and full release of government lockdown measures.
- 6.5 When a vaccine is in place, we see no behavioural or practical barriers to the resumption of prevailing trends. In fact there may be an aggressive burst of programming in 2022/23 to respond to pent up demand.
- 6.6 We are content that by 2023 the propensity to attend live entertainment events will have returned to prevailing levels and that the presence of COVID-19 will not fundamentally alter the market demand conclusions of the applicant.
- 6.7 As an aside, the short term stimulus an investment of £350M will make to the recovery of Manchester economy, primarily via the construction sector, is significant. The applicant has quantified the significant construction phase benefits of the development that will accrue through the critical COVID recovery years of 2021 and 2022.

Key Points from this Section

- CRA argue that COVID-19 will reduce the demand for large events going forward, even once the lockdown has ended.
- The applicant rebuts these arguments. The applicant states that by the time the new Arena would be operational (2023), then growth and recovery will be firmly embedded across all nations.
- The consensus amongst health experts is that they anticipate some form of effective global vaccine to be in place by mid-2021 which will facilitate the further and full release of government lockdown measures
- Hatch are content that by 2023 the propensity to attend live entertainment events will have returned to prevailing levels and that the presence of COVID-19 will not fundamentally alter the market demand conclusions of the applicant.

7. Conclusions of our Review

1. Manchester is a rapidly growing conurbation and has set a very explicit ambition to increase its global profile and standing. These are material considerations in determining the application.

- In the last 20 years tourism trips into Manchester have increased at a rate significantly greater than any other UK urban location, and the population of the conurbation has grown by 200,000 in the last decade.
- These trends are likely to continue with 250,000 extra residents forecast in Greater Manchester by 2037.
- Greater Manchester has a very explicit policy aim of becoming a leading global city, and to be recognised in the ranking of top 20 global cities by 2035.

2. The concept of a twin arena city is not new nor novel. There are numerous precedents and not just in the very largest global cities.

- Birmingham has successfully operated two arenas over the last decade and London also. In Birmingham common ownership has certainly driven the ability to run the two facilities in a complementary way, but this is not a pre-requisite for dual arenas operating harmoniously in a single city.
- Both Birmingham and London are potentially expanding their arena offer further – Birmingham via refurbishment/expansion and London via new build. This latest round of proposed investment suggests the twin arena model is working in these locations.
- Outside of the UK the concept of dual arena cities is relatively widespread, albeit sometimes with different market drivers to the UK.

3. The existing Manchester Arena sustains a significant number of jobs and is an important asset in the city's leisure portfolio. However, the existing Arena has not grown in the last decade, nor diversified its market, despite considerable growth in the Greater Manchester population and economy.

- The existing Arena hosts on average 125 events per annum at an average size of 9,000 customers per event. On average around 10 events per annum exceed 15,000 customers.
- The event mix is 60% music concerts. There has been no obvious growth nor diversification in the event mix over the last decade.
- Manchester Arena has recently released plans for considerable reinvestment in the facility. This reinvestment is designed to attract a broader range of events.

4. There appears to be some clear differentiation in the planned market focus of the New Arena relative to the existing markets of Manchester Arena.

- The proposed New Arena at the Etihad Campus will seek to host around 120 events per annum. Data in the application suggests it will seek to cater for typically larger events than the existing Manchester Arena.
- The main target markets also appear to be different from the existing Arena.

- The New Arena is seeking to become a significant international presence in sports/Esports events ~ in part leveraging the existing high quality sporting infrastructure of the Etihad Campus and Manchester more generally.
- The New Arena is also seeking more major international music artists, more larger scale awards events and technically complex productions.

5. The applicant's primary evidence on growing market demand for a New Arena is enshrined in the Ekosgen growth scenarios. The central scenario of Ekosgen (+1.27m additional ticket sales p.a. by 2035) is important as it equates to the level of additional ticket growth that would be required in the Manchester catchment to sustain both a new arena and the existing one. Hatch has reviewed the Ekosgen central scenario in detail and believe it to be robust.

- CRA believe that Ekosgen have (i) substantially over-estimated the likely future UK growth rate and (ii) potentially exaggerated the proportion of any growth that will flow to Manchester.
- The growth rate that underpins the Ekosgen central scenario is greater than the historic growth rate over the last 4 years but that historic rate covers a short period and was impacted by one-off events. Once the historic growth rate is adjusted for these one-off events it is closer to the Ekosgen future growth rates.
- Where Ekosgen do diverge from historic growth rates their adjustments are reasonable and well argued.
- Hatch are content with the Ekosgen distribution method – which sees 20% of all UK growth absorbed by Manchester. Whilst it is in excess of the current market share that Manchester captures, it is important to note that almost half of the overall UK growth is predicted in sports markets. With the New Arena explicitly targeting this market sector, then it is reasonable to assume that Manchester will secure more market share than has historically been the case.
- Hatch also draws comfort from the additional Amion analysis, which shows the Ekosgen growth estimate of +1.27M tickets per annum to be somewhat cautious. We agree in full with the Amion suggestion that simple population growth alone will drive growth of circa 0.25M attendances.
- In addition, the idea advanced by Amion that the presence of an entirely new facility will (i) drive a slight uplift in frequency of existing arena visitors and (ii) attract new/lapsed audiences are both plausible.
- The Amion quantification method is robust and is based on a sizeable bespoke population survey to gauge likely market interest.

6. Evidence shows that Manchester is less well served by arena seats per head of population compared to other main UK cities

- Data on the ratio of the arena seats per head of population is not a major feature of the application materials, but does feature in the ASM representations. ASM argue their ratio data shows that Manchester is well served, but it actually shows the reverse.
- The data shows that at 6.0 seats per 1,000 population Manchester currently lags both Birmingham (10.0) and London (10.5) and with the ratio set to rise further in both these other locations.

7. The applicant's arguments on major sporting events that have historically overlooked Manchester is persuasive.

- The view of Hatch is that a bespoke world class facility, which leverages the existing sporting profile of the city, will enable Manchester to increasingly put itself on a global stage for indoor sporting events.
- We also see some merit in the arguments that Manchester, as a rapidly growing conurbation, can secure additional awards events and headline music events that it has historically missed out on.
- In our view CRA are too dismissive of the potential for Manchester to secure what they describe as "London centric" events. There is also a disconnect between the ASM ambition to invest circa £100M in the existing arena to attract a more diverse set of larger events and the arguments advanced by CRA.

8. Hatch are content that by 2023 the propensity to attend live entertainment events will have returned to prevailing levels and that the presence of COVID-19 will not fundamentally alter the market demand conclusions of the applicant.

- CRA argue that COVID-19 will reduce the demand for large events going forward, even once the lockdown has ended.
- The applicant rebuts these arguments. The applicant states that by the time the New Arena would be operational (2023), then growth and recovery will be firmly embedded across all nations.
- The consensus amongst health experts is that they anticipate some form of effective global vaccine to be in place by mid-2021 which will facilitate the further and full release of government lockdown measures. Once the effective vaccine is in place, we see no behavioural or practical barriers to the resumption of prevailing trends in the live entertainment industry.

9. Our overall conclusion is that the market demand evidence provided by the applicant is both robust and comprehensive. The evidence from the applicant points to the need for additional arena capacity in Manchester.

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