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Economic Impact Assessment of Proposed Perth Visual Arts Attraction

Report for Perth & Kinross Council

April 2016

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Executive Summary

Introduction

Perth and Kinross Council commissioned Bellerby Economics to conduct an economic impact appraisal (EIA) of the proposed Perth Visual Arts Attraction. The aim of the study is to provide PKC with an assessment of the:

- economic benefits that will be provided by the proposed Perth Visual Arts Attraction on an annual basis; and
- economic benefits that will accrue to the construction sector during the refurbishment/construction phase of the proposed Perth Visual Arts Attraction.

Source of Economic Benefits

The economic benefits of the proposed Perth Visual Arts Attraction will come from three sources:

- Direct Impacts - direct employment within the Attraction - these benefits will accrue every year of operation;
- Visitor Impacts - employment in the wider economy supported by the expenditure of visitors - in bars, restaurants, retail etc - after they have visited the proposed Perth Visual Arts Attraction - these benefits will accrue every year of operation; and
- Construction sector - economic impacts during the refurbishment phase of the project - these will be time limited benefits and will end when the Attraction opens for business.

Gross Economic Benefits

Table A presents a summary of the gross impact resulting from the proposed Perth Visual Arts Attraction.

Table A: Gross Employment Impacts	
	Gross Jobs
Direct Impacts	35 FTEs
Visitor Impacts	112 - 142 FTEs
Construction Impacts	12.2 FTEs
Total	159.2 - 189.2 FTEs

Net Additional Economic Benefits

It is the net impacts that represent the true impact of the development as they focus on the net additional economic benefits that will accrue to Perth & Kinross from the Perth Visual Arts Attraction.

The net additional economic benefits discount the outputs/outcomes that:

- would have been secured without the Perth Visual Arts Attraction - known as deadweight;
- reduce outputs/outcomes elsewhere in Perth/Scotland - known as displacement; and

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- benefit those who live outside P&K - known as leakage.

We then add in the further economic activity (e.g. jobs, expenditure or income) associated with additional income to those employed by the Attraction and/or with local supplier purchases - known as multipliers.

As there is a degree of uncertainty as to the value of deadweight and displacement factors we have applied *best* and *worst* case scenarios - the net impact calculations therefore are a range of jobs and GVA (Gross Value Added) impacts.

Table B details the net additional benefits resulting from the proposed Visual; Arts Attraction.

Table B: Net Additional Economic Impacts		
	P&K	Scotland
Annual Jobs Impact	85 FTEs - 114 FTEs	42 FTEs - 53 FTEs
Construction Sector One Off Jobs Impact	11 FTEs	10 FTEs
Annual GVA	£1.85m - £2.45m	£1.02m - £1.24m
Construction Sector One Off GVA	£0.58m	£0.5m

Touring Exhibitions

Special touring exhibitions of a UK/international significance hosted at the proposed Visual Arts Attraction are likely to attract significant additional non-local visitors to Perth. A conservative estimate is that a touring exhibitions of a UK/international significance could draw 50,000 additional visitors to Perth, resulting in the following net economic benefits.

Table C: Net Additional Economic Impacts - Exhibitions		
	P&K	Scotland
Additional Jobs Impact	59 FTEs	41 FTEs
Additional GVA	£1.1m	£0.8m

1. Introduction

1.1 Background

Perth & Kinross Council has over the past decade sought to find an appropriate and financially viable solution in relation to Perth City Hall, which will bring vibrancy to the city centre, either in the re-use of the Hall or an alternative use of the site.

This process has been somewhat protracted, reflecting the challenges inherent in finding an alternative use for the building. In 2005 the Hall became vacant and a consultation and tender process took place, which led to a plan for a mixed use retail development, which was given the go-ahead by the Council. However, by 2009 the development had failed to materialise. This was due to the inability of the developer to secure funding; the property market had changed following the global credit crunch and there was no longer a market for such a development.

In 2010 Locum and Colliers¹ produced an independent assessment of the current and foreseeable economic climate. The report confirmed that the demolition of City Hall and the creation of a civic square was the most beneficial option for the local economy. This was the option favoured by the local population and business community - a survey of public opinion attracted 2,502 responses, and showed that 57% of the public, 69% of businesses and 58% of market and event organisers supported the creation of a public space following full or partial demolition of the City Hall. In 2011 the Council gave planning consent for the Square.

However, due to its listed building status, a consent to demolish the City Hall was required by Historic Scotland, and this was refused in 2012. In 2013 the Council decided to remarket the building, following Historic Scotland's decision that more evidence was required to demonstrate that there was no viable use for the City Hall.

After a 15 month period, only one bid was received - from Perth City Market Trust (PCMT). An independent assessment raised significant concerns regarding the ability of PCMT to deliver the project. Further proposals were received in 2014 and 2015 following further remarketing of the Hall. Five proposals were received for the redevelopment of the Hall, with an independent assessment that three of the bids were non-compliant with the specific guidelines outlined as part of the marketing process.

The remaining two bids were brought forward for consideration and at a meeting in October 2015 Councillors agreed to select Perth Market Place Ltd (PMP) as the preferred bidder, and set four pre-conditions which had to be met before the lease terms could be brought back to the Council for agreement.

¹ Perth City Square - Assessment of Economic Impact.

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On 24th February 2016 Councillors were informed that the bidder had not fully met these pre-conditions and were asked to make a decision on the next steps. Following discussion Councillors agreed to suspend negotiations with PMP and instructed the Depute Chief Executive (Sustainability, Strategic & Entrepreneurial Development) to explore all options available to the Council in respect of use of the site and to bring forward a report to the next Council meeting in May 2016.

Council officials have been engaged in a separate and confidential piece of work, and has examined options and focus for a visual arts gallery. Options have included: a new build; development of the existing Perth Museum and Art Gallery (including a physical link to the adjacent Concert Hall); and redevelopment of Perth City Hall. Elected Members are keen that this last option is now considered. Jura Consultants have investigated the visitor attraction concept including competitor analysis, thematic approaches and content, visitation projections, redevelopment costs etc.

As part of the process to take things forward Council officials have been asked to consider the economic impact of the redevelopment of the City Hall as this new cultural attraction, taking account of construction phase impacts and projected visitation levels.

In March 2016 Bellerby Economics were commissioned to conduct an economic impact appraisal (EIA) of the proposed Visual Arts Attraction.

1.2 The Proposed Visual Arts Attraction

The Action Plan for Perth City² published by Invest in Perth in 2013 sets out a vision for the future development of the City. Among the strategic themes was a desire to develop the existing cultural offer in Perth and explore the possibility for “new national facilities”, maximising Perth’s position, geographically and historically, at ‘the heart of Scotland’. Jura Consultants and StudioArc Design Consultants were commissioned in 2014 to deliver a study on the feasibility of a new cultural attraction for Perth and Kinross.

The study concluded that there was a considerable but largely unrealised visitor market. However, it was noted that the strategic response to the visitor market opportunity would not be met fully by a single visitor attraction and that additional interventions would have to be considered. A subsequent study by Jura Consultants and StudioArc Design Consultants concluded that developing Perth’s cultural offer would require not only a new attraction but also a redevelopment of the Perth Museum and Art Gallery.

The core elements of the new attraction - which could be housed within Perth City Hall - will comprise:

- Permanent Collection Exhibition: Main Gallery and Satellite Galleries;
- Temporary Galleries and Create Studio;
- Learning and Education Suite;
- Archive and Research Centre;

² Available at <http://www.pkc.gov.uk/CHttpHandler.ashx?id=19634>

- Office space;
- Café; and
- Retail Gift Shop.

1.3 Study Objectives

The aim of this study is to provide PKC with an assessment of the:

- annual economic benefits that will be provided by the proposed Visual Arts Attraction; and
- one off construction sector benefits that will accrue during the refurbishment/construction phase of the proposed Visual Arts Attraction.

1.4 Method

The method adopted in conducting the study included:

- desk based review of relevant documents to understand the:
 - background, objectives and scale of the proposed Visual Arts Attraction
- consultations with Jura Consultants to discuss a range of issues around visitor numbers and capital costs; and:
- development of an economic impact model to measure the economic impact on:
 - direct employment within the Attraction
 - employment in the wider economy resulting from spend by visitors
 - the construction sector.

1.5 Structure of the Report

The remainder of the report is structured as follows:

- **Chapter 2** presents a detailed method statement for the appraisal;
- **Chapter 3** presents the economic impact appraisal and GVA calculations for the proposed Visual Arts Attraction;
- **Chapter 4** highlights the additional economic impacts of hosting touring exhibitions of UK/international standing; and
- **Chapter 5** presents a brief set of conclusions organised around the study objectives.

2. Method

2.1 Sources of Economic Impact

Introduction

The impact on the P&K and national economy of the proposed Perth Visual Arts Attraction will come from three sources:

- **Direct Impacts** - direct employment within the Perth Visual Arts Attraction - these benefits will accrue annually;
- **Visitor Impacts** - employment in the wider economy supported by the expenditure of visitors to Perth drawn by the Visual Arts Attraction - these benefits will accrue annually; and
- **Construction sector** - employment within the construction during the construction/refurbishment phase of the Visual Arts Attraction - these benefits will end when the Attraction is ready for opening.

Direct Impacts

To estimate the direct employment within the proposed Visual Arts Attraction it is standard practice to apply average floor space measurements per person - referred to as employment densities. The employment density is a measure of the intensity of use and indicates how much space a person uses within the workplace.

However, in this case, Jura Consultants' *Outline Business Case* report estimates that the staffing levels required to operate the proposed Visual Arts Attraction will be **35 FTEs**, distributed as detailed below.

Table 2.1: Staffing Levels

Staff	Number of FTEs
Lead Curator	1
Curator	1
Curatorial Assistant	1
Learning & Outreach Manager	1
Learning & Outreach Assistant	1
Estates Manager	1
Front of House	8
Technicians	2
Security	3
Retail Manager	1
Retail Assistant	4
Catering Manager	1
Catering Supervisor	2
Catering Assistants	4
Events Manager	1
Marketing & Communications Manager	1
Finance/Admin Assistant	1
Marketing & Communications Assistant	1
Total	35

Visitor Impacts

The Jura Consultants' *Outline Business Case* report details a wide range of visitor types who will visit the proposed Visual Arts Attraction (Table 6.17):

- residents of P&K;
- day visitors from elsewhere in Scotland;
- tourists - residents from elsewhere in the UK and overseas; and
- pupils from local primary and secondary schools.

All of these visitors will be important in ensuring viability of the proposed Visual Arts Attraction, but economic impact will principally be generated by visitors from:

- elsewhere in Scotland;
- elsewhere in the UK; and
- overseas.

The *Outline Business Case* outlines three options for the annual number of visitors to the Attraction. These are 147,000, 164,000 and 184,000, and reflect different penetration rates of the total Perth visitor market.

When disaggregated by geographical origin the number of non-local visitors that will feature in the appraisal are detailed below.

Table 2.2: Estimates of Visitor Numbers for the EIA

Geographic Origin	Number of Visitor		
	Low	Medium	High
Elsewhere in Scotland	113,000	122,000	131,000
Elsewhere in UK	22,000	27,000	33,000
Overseas	6,000	7,000	10,000
Total	141,000	156,000	174,000

It will be necessary to estimate those visitors to P&K where the proposed Visual Arts Attraction is the *only*, or one of the *main reason* for their visit.

Construction Sector Impacts

To derive an estimate of construction employment we use the turnover per employee for the sector, outlined in the *Scottish Annual Business Statistics* - the latest data available is for 2013. The data suggests that turnover per employee for the construction sector in Perth and Kinross is £120,512³.

The *Outline Business Plan* provides estimates for the redevelopment of an existing building such as Perth City Hall (Table 8.2) will be £14,761,560.

³ Sourced at <http://www.gov.scot/Topics/Statistics/Browse/Business/SABS/LAbySection>

GVA

The GVA figure for an area is derived from adding the total annual wage bill (net of income tax, national insurance and pension contributions) to the annual profit margin. At the appraisal stage this information is not available, and therefore we will estimate net attributable GVA using data (latest 2013) as outlined in the Scottish Government's *Scottish Annual Business Statistics*. Table 2.3 presents details of the GVA per head for each sector.

Table 2.3: Sectoral GVA per Head

Sector	P&K level	Scotland level
arts, entertainment and recreation sector	£27,256	£61,572
construction sector	£52,875	£50,024
tourism sector ⁴	£19,410	£19,549

2.2 Gross to Net

In preparing the economic impact appraisal it is necessary to report the net impacts rather than the gross impacts. Net impacts refer to the additional economic gain directly attributed to the proposed Visual Arts Attraction. The gross impacts therefore need to be adjusted to take account of:

- deadweight;
- displacement;
- leakage;
- substitution; and
- multipliers.

Deadweight

Deadweight refers to the proportion of total outputs/outcomes that would have been secured anyway (sometimes referred to as non-additionality) without the proposed Visual Arts Attraction. We assume that direct employment will be new and would not exist in the absence of the proposed Visual Arts Attraction.

However, employment in the wider economy supported by visitors to the proposed Visual Arts Attraction will need to take account of the extent to which visitors would be in P&K/Scotland irrespective of the Attraction.

Displacement

Displacement refers to the number or proportion of outputs/outcomes that reduce outputs/outcomes elsewhere in P&K/Scotland. These effects can occur in product markets (e.g. amongst other cultural visitor attractions, retail outlets and cafes in P&K competing within the same market) or in factor markets (e.g. in the labour market).

⁴ These values relates to the *accommodation and food service activities* used as a proxy for tourism spend.

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Leakage

Leakage refers to the number or proportion of outputs/outcomes that benefit those who live outside P&K.

Leakage is generally applied to employment creation. We will use data on travel to work patterns of individuals who live outwith but work within P&K to estimate leakage.

Substitution

Substitution effect arises where, say, a firm substitutes one activity for a similar one (such as recruiting a jobless person to replace an existing worker) to take advantage of the public sector assistance.

We anticipate a zero substitution effect for the proposed Visual Arts Attraction.

Multipliers

Multipliers refers to the further economic activity (e.g. jobs, expenditure or income) associated with additional income to those employed by the proposed Visual Arts Attraction (income multipliers), and/or with local supplier purchases (supplier multipliers).

For the purpose of the appraisal of direct and construction impacts we use Type II employment multipliers from the latest Scottish Input-Output (I/O) Tables - focusing on the cultural services and construction industry groups.

Type II multipliers will show the direct plus indirect plus induced employment change to the direct output change due to a unit increase in final demand. These multipliers relate only to the Scottish level - P&K level multipliers are not available. Typically, it is assumed during the appraisal stage, that regional multipliers (i.e. at the P&K level) will be 50% of the Scottish level multipliers.

We will use tourism multipliers from the Scottish Tourism Multiplier Study⁵ to measure the economic impact in the wider economy of the expenditure of visitors to the proposed Visual Arts Attraction.

⁵ Surrey Research Group (1993), *Scottish Tourism: Multiplier Study*, Volumes 1-3, Report for the Scottish Office, HMSO.

3. Economic Impact Appraisal

3.1 Gross Impacts

Visual Arts Attraction

Jura Consultants' *Outline Business Plan* estimates that the proposed Visual Arts Attraction will need to be staffed by **35 FTEs** in order to operate.

Visitor Impacts

In conducting the economic impact appraisal it is necessary to distinguish between visitor expenditure within the proposed Visual Arts Attraction (which will support direct employment within the facility) and spending within the wider economy.

The *Outline Business Plan* (Table 8.5) suggest that average income from visitors will be £5.76⁶.

Using VisitScotland data⁷ we estimate that visitor spend in the wider economy, after deducting £5.76 expenditure within the Attraction, will be:

Table 3.1: Visitor Spend

Geographic Origin	Daily Visitor Spend in Wider Economy
Elsewhere in Scotland	£49.79
Elsewhere in UK	£88.07
Overseas	£129.20

Table 3.2 details the different expenditure levels and associated employment levels supported by the expenditure of visitors in the wider economy. To convert the levels of expenditure into an employment impact we apply an output: employment factor, which estimate the expenditure required to support 1 FTE. This is derived from the Scottish Tourism Multiplier Study, and, up-rated to take account of wage inflation, and is estimated to be £51,059.

Table 3.2: Total Spend and Employment Impacts

Visitor Numbers	Spend	Employment Impact
141,000	£5.7m	112 FTEs
156,000	£6.4m	125 FTEs
174,000	£7.3m	142 FTEs

Construction Impacts

The costs of adapting Perth City Hall is estimated at £14,761,560. Turnover per employee for the construction sector in Perth and Kinross is £120,512. The gross construction impacts will therefore be 122 annual employment jobs - this is equivalent to between **12.2 FTEs**.

Summary Gross Impacts

Table 3.3 presents a summary of the gross impact resulting from the proposed Visual Arts Attraction.

⁶ This is based on 160,000 visitors generating income of £921,544.

⁷ VisitScotland - *Tourism in Scotland's Regions 2014*.

Table 3.3 Gross Employment Impacts

Source of Economic Impact	Gross Jobs
Direct Impacts	35 FTEs
Visitor Impacts	112 - 142 FTEs
Construction Impacts	12.2 FTEs
Total	159.2 - 189.2 FTEs

3.2 Net Impacts

The net economic impact estimates are made at both the regional (P&K) and national (Scotland) level. Gross impacts will be discounted to take account of deadweight, displacement, and leakage, before multipliers are factored in.

3.2.1 Deadweight

Direct Impacts

All of the employment is new and deadweight is therefore **zero**.

Visitor Impacts

Employment in the wider economy will need to take account of the extent to which non-local visitors to the proposed Visual Arts Attraction would be visiting P&K in the absence of the Attraction.

Recent survey work that we have undertaken with visitors to Perth city centre⁸ has shown that a proportion of people who visits an attraction or participate in an event would have visited Perth irrespective, being attracted by Perth's many other visitor attractions and seasonal events. These proportions have varied from around 40% to around 60%.

Deadweight will therefore vary from **40%** to **60%**.

Construction Impacts

All of the construction impacts are associated with proposed Visual Arts Attraction.

Deadweight is therefore **zero**.

3.2.2 Leakage

Analysis of travel to work patterns from the 2001 Census (the 2011 Census does not provide this analysis) reveals that the vast majority of employees who work in P&K also live in P&K - 89%.

Leakage is assessed as low - **11%** at the local level and **0%** at the Scottish level.

⁸ To attend the Christmas Lights Switch On event, the Coca Cola Truck visit and the Santas Run.

3.2.3 Displacement

Direct Impacts

The proposed Visual Arts Attraction will be competing with other visitor attractions, cafés and retail outlets within P&K for the onsite spend of visitors and the employment of staff.

However, given the scale of the retail outlet and café, and the level of new employment, we would expect displacement to be low in both the product and factor market at the local level and medium at the Scotland level.

Displacement will therefore be 30% at the local level and 60% at the Scotland level.

Visitor Impacts

Displacement here refers to the extent to which visitors would be in P&K irrespective of the proposed Visual Arts Attraction. Our discussion of deadweight has focussed on those visitors from outwith P&K whose only or main reason for being in P&K is to visit proposed Visual Arts Attraction.

Displacement will be **zero** at the P&K level for all visitors.

However the jobs impact generated by the expenditure by Scottish visitors at the Scottish level will attract a **100%** displacement factor as they would have made their expenditure at some point elsewhere in Scotland.

Construction

The latest report from the Construction Skills Network⁹ highlights that the Scottish construction industry will have experienced three good years of growth by the end of 2015, taking estimated output up to £12.6bn in 2012 prices. This rapid output growth has led to a very sharp rise in demand for construction trades, professionals and managers and this, combined with falling numbers entering training since the 'great' recession, has led to significant skills shortages across the industry in the short term. This suggests the project will have displacement effects in the product market - skilled labour.

However, given the propensity for construction contracts to be awarded to a major developer who then subcontracts to a range of local suppliers, we would not envisage displacement to be a major factor.

We have assumed low displacement at P&K level (**30%**) and medium displacement at the Scotland level (**60%**).

⁹ *Industry Insights - Construction Skills Network Forecasts 2016-2020* - available at <http://www.citb.co.uk/documents/research/csn%202016-2020/construction-skills-network-2016-scotland.pdf>

3.2.4 Multipliers¹⁰

Table 3.4 provides details of the local and national multiplier levels that will be used across the various sources of economic impact.

Table 3.4: Multiplier Values

Sector	Local Multipliers	Scottish Multipliers
Cultural Services	1.20	1.40
Tourism	1.32	1.52
Construction Impacts	1.50	2.00

3.2.5 Summary

In Table 3.5 we present a summary of the factors that we will apply to the gross job outcomes to convert to net impacts.

Table 3.5: Impact Discount Factors

	Direct Impacts	Visitor Impacts	Construction Impacts
Deadweight	zero	40% - best case 60% - worst case	zero
Leakage	11% local zero Scotland	11% local zero Scotland	11% local zero Scotland
Displacement	30% - local 60% - Scotland	zero - non-Scottish visitors 100% - Scottish visitors	30% - local 60% - Scotland
Multipliers	1.20 - local 1.40 - Scotland	1.32 - local 1.52 - Scotland	1.50 - local 2.00 - Scotland

3.3 Economic Impact Appraisal

3.3.1 Annual Impacts

Direct Impacts

Applying the deadweight, leakage, displacement factors outlined in Table 3.5 to the gross jobs (35 FTEs) results in an estimated annual net impact of:

- 26 FTEs at the P&K level; and
- 20 FTEs at the Scotland level.

¹⁰ 2012 is the latest data available for multipliers - see <http://www.gov.scot/Topics/Statistics/Browse/Economy/Input-Output/Downloads/IO1998-2012Latest>.

Visitor Impacts

For reasons of clarity, in reporting the visitor impacts in the body of the report, we will focus on the **mid-range visitor numbers only**. To report on three different visitor numbers profiles, with different levels of deadweight will result in a somewhat clumsy reporting style. Tables showing the results for low and high visitor numbers are appended.

In our discussion above we highlighted that displacement will be zero for all visitors to the proposed Visual Arts Attraction at the local level, but for visitors from elsewhere in Scotland displacement will be 100% at the Scotland level. We therefore estimate the impact for Scottish and non-Scottish visitors separately.

Visitors from Elsewhere in Scotland

Applying the deadweight, leakage, displacement factors outlined in **Table 3.5** to the gross jobs (89 FTEs) results in the following estimated annual net impacts:

- Deadweight of 40%:
 - **63 FTEs** at the P&K level
 - **zero FTEs** at the Scotland level; and
- Deadweight of 60%:
 - **42 FTEs** at the P&K level
 - **zero FTEs** at the Scotland level.

Visitors from Outside Scotland

Applying the deadweight, leakage, displacement factors outlined in **Table 3.5** to the gross jobs (36 FTEs) results in the following estimated annual net impacts:

- Deadweight of 40%:
 - **25 FTEs** at the P&K level
 - **33 FTEs** at the Scotland level; and
- Deadweight of 60%:
 - **17 FTEs** at the P&K level
 - **22 FTEs** at the Scotland level.

3.3.2 Construction Sector Impacts

Applying the deadweight, leakage, displacement factors outlined in **Table 3.5** to the gross jobs (12.2 FTEs) results in an estimated net impact of:

- **11 FTEs** at the P&K level; and
- **10 FTEs** at the Scotland level.

3.3.3 Summary - Jobs Impact

Table 3.6 summaries the jobs impact of the proposed Visual Arts Attraction.

Table 3.6: Economic Impacts

Source of Economic Impact	P&K Level	Scotland Level
Annual Direct Impacts	26 FTEs	20 FTEs
Annual Visitor Impacts - elsewhere in Scotland	42-63 FTEs	0 FTEs
Annual Visitor Impacts - outside Scotland	17-25 FTE	22-33 FTEs
One-off Construction Impacts - Perth City Hall	11 FTEs	10 FTEs

The total jobs impact of the proposed Visual Arts Attraction will vary according to the different deadweight and displacement factors applied to the visitor impacts and whether the facility will be a new build or a refurbishment of an existing building.

3.3.4 GVA

If we apply the GVA per head data outlined in Table 2.3 the GVA levels associated with the net additional employment generated by the proposed Visual Arts Attraction are detailed below.

Table 3.7: GVA Impacts

Source of Economic Impact	P&K	Scotland
Annual Direct Impacts	£753,636	£589,680
Annual Visitor Impacts - elsewhere in Scotland	£815,220 - £1,222,830	£0
Annual Visitor Impacts - outside Scotland	£329,970 - £485,250	£430,078 - £645,117
One-off Construction Impacts - Perth City Hall	£581,625	£500,240

Total GVA associated with the proposed Visual Arts Attraction will vary according to the different deadweight and displacement factors applied to the visitor impacts and whether the facility will be a new build or a refurbishment of an existing building.

4. Economic Impact of Touring Exhibitions

4.1 Introduction

Whilst the visitor numbers detailed in the *Outline Business Plan* include visitors drawn to a series of exhibitions hosted at the Visual Arts Attraction these exhibitions are not classified as of UK/international significance, and reflect visitor numbers drawn to the Visual Arts Attraction in a normal year.

In **Chapter 4** we present an analysis of the impact on the economy of Perth and Scotland of the Visual Arts Attraction hosting touring exhibitions of UK/international significance. We have assumed each events will draw, in any given year, an additional 50,000 non-local visitors to Perth. A recent report¹¹ shows that around 56% of touring exhibitions attract up to 100,000 visitors.

4.2 Visitor Numbers

We have assumed that a touring exhibition of UK/international significance will attract an additional 50,000 non-local visitors to the Visual Arts attraction. Data from VisitScotland¹² suggest that 59% of the visitors will be from elsewhere in Scotland (29,500), 20% from other parts of Great Britain (10,000), and 21% from outside GB (10,500).

4.3 Gross Additional Visitor Impacts

We again distinguish between visitor expenditure within the proposed Visual Arts Attraction (which will support direct employment within the facility) and spending within the wider economy. We again assume that expenditure levels within the wider economy will vary across visitor types, as follows:

- Elsewhere in Scotland £49.79;
- Elsewhere in UK £88.07;
- Overseas £129.20.

To convert the levels of expenditure into an employment impact we apply an output: employment factor, which estimate the expenditure required to support 1 FTE. This is derived from the Scottish Tourism Multiplier Study, and, up-rated to take account of wage inflation, and is estimated to be £51,059. We estimate that the employment impact of the 50,000 additional visitors will be as follows.

¹¹ Charlotte Dew (April 2016) - *An Analysis Of Touring Exhibitions Practice In The UK* - available at http://www.teg.org.uk/docs/TEG%20Economics%20of%20Touring%20Exhibitions%20Survey%20Report%20-%20An%20Analysis%20of%20Touring%20Exhibitions%20Practice%20in%20the%20UK_April%2016.pdf

¹² *Tourism in Scotland's Region 2014* - available at <http://www.visitscotland.org/pdf/MAIN%20Regional%20Factsheet%202015.pdf>

Table 4.1: Total Spend and Employment Impacts

Touring Exhibition Visitor Numbers	Spend	Employment Impact
Scottish visitors - 29,500	£1.1m	22 FTEs
Elsewhere UK visitors - 10,000	£0.5m	9 FTEs
Overseas Visitors - 10,500	£0.9m	18 FTEs
Total	£2.5m	49 FTEs

The 50,000 additional visitors drawn to Perth by touring exhibitions of UK/international significance will spend some **£2.5m** in the wider local economy supporting **49 FTEs**.

4.4 Net Additional Visitor Impacts

The net additional economic impact estimates are made at both the regional (P&K) and national (Scotland) level. Gross impacts will be discounted to take account of deadweight, displacement, and leakage, before multipliers are factored in.

Deadweight

This analysis is based on non-local visitors attracted to Perth by the touring exhibitions of UK/international significance. None of this group of visitors would be visiting P&K in the absence of the Visual Arts Attraction.

Deadweight will therefore be **zero**.

Leakage

Leakage is assessed as low - **11%** at the local level and **0%** at the Scottish level.

Displacement

Displacement here refers to the extent to which visitors would be in P&K irrespective of the proposed Visual Arts Attraction. Our discussion of deadweight has focussed only on those visitors from outwith P&K whose only reason for being in P&K is to attend a touring exhibition of UK/international significance at the Visual Arts Attraction.

Displacement will be **zero** at the P&K level for all visitors.

However the jobs impact generated by the expenditure by Scottish visitors at the Scottish level will attract a **100%** displacement factor as they would have made their expenditure at some point elsewhere in Scotland.

Multipliers

We utilise multipliers drawn from the STMS - local 1.32, national 1.52.

Net Additional Employment Impacts

Visitors from Elsewhere in Scotland

Applying the deadweight, leakage, displacement factors and multiplier values outlined above to the gross jobs (22 FTEs) results in the following estimated net impacts:

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- **26 FTEs** at the P&K level
- **zero FTEs** at the Scotland level.

Visitors from Outside Scotland

Applying the deadweight, leakage, displacement factors and multiplier values outlined above to the gross jobs (27 FTEs) results in the following estimated net impacts:

- **32 FTEs** at the P&K level
- **41 FTEs** at the Scotland level.

GVA

If we apply the GVA per head data outlined in **Table 2.3** the GVA levels associated with the net additional employment generated by the visitors to a touring exhibition of UK/international significance hosted by the proposed Visual Arts Attraction are detailed below.

Table 4.2: GVA Impacts

Source of Economic Impact	P&K	Scotland
Visitor Impacts - elsewhere in Scotland	£0.5m	£0
Visitor Impacts - outside Scotland	£0.6m	£0.8m
Total	£1.1m	£0.8m

5. Conclusions

5.1 Introduction

This chapter draws on the various elements of the work programme to present a set of conclusions organised around the objectives of the economic impact appraisal. The objective of this study is to provide Perth & Kinross Council with an assessment of the:

- annual economic benefits that will be provided by the proposed Visual Arts Attraction; and
- one-off benefits that will accrue during the refurbishment/construction phase of the proposed Visual Arts Attraction.

5.2 Annual Economic Benefits

5.2.1 Direct Impacts

The annual economic benefits resulting from the development of the proposed Visual Arts Attraction will be as follows:

- net additional employment:
 - 26 FTEs at the P&K level; and
 - 20 FTEs at the Scotland level.
- GVA:
 - Perth & Kinross - **£0.75m**
 - Scotland - **£0.59m.**

5.2.2 Visitor Impacts

The annual economic benefits resulting from the proposed Visual Arts Attraction attracting (middle level) additional visitors into the city centre will be as follows:

- Scottish visitors:
 - net additional employment:
 - Perth & Kinross - **42-63 FTES**
 - Scotland level - **zero FTEs**; and
 - GVA:
 - Perth & Kinross - **£0.8m - £1.2m**
 - Scotland - **£0**; and
- Visitors from outside Scotland:
 - net additional employment:
 - Perth & Kinross - **17-25 FTES**
 - Scotland level - **22-33 FTEs**; and
 - GVA:
 - Perth & Kinross - **£0.3m - £0.5m**
 - Scotland - **£0.43m - £0.65m.**

5.3 Construction Sector Benefits

The one-off construction sector economic benefits resulting from the development of the proposed Visual Arts Attraction will be as follows:

- Refurbished Perth City Hall:
 - net additional employment:
 - Perth & Kinross - **11 FTEs**
 - Scotland level - **10 FTEs**; and
 - GVA:
 - Perth & Kinross - **£0.58m**
 - Scotland - **£0.5m**.

5.4 Touring Exhibition Impacts

The economic benefits resulting from the proposed Visual Arts Attraction hosting a touring exhibition of UK/international significance in a given year will be as follows:

- net additional employment:
 - Perth & Kinross - **59 FTES**
 - Scotland level - **41 FTES**; and
- GVA:
 - Perth & Kinross - **£1.1m**
 - Scotland - **£0.8m**.

5.5 Overview

The forgoing appraisal has demonstrated positive economic benefits from the proposed Visual Arts Attraction when it becomes fully operational; there will also be positive economic benefits during the refurbishment/construction period.

The appraisal shows that the main impact from the proposed Visual Arts Attraction will come from the facility attracting new and additional visits to Perth. The number of visitors is perhaps the most uncertain aspect of the appraisal, and time will tell whether the visitor numbers and penetrations rates detailed in the *Outline Business Plan* are realised. If the mid-level non-local visitor numbers are realised then the net additional employment impact of visitor spend will lie somewhere between **59 FTES** and **88 FTES** at the P&K level.

Construction impacts will be short lived and will cease when the refurbishment/construction activity comes to an end. The appraisal estimates that the £14.8m costs will generate net additional employment at the local level of **11 FTES**.

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Table 5.1 summaries the economic impact of the proposed Visual Arts Attraction.

Table 5.1: Economic Impacts of Visual Arts Attraction		
	P&K	Scotland
Annual Jobs Impact	85 FTEs - 114 FTEs	42 FTEs - 53 FTEs
Construction Sector One Off Jobs Impact	11 FTEs	10 FTEs
Annual GVA	£1.85m - £2.45m	£1.02m - £1.24m
One Off Construction GVA	£0.58m	£0.5m

Table 5.2 summaries the economic impact of the additional visitors drawn to Perth from touring exhibitions of a UK/international significance hosted at the proposed Visual Arts Attraction.

Table 5.2: Additional Economic Impacts of Touring Exhibition		
	P&K	Scotland
Additional Jobs Impact	59 FTEs	41 FTEs
Additional GVA	£1.1m	£0.8m

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Appendix 1

Low Level Visitor Numbers

Table A1 summaries the jobs impact of the proposed Visual Arts Attraction if the facility attracts the lower level number of visitors as detailed in the Outline Business Plan, with **Table A2** detailing the GVA impacts.

Table A1: Job Impacts	P&K Level	Scotland Level
Annual Direct Impacts	26 FTEs	20 FTEs
Annual Visitor Impacts - elsewhere in Scotland	39-58 FTEs	0 FTEs
Annual Visitor Impacts - outside Scotland	14-21 FTE	18-27 FTEs
One-off Construction Impacts - Perth City Hall	11 FTEs	10 FTEs

Table A2: GVA Impacts	P&K	Scotland
Annual Direct Impacts	£753,636	£589,680
Annual Visitor Impacts - elsewhere in Scotland	£756,990 - £1,125,780	£0
Annual Visitor Impacts - outside Scotland	£271,740 - £407,610	£351,882 - £527,823
One-off Construction Impacts - Perth City Hall	£581,625	£500,240

High Level Visitor Numbers

Table A3 summaries the jobs impact of the proposed Visual Arts Attraction if the facility attracts the lower level number of visitors as detailed in the Outline Business Plan, with **Table A4** detailing the GVA impacts.

Table A3: Jobs Impact	P&K Level	Scotland Level
Annual Direct Impacts	26 FTEs	20 FTEs
Annual Visitor Impacts - elsewhere in Scotland	45-67 FTEs	0 FTEs
Annual Visitor Impacts - outside Scotland	22-33 FTE	29-43 FTEs
One-off Construction Impacts - Perth City Hall	11 FTEs	10 FTEs

Table A4: GVA Impacts	P&K	Scotland
Annual Direct Impacts	£753,636	£589,680
Annual Visitor Impacts - elsewhere in Scotland	£873,450 - £1,300,470	£0
Annual Visitor Impacts - outside Scotland	£427,020 - £640,530	£566,921 - £840,607
One-off Construction Impacts - Perth City Hall	£581,625	£500,240