

Planning Inquiry Rebuttal Proof of Evidence

of

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Regarding the Proposed Redevelopment of Ingol Golf Course

Ref: APP/N2345/A/11/2145837

31 May 2011

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Appendices (separate document)

Appendix Reb MAS 1	Extract from the 1992 Sports Council report entitled 'Study of Golf in England'
Appendix Reb MAS 2	Extracts from 'The Demand for Golf' produced by the Royal & Ancient Golf Club of St Andrews in 1989
Appendix Reb MAS 3	Extracts from 'the Definitive Study of Future Trends in the British Golf Market' produced by EMAP and the Henley Centre in 1997
Appendix Reb MAS 4	Practical examples of 20 minute CACI drivetime data and supply/demand ratios for other comparable golf courses
Appendix Reb MAS 5	Examples of other golf courses for sale/sold which support the viability case for Ingol
Appendix Reb MAS 6	Extracts regarding Malkins Bank Golf Course
Appendix Reb MAS 7	Email from the North West Regional Development Officer for the English Golf Union
Appendix Reb MAS 8	Report from Laurence Pithie of Turf Master One on the estimated costs to reopen Ingol as a golf course

1. INTRODUCTION

1.1 The structure of my rebuttal proof of evidence is as follows:

- In Section A I have identified the appellants' proofs of evidence on which I wish to comment. I have also outlined a number of key points where we seem to have major differences of opinion.
- In Section B I have commented in further detail on the areas where we have major differences in opinion. I also provide supplementary information to support my evidence.
- In Section C I provide my conclusions and a statement of truth.

2. SECTION A: THE KEY POINTS WHERE WE SEEM TO HAVE MAJOR DIFFERENCES OF OPINION

2.1.1 I wish to comment on the proofs of evidence which were submitted on behalf of the appellants by:

- i. Eileen Hinson of the Leisure Consultancy Ltd dated May 2011
- ii. Ian Simpson of Savills (L&P) Ltd
- iii. Graham Stock of Drivers Jonas Deloitte dated 17 May 2011

2.1.2 The key points where I believe we have major differences of opinion are as follows:

2.2 In Respect of Eileen Hinson's ('EH') Proof of Evidence

2.2.1 **Point 1:** What is the correct definition of the local catchment area? EH uses a radius of 10 miles as the primary catchment area and 20 miles as the secondary catchment area (Section 6 of her proof) whereas I adopt a specific area defined as a 20 minute drivetime as the primary catchment area with 10 and 30 minute drivetimes having a secondary degree of relevance (Section B of my proof).

2.2.2 **Point 2:** The use of the local population statistics as a fundamental variable in determining the supply/demand balance for golf. EH makes no reference to this whereas I attach a great deal of weight to the local population statistics (paragraphs 4.2.1 to 4.2.9 of my proof).

2.2.3 **Point 3:** EH places considerable weight on membership vacancies at existing membership-based golf clubs plus the lack of joining fees to join such clubs as an indicator of oversupply (Section 6 of her proof). I strongly disagree with this assertion as it does not properly take into account the change in golf playing patterns over the last 20 years. In my opinion the market (i.e. potential golf operators of Ingol) would place some weight on membership vacancies at existing clubs and the lack of joining fees but these factors rank low compared to the weight that they would place on i) ratio analysis on the number of courses per head of population [which I cover as part of point 2 above] and ii) a simple 'stand back and look' strategic overview of the make-up of the local courses by type (see Section B of my proof).

- 2.2.4 **Point 4:** EH is of the view that the increase in the supply of golf courses in the locality over the last 20 years was so significant that this led to the demise of Ingol and its need for closure; and that the manner in which the appellants ran the business had little to do with its poor financial performance (see paragraphs 3.4 to 3.7 of her proof). I am strongly of the opposite opinion – objective analysis of the supply/demand ratios for golf and the minimal increase in the local supply of courses in the last 20 years reveals that Ingol is in an area where demand for pay and play golf still far outstrips supply (see section B of my proof). Given these circumstances if Ingol was operated by a good specialist golf course operator (as opposed to a residential developer) it would never have needed to close.
- 2.2.5 **Point 5:** EH provides an unconvincing commentary on the viability of Ingol suggesting that it was unviable because of general market conditions and had nothing to do with the aspirations of the appellants to build houses on the golf course and the quality of management at Ingol (see paragraphs 3.4 to 3.7 of her proof). My view is that if run well, by an owner/operator dedicated to seeing Ingol succeed as a golf course that it was readily viable (see Section C of my proof).
- 2.2.6 **Point 6:** EH refers to consultation with the English Golf Union about Ingol closing (see paragraph 2.12). I wish to make it clear that the English Golf Union would not support the closure of golf courses and I have a statement from them to this effect (see Appendix Reb MAS 7).

2.3 **In Respect of Ian Simpson's ('IS') Proof of Evidence**

- 2.3.1 **Point 7:** IS concludes that Humberts Leisure reasonably tested the market for seeking a 'buyer' of Ingol for golf use via the method of offering a long lease at a peppercorn rent. Chris Hennessy of Matthews & Goodman is providing the primary proof of evidence on behalf of Preston City Council so I do not propose to duplicate his comments. I do, however, have one absolutely fundamental reservation about the way that the property was offered to the market for future golf use. A successful and commonly used formula is to offer a golf property on an annual rental basis rather than seeking an upfront premium with no rent. This option was not offered to the market - and by not doing so it is my strong opinion that Ingol was not sufficiently offered to the market for continued golf use (see paragraphs 5.6.11 and 5.6.12 of my proof).

2.4 In Respect of Graham Stock's ('GS') Proof of Evidence

- 2.4.1 **Point 8:** GS, in paragraph 8.11 of his proof of evidence, notes that Mr Swift's firm, Planit, advises that the guideline costs for bringing Ingol back into use as a golf course total some £1.2 million and he provides a breakdown of these costs in his Appendix GS 3. It is my practical experience that the total estimated cost of £1.2 million (£1.27 million as stated in Appendix GS 3) is a substantial overestimate of the required cost to bring Ingol back into play as a golf course. I have a report from a leading golf greenkeeping specialist which confirms that Ingol could be brought back to life as a golf course at a cost far below the figure of £1.2 million (see Appendix Reb MAS 8).

3. SECTION B: MY FURTHER COMMENTARY ON THE MAJOR DIFFERENCES OF OPINION

3.1 In Respect of Eileen Hinson's ('EH') Proof of Evidence

3.1.1 **Regarding Point 1:** *What is the correct definition of the local catchment area? EH uses a radius of 10 miles as the primary catchment area and 20 miles as the secondary catchment (Section 6 of her proof) area whereas I adopt a specific area defined as a 20 minute drivetime as the primary catchment area with 10 and 30 minute drivetimes having a secondary degree of relevance (Section B of my proof).*

3.1.2 It is well-known to good commercial golf operators and their relevant professional advisers that a 20 minute drivetime is the primary catchment area for the majority of reasonable quality English golf courses (Ingol included). 10, 15 and 30 minute drivetimes are also relevant but for an 18-hole golf course with a clubhouse the 20 minute drivetime is the primary catchment area. I explain the reasons why it is the primary catchment area in detail in the paragraphs below.

3.1.3 Indeed, EH recognises the importance of a 20 minute drivetime by making various references to it in her proof of evidence (see her paragraphs 7.12 where she notes "*Sport England recommends that the drivetime catchment for golf courses be set at 20 minutes*"; plus paragraphs 2.10, 6.3, 6.22, 7.3, and 8.4.).

3.1.4 In November 1992 the Sports Council produced an authoritative golf market report called 'Study of Golf in England'. From a survey of golfers it found that "*75% of those questioned had travelled less than 10 miles and 54% had travelled less than 5 miles. For 62% the journey had taken less than 15 minutes*". I enclose a copy of the Sports Council extract in Appendix Reb MAS 1. Golf operators in the marketplace recognise the localised nature for the majority of their golf business – hence the focus on the demographics and supply/demand balance for golf in the local area.

3.1.5 All parties appear agreed that Ingol is not a 'trophy' standard golf venue. It will therefore draw the majority of its customers from a very local base. Golfers only tend to travel longer distances to play premier courses or to go on golf society days/weekend tours – and indeed Lancashire has some of the UK's finest golf courses in the nearby Lytham St Anne's area – a totally different market to Ingol. I fundamentally disagree with EH's notion that the catchment area of between 10 to 20 miles is significantly

relevant (as shown by her plan on page 22 of her proof). In my opinion low weight should be attached to this map in terms of indicating local supply/demand conditions because:

- the furthest point of the 20 minute drivetime boundary for Ingol is only 12.5 miles (see paragraph 4.1.5 of my proof plus the map in Appendix MAS 4) and not 20 miles as suggested by EH;
- the travel time is the primary determinant in choosing a course to play, not its distance by mileage (which takes no account of the quality of the local road network);
- according to the 1992 authoritative Sports Council report (see paragraph 3.1.4 above) *"75% of those questioned had travelled less than 10 miles and 54% had travelled less than 5 miles. For 62% the journey had taken less than 15 minutes"*.

3.1.6 If 62% of people might typically live within a 15 minute drivetime then an even higher proportion of regular golfers are likely to live within a 20 minute drivetime. This is why the leading commercial 'multiple venue' (also called 'chain') golf course operators in the UK look so closely (and place great weight) on the characteristics of the 20 minute drivetime. In my experience, if a full supply/demand analysis is carried out by the leading chain operators undoubtedly their primary catchment area for an average quality 18 hole golf course is a 20 minute drivetime. A few years ago when Crown Golf, Europe's leading golf course operator, with 30 plus venues were keen to acquire more golf courses they appointed me as their external golf property agent to uncover new opportunities for them. A 20 minute drivetime was always used for benchmarking the quality of locations. Their minimum requirement for viability was a population of 250,000 within a 20 minute drivetime (Ingol has 356,000 people) with no more than ten 18 hole courses per 250,000 people (i.e. a ratio of one 18 hole course per 25,000 people). Ingol has a very favourable ratio of one course per 33,900 people.

3.1.7 A 20 minute drivetime is something that can be readily calculated and the chain golf operators and other leading professional golf industry advisers rely on 20 minute drivetime data produced by CACI Ltd, a major provider of demographic data. I provide background information on this data in paragraph 4.1.3 of my main proof of evidence.

3.1.8 A 20 minute drivetime is not something that has be approximated by the use of arbitrary indicators such as a 10 mile radius/20 mile radius. CACI's sophisticated demographic software based on UK Census data and statistical drivetimes by car provide the reliable form of UK golf industry benchmarking for proper supply / demand analysis.

3.1.9 Four absolutely fundamental analytical points come out of using the CACI 20 minute drivetime data:

- i. The drivetime isochrone (i.e. the 20 minute boundary) will be an irregular shape since the drivetime will be influenced by the quality of the road network. This is much more reliable for analysing the supply/demand balance for golf compared to using a 10 mile/20 mile radius which takes absolutely no account of the quality (or otherwise) of the local road network. The drivetime isochrone for Ingol is shown in Appendix MAS 2 of my proof.
- ii. The CACI data calculates the total resident population living within that 20 minute drivetime based on Census data so you get an objective and reliable population estimate (356,000 for Ingol - see Appendix MAS 2 of my proof). There is therefore a reasonably accurate statistical probability, based on average golf participation rates across the whole country, that given a certain resident population within a 20 minute drivetime that a given proportion of them will be golfers (or potential new golfers).
- iii. The CACI data provides a good indicator as to the demographic characteristics of that local population by comparison with the Great Britain average. Areas which have reasonable to good wealth compared to the Great Britain average are seen as favourable ones for golf participation by the local residents (and the 20 minute drivetime for Ingol falls within this bracket).
- iv. You are comparing 'apples with apples'. If the leading commercial golf operators and their relevant professional advisers are using the same CACI data to compare various locations around the UK then you are using a standard benchmark for analysing one location against various others in the country.

3.1.10 Whilst EH should be aware of the availability of CACI data (given her role as a leisure consultant within the UK) she has chosen not to use it for a 20 minute drivetime for Ingol. Without it she cannot do the following:

- Accurately plot all of the golf courses that physically fall within the 20 minute drivetime.
- Work out how many people live within the 20 minute drivetime.
- Work out the ratio between the existing supply of golf venues within the drivetime and the total resident population (given the local nature of golf course usage and the statistical probability that a certain percentage of that population will be golfers/potential golfers).
- Form a strategic view on the make-up of the supply of golf venues within the 20 minute drivetime in terms of: membership based clubs (private members or proprietary run); proprietary pay and play/ municipal courses; hybrid membership/pay and play venues; driving ranges; short courses; golf hotels and trophy venues.
- Work out how suited the local catchment population is for playing golf (i.e. is there average to above average wealth in the area?).
- Compare the supply/demand characteristics of Ingol against other readily viable golf courses in the UK.

3.1.11 Without doing the above I find it hard to see how anyone can come to an objective and analytically based conclusion on the supply/demand balance for golf in a particular locality which can then be given a high degree of weight as reliable evidence on the subject. In my opinion to do so is just subjective guessing.

3.1.12 **Regarding Point 2:** *The use of the local population statistics as a fundamental variable in determining the supply/demand balance for golf. EH makes no reference to this whereas I attach a great deal of weight to the local population statistics (paragraphs 4.2.1 to 4.2.9 of my proof).*

- 3.1.13 EH makes reference to the supply of golf courses within a 10 and 20 mile radius but makes no analytical assessment of how many people actually live within this area. Simple logic says that a large number of golf courses in a locality can be appropriate if the local resident population is correspondingly large to provide the golfers to play on the golf courses.
- 3.1.14 Likewise, in a sparsely populated area there is likely to be fewer golf courses in relation to the total resident population but provided that there is a reasonable balance between the number of golf courses and the number of people living nearby then that is a key indicator as to whether a golf course is viable or not.
- 3.1.15 In my main proof of evidence I make reference to the English golf industry yardstick of the equivalent of one 18-hole course per 20,000 to 25,000 people resident in the primary catchment area (the 20 minute drivetime) broadly representing supply/demand equilibrium (see paragraphs 4.3.3 to 4.3.5).
- 3.1.16 This statistic, which is used by golf experts today, has evolved out of important UK golf industry reports including:
- i. 'The Demand for Golf' produced by the game's governing body, the Royal & Ancient Golf Club of St Andrews, in 1989.
 - ii. 'The Definitive Study of Future Trends in the British Golf Market' produced by EMAP and The Henley Centre in November 1997.
 - iii. The 'Study of Golf in England' produced by the Sports Council in November 1992.
 - iv. 'The Essex Golf Report' produced by the Essex Planning Officers Association in 1990.
- 3.1.17 I attach as Appendix Reb MAS 2 the first 19 pages of the Royal & Ancient report together with its Appendix A. These extracts include the report's principal conclusions and recommendations plus a summary of the existing stock as at 1988; and thoughts about supply and demand needs to the year 2000.

3.1.18 Its Appendix A provides a table showing the population per golf facility in the UK in 1988. The figures are as follows:

- Scotland had by far the highest provision of golf courses per head of population with one facility per 12,739 people.
- The West Midlands had the lowest supply of golf courses at one facility per 42,967 people.
- The UK average was one facility per 30,615 people.
- The North West (Ingol's region) had a ratio of one facility per 33,640 people.

3.1.19 Underpinning the Royal & Ancient's report's principal conclusion that the UK needed an extra 700 new golf courses by the year 2000 was that the provision of golf courses in England should be brought up to half the level that existed in Scotland in 1988 (see page 4 of the report). This meant that the target was to get the provision in England up to one 18-hole golf course per 25,000 people by the year 2000.

3.1.20 Within the correct primary catchment area for Ingol (the 20 minute drivetime area) my proof of evidence in paragraphs 4.3.1 to 4.3.11 demonstrates that the actual ratio that exists in 2011 (assuming that Ingol is open for play) is one 18-hole course per 33,900 people.

3.1.21 This means that by comparison to the Royal & Ancient's target way back in 1989, there is still today a significant shortfall of golf courses within the primary catchment area.

3.1.22 The EMAP/Henley Centre report of November 1997 also makes reference to the supply/demand ratios. I enclose in Appendix Reb MAS 3 various extracts from this report. Page 20 of the report makes reference to the updated supply/demand situation as at 1997 following on from the Royal & Ancient's 1989 recommendations, together with a bar chart showing the actual number of new golf course openings each year from 1985 to 1996.

3.1.23 Page 20 shows that the supply/demand ratio in England as at 1997 was one golf course per 26,250 people compared to one golf course per 36,955 people in 1988

(thus about a 40% increase in the stock of English golf courses over a nine-year period). Thirteen years on from the 1997 EMAP/Henley Centre report and Ingol still has a much better supply/demand ratio in 2011 at one course per 33,900 people compared to the rest of England today - where it is generally perceived that on a national basis we have a marginal oversupply of golf courses.

3.1.24 The Sports Council, in its November 1992 report entitled the 'Study of Golf in England', in relation to location and demand for golf courses said the following:

"a number of studies have attempted to define standards for golf course provision and to calculate the demand for golf in a particular area. Certain parts of the country have received planning applications for significant numbers of courses which, if all were implemented, would result in an oversupply of facilities. The situation is complicated by the differentiation between types of course, often catering for different markets. Various guidelines of provision to meet demand have been suggested: for instance, the '700 new courses' figure in the R&A report was based on 18 holes per 25,000 population, whilst the latest, and very thorough, Essex Golf Report suggests 18 holes per 20,000 population as a guideline. In the case of specific proposals, demand has to be assessed on a very localised basis, and has to take account of existing supply in relation to population and existing participation. The detailed results of studies like this current one need to be taken into account in terms of travelling distances and levels of expressed interest among those not already playing golf - as well as the conventional analysis of club waiting lists. The type of course being proposed must also be related to the characteristics of the population in the catchment area, including any significant potential demand from holidaymakers and visiting groups of players as well as residents."

3.1.25 I attach a copy of this quote from the Sports Council report in Appendix Reb MAS 1.

3.1.26 The benchmark ratio of one 18-hole course per 20,000 to 25,000 resident population is consistent with the planning tool that Sport England uses today known as Active Places Power (referred to by EH in her paragraph 7.6).

3.1.27 Stephen Hughes' proof of evidence in respect of Ingol on behalf of Sport England, dated April 2011, quotes the following figures using the Active Places Power tool (see his paragraph 5.3.19):

- Preston has an overall provision of 0.56 holes per thousand population (i.e. the equivalent of one 18-hole course per 32,100 people).
- The regional and national average is 0.68 holes per thousand population (i.e. the equivalent of one 18-hole course per 26,500 people).

3.1.28 Mr Hughes' statistic for Preston, although acknowledged by himself as a fairly crude estimate (see paragraph 5.3.21 of his report), of one course per 32,100 people is close to my own detailed calculation of one course per 33,900 people specifically for Ingol. It is his opinion, like mine, that there is actually an undersupply of 18-hole golf courses in the locality.

3.1.29 EH criticises the Sport England statistics in paragraphs 7.6 to 7.8 of her report suggesting that her review of the golf supply and demand is a far better representation. Frankly, in my opinion, her assertion is unsupported and unsupportable because she has taken absolutely no account of the supply/demand balance for golf in relation to the resident population within the local catchment area (the 20 minute drivetime).

3.1.30 Her assertions are relying on the fact that in 2011 there are membership vacancies at membership golf clubs plus dwindling joining fees; and that the national (as opposed to the much more relevant local) position on the supply/demand balance for golf is broadly neutral or perhaps marginal oversupply (points which I would not dispute).

3.1.31 If EH were to use the objective facts of the 20 minute CACI drivetime, the resident population within it (derived from Census data) and the physical location of all of the golf courses within the drivetime then it would be impossible to produce a supply/demand ratio of lower than the national average. It would therefore be impossible to suggest that there is a particular oversupply of golf courses in the Ingol area compared to the average in England. Instead EH, by using subjective opinion, is suggesting that there is oversupply via other less reliable indicators.

3.1.32 To demonstrate examples of the local supply/demand characteristics for other golf courses within England I set out in the table below some comparative figures. All are viable businesses, all achieved positive annual EBITDAs ('earnings before interest, tax, depreciation and amortisation') and continue to trade as golf courses. I attach in Appendix Reb MAS 4 the raw data from which the table is drawn. The raw data is

somewhat 'rough and ready' in certain areas as it comes from my working notes on other historical golf assignments.

<i>Golf Course and Location</i>	<i>20 Minute Drivetime Population</i>	<i>Number of 18 Hole Equivalents</i>	<i>Ratio of 18 Holes per Population</i>	<i>Commentary</i>
Ingol, Preston, Lancs	356,000	10.5	33,900	The ratio looks good compared to the comparables below.
Ansty, Coventry	486,000	14.0	34,700	I did a study on this in relation to tribunal proceedings in 1997. It traded well (annual EBITDA a substantial six figure sum).
Cobtree Manor Park, Maidstone, Kent	547,000	15.5	35,300	I did a supply/demand study on this a couple of years ago. It trades very well (annual EBITDA a substantial six figure sum).
Crane Valley, Verwood, Dorset	68,000	4.0	17,000	I am involved in the management of this golf course. Trading is average due to the ratio.
High Elms, Orpington, Kent	318,000	17.0	18,700	I did a supply/demand study on this a couple of years ago. It trades okay (annual EBITDA a six figure sum).
Hinksey Heights	261,000	8.5	30,700	I did a report on this last year.
Little Hay, Hemel Hempstead, Hertfordshire	143,000	5.0	28,500	I did an options appraisal on this property in 2007. It was trading well (annual EBITDA a substantial six figure sum).
Moors Valley, Verwood, Dorset	250,000	12.0	20,800	I did an options report on this in 2008 and it was trading okay (annual EBITDA a six figure sum). I then leased it to Mack Trading Amenity Management a year later with an obligation on them to build a new clubhouse.
Pedham Place, Swanley, Kent	563,000	31.5	18,000	I did a strategic demographic analysis on this in 2005. Trade was poor at the time but is now excellent due to high quality management (annual EBITDA a substantial six figure sum).
Potters Bar, Hertfordshire	539,000	30.0	18,000	I provided an expert witness report on this in 2008. Trading performance was acceptable.
Wrag Barn, Swindon, Wiltshire	213,000	5.5	38,700	I am involved in the management of this. Trading performance is good (annual

				EBITDA a substantial six figure sum).
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- 3.1.33 It is not a coincidence that the golf courses with a supply/demand ratio of one course per 30,000 people or more have a significant 'head-start' in terms of trading potential and viability simply because of favourable local market conditions.
- 3.1.34 Ingol falls within this bracket. Crucially, Ingol has another major competitive advantage in that it was/is the only dedicated 18-hole pay and play golf course within the 20 minute drivetime (assuming that one excludes golf hotels which cater for a different clientele). This is very important in viability terms because it means that Ingol had very little real 18 hole pay and play competition within the 20 minute drivetime as virtually all the local competitors serve a different segment of the market, that of membership golf by the traditional private members clubs. If local competition is low for pay and play golf then there is an opportunity to pick up a substantial amount of golf business from pay and play golfers thus increasing revenue and hence profitability (if run well). I will cover this point in the next section.
- 3.1.35 **Regarding Point 3:** *EH places considerable weight on membership vacancies at existing membership-based golf clubs plus the lack of joining fees to join such clubs as an indicator of oversupply (Section 6 of her proof). I strongly disagree with this assertion as it does not properly take into account the change in golf playing patterns over the last 20 years. In my opinion the market (i.e. potential golf operators of Ingol) would place some weight on membership vacancies at existing clubs and the lack of joining fees but these factors rank low compared to the weight that they would place on i) ratio analysis on the number of courses per head of population [which I cover as part of point 2 above] and ii) a simple 'stand back and look' strategic overview of the make-up of the local courses by type (see Section B of my proof).*
- 3.1.36 In paragraphs 5.8 to 5.10 EH talks about general trends of rising membership vacancies and falling joining fees at membership-based golf clubs, thus forming a picture of 'doom and gloom' for the golf industry as a whole. What she has not referred to in depth is the fundamental change in playing characteristics of golf in England over the last 20 years. For a very substantial proportion of golfers there has been a definite shift away from taking up traditional annual membership with an annual subscription in favour of paying green fees only when they play (i.e. 'pay as you play') or a hybrid membership where they pay a reduced annual subscription and a reduced green fee.

- 3.1.37 Like many other products and services today consumers have greater choice now compared to say 20 years ago. In golf, consumers have differing choices as to how they pay for their golf and the game has become more casual / informal over the years. In addition, many people do not want to take out full membership of a golf course as they do not play enough to justify a full annual subscription, hence the hybrid pay and play / lower annual subscription memberships.
- 3.1.38 If there are now more methods in which golfers can pay for their golf today (according to how often they want to play the game) such as green fees, annual subscriptions, part green fee/part lower annual subscription, points system, i.e. buying an allocated number of units to play golf over an unspecified time period compared to years ago, it stands to reason that there will be membership vacancies and dwindling joining fees at the traditional private members clubs.
- 3.1.39 Such clubs, which are run by committees made up of unpaid volunteers, can sometimes be slow to adapt to change, and many have been 'caught out' by the changing nature of the golf industry. Private members clubs do face a systematic change in the market to which they must react but that does not mean that other dedicated golf operators are not creating successful golf businesses outside of the private members club model.
- 3.1.40 The general movement towards more casual/informal golf these days (pay as you play versus traditional full membership) can be seen as a 'threat' or an 'opportunity' depending on your commercial viewpoint. Traditional membership golf courses typically charge annual golf subscriptions for membership in the order of £600 to £1,000 per annum whereas to play golf on a pay as you play basis might typically cost between £10 to £20 per 18 holes. Thus, if you don't wish to play more than once a week (say 50 rounds per annum) then it can be more cost effective for golfers to not pay for full membership but instead pay a green fee each time that they play. Proprietary clubs often do the hybrid of part reduced green fee and part reduced annual subscription to cater for a wide variety of playing patterns but the traditional private membership clubs are still very much focussed on the model of full annual subscriptions for membership.
- 3.1.41 Being a member of a private members club will appeal to people who play on a regular basis, can afford the annual subscriptions and who enjoy the atmosphere/perks of

being a private member (the courses tend to be quieter and you can normally play when you like without restrictions). There is, however, a large proportion of golfers who don't fall into the above group and so there is a healthy market for more informal pay as you play golf.

- 3.1.42 If you are a good quality, well located, fit for purpose pay and play venue with favourable demographics then you are in an excellent position to pick up casual trade provided you manage and market your golf business very well. If you apply poor management and marketing together with a lack of investment then even with favourable conditions, your trading performance will be poor.
- 3.1.43 What EH has failed to observe on a simple strategic 'stand back and look basis' (because she has not used the correct 20 minute drivetime boundary) is that Ingol is/was the only dedicated 18-hole pay and play venue within the catchment area (excluding golf hotels) and that there is a lack of serious proprietary competitor golf venues. Given the favourable supply/demand balance referred to above then, in my opinion, this gave Ingol an excellent competitive edge in the pay and play segment of the market provided that the property was well-maintained, well-managed and 'fit for purpose'. See my commentary in paragraphs 4.3.13 to 4.3.18 of my main proof of evidence which also explains the relevance of excluding golf hotels from the analysis.
- 3.1.44 If you look at the demographic/competitor maps for the various comparable venues in Appendix Reb MAS 4 you can see that it is the norm to have a number of pay and play venues within the 20 minute drivetime as well as a number of proprietary (and hence profit-driven) competitors – thus making trading conditions tougher compared to if they did not exist.
- 3.1.45 I note that Ingol had a substantial practice ground that was closed down before the golf course actually closed. Dedicated golf operators would see a practice ground as a major asset to be exploited to encourage golf tuition and new participation. Some would look to redevelop the area, at low cost, to create a small golf academy (a few short holes) as an area to generate further revenue and a link to get new people playing the game in a 'low intimidation' way without them having to go straight onto a main 18 hole course (which is such a big 'put-off' for new golfers playing on traditional private membership courses).

3.1.46 **Regarding Point 4:** *EH is of the view that the increase in the supply of golf courses in the locality over the last 20 years was so significant that this led to the demise of Ingol and its need for closure; and that the manner in which the appellants ran the business had little to do with its poor financial performance (see paragraphs 3.4 to 3.7 of her proof). I am strongly of the opposite opinion – objective analysis of the supply/demand ratios for golf and the minimal increase in the local supply of courses in the last 20 years reveals that Ingol is in an area where demand for pay and play golf still far outstrips supply (see Section B of my proof). Given these circumstances if Ingol was operated by a good specialist golf course operator (as opposed to a residential developer) it would never have needed to close.*

3.1.47 Page 20 of the major 1997 Golf Futures report by EMAP/the Henley Centre (see Appendix Reb MAS 3) shows that the supply/demand ratio in England as at 1997 was one golf course per 26,250 people compared to one golf course per 36,955 people in 1988. This effectively represents around a 40% increase in the stock of English golf courses over a nine-year period and the percentage increase will have increased further as more courses came on stream from 1997 onwards.

3.1.48 Fundamentally, however, Ingol has been virtually immune to such a large increase in local competition over the last 20 years. Over this period of time, the increase in the level of serious competitors within Ingol's primary 20 minute drivetime has gone from the equivalent of nine 18-hole courses in 1988 to 10½ in 2011 representing an increase in the supply of courses of only 17% compared to the national average of 40% plus from 1988 to 1997. See paragraph 4.3.19 of my proof of evidence. The extra 1½ new courses are: De Vere Herons' Reach, an 18 hole golf hotel, which opened in 1994 and which is right on the edge of the 20 minute drivetime boundary; and Oak Royal, a 9 hole proprietary course which opened in 2007 and which is also close to the 20 minute boundary (see paragraph 4.3.8 and Appendices MAS 3 and MAS 4 of my proof).

3.1.49 Furthermore, within the localised area of a 10 minute drivetime from Ingol the increase in the supply of golf courses in the 23 year period from 1988 to 2011 is nil - zero%. Not a single full-length golf course has opened up within the 10 mile drivetime. See paragraph 4.4.6 of my proof of evidence.

- 3.1.50 In my opinion EH is using the 40% plus increase in the supply of golf courses on a national basis to justify an oversupply whereas the local reality is that the increase in relevant supply for Ingol is way below national averages.
- 3.1.51 Given the favourable local demographics and supply/demand situation, and the competitive advantage of being the only pay and play golf course in the 20 minute drivetime, in my opinion, Ingol was excellently placed to be a good and viable golf business. Given the circumstances, for it to fail it needed a lack of well-targeted investment, poor/indifferent management and ownership which had an aspiration for residential development rather than continued golf use.
- 3.1.52 **Regarding Point 5:** *EH provides an unconvincing commentary on the viability of Ingol suggesting that it was unviable because of general market conditions and had nothing to do with the aspirations of the appellants to build houses on the golf course and the quality of management at Ingol (see paragraphs 3.4 to 3.7 of her proof). My view is that if run well, by an owner/operator dedicated to seeing Ingol succeed as a golf course that it was readily viable (see Section C of my proof).*
- 3.1.53 I disagree with the evidence produced by EH. I consider that Ingol was/is viable as a golf course. I believe that the following additional points should be considered:
- A schedule of other golf courses currently for sale/recently sold for continued golf use by other golf property agents.
 - Knowledge of the total annual golf revenue achieved at the local Stanley Park Golf Course when it was run by Blackpool Council.
 - Knowledge of the annual revenue figures for Malkins Bank Golf Course near Sandbach in Cheshire which I am just about to put on the market for lease.
- 3.1.54 I attach in Appendix Reb MAS 5 a schedule of golf courses comprising mainly 18 holes which are currently up for sale or have recently been sold by HMH Golf & Leisure and Strutt & Parker. These firms, along with Humberts Leisure and Savills are active in selling/leasing UK golf courses.

3.1.55 You can see from the schedule that the trading performance of some of these golf courses in terms of annual turnover is not that much greater than Ingol and yet they manage to achieve a positive annual EBITDA ('earnings before interest, tax, depreciation and amortisation'); and continue to operate as golf courses – which suggests that the market believes that they are viable golf businesses. Set out below is a number of examples taken from Appendix Reb MAS 5 and Appendix MAS 5 of my main proof:

Golf Venue	Description	Turnover / EBITDA
Ingol, Preston	18 holes plus clubhouse	Annual turnover between £366,000 and £461,000 with a stated annual loss of between £76,000 and £218,000 (But EBITDA not quoted).
Traditions Golf Course, Woking, Surrey	18 holes plus clubhouse	Annual turnover £700,000. Annual EBITDA before rent circa £175,000.
Gloucester Golf Club, Gloucestershire	18 holes plus clubhouse	Annual turnover £300,000. Annual EBITDA £17,000 to £79,000.
Burghill Valley Golf Club, Hereford, Herefordshire	18 holes plus clubhouse	Annual turnover £740,000. Annual EBITDA £65,000.
The Chase Golf Club, Penkridge, Staffordshire	18 holes plus clubhouse	Annual turnover £1 million. Average annual EBITDA £135,000.
Mersey Valley Golf Course Liverpool/Manchester	18 holes plus clubhouse	Annual turnover £450,000 and annual EBITDA £131,000.
Mid Sussex Golf Club, Ditchling, East Sussex	18 holes plus clubhouse	Annual turnover £1.1 million and annual EBITDA £160,000.
A confidential disposal of a course in Lancashire	18 holes plus clubhouse	Annual EBITDA circa £248,000.

3.1.56 Indeed, one of the 18-hole golf courses in Appendix Reb MAS 5 is an unnamed venue for sale in Lancashire by agents Strutt & Parker. It produced a very healthy annual

EBITDA ('earnings before interest, tax, depreciation and amortisation - a definition of annual profit) last year of £248,000. If the demand/supply balance for golf in Lancashire is as bad as EH suggests then how can this golf course produce such good EBITDA performance? The answer will partly be linked to very good management. Additionally, I am not aware of mass golf course closures in Lancashire which again suggests that they are viable. It is worth bearing in mind that many of the golf courses in Lancashire will not be in as good a trading location as Ingol so arguably face tougher trading conditions.

- 3.1.57 Furthermore I believe that when Blackpool Council operated Stanley Park Golf Course it was able to produce an annual golf revenue close to £300,000 (green fees and season-tickets only) before it leased the venue to a third-party operator in June last year. This compares to the feeble £162,000 annual golf revenue that the appellants achieved at Ingol in the year 2008/09. I refer to Stanley Park in more detail in paragraph 5.6.12 of my main proof. It has similarities to Ingol that it comprises an 18 hole course with clubhouse in a built up area. It was also operated on a primarily pay and play basis so is a reasonable comparison with Ingol and is local being just outside Ingol's 20 minute drivetime catchment area.
- 3.1.58 I am just about to put Malkins Bank Golf Course on the market for Cheshire East Council via a long term lease at an annual rental. It comprises 18 holes built on a former contaminated tip plus very modest clubhouse facilities. Its location is average (212,000 people within a 20 minute drivetime and fairly competitive versus Ingol's 356,000 and limited golf competition).
- 3.1.59 In my opinion Ingol has a better trading location, a better golf course and potentially better clubhouse facilities compared to Malkins Bank. However, when one compares the annual golf revenue figures, those achieved at Malkins Bank in the hands of the local council (who cannot be described as great golf course operators) are much better than those achieved at Ingol by the appellants. For example the 2008/09 annual golf revenue for Malkins Bank was £294,000 and yet the appellants only achieved a feeble £162,000 at Ingol. I attach some relevant data on Malkins Bank in Appendix Reb MAS 6.
- 3.1.60 The examples of Stanley Park and Malkins Bank Golf Courses together with my general experience of seeing trading accounts for a great many UK golf courses strongly suggest to me that poor/indifferent management was to blame for the poor

trading performance of Ingol and not the state of the UK golf market or oversupply of golf courses in the locality.

3.1.61 It is well-known in the golf industry that additional golf revenue created falls virtually to the bottom line EBITDA of a golf course (i.e. 'bottom line profit') because, to a certain extent, the costs of running the golf element are fixed. For example if your annual golf revenue is £160,000 but the cost of maintaining the course (greenkeepers, materials and machinery) is £180,000 then the golf element makes a loss of £20,000 per annum. However, if your golf revenue rises to £300,000 your maintenance costs still broadly stay at £180,000 and you make a profit on this element of £120,000 per annum. Thus, if with good management the golf revenue at Ingol increased to £300,000 per annum (which is perfectly reasonable for most 18-hole golf courses) then this would have the effect of adding around £140,000 EBITDA to Ingol's historic trading figures. This immediately turns what EH deems as an unviable golf business into a viable one. £300,000 annual golf revenue is the equivalent of 30,000 rounds per annum at an average rate of £10 per round net of VAT, which is fairly average (but not good) in the UK pay and play golf sector.

3.1.62 **Regarding Point 6:** *EH refers to consultation with the English Golf Union about Ingol closing (see paragraph 2.12 of her proof). I wish to make it clear that the English Golf Union would not support the closure of golf courses and I have a statement from them to this effect.*

3.1.63 I attach as Appendix Reb MAS 7 a copy of an email from Melanie Flude, North West Regional Development Officer for the English Golf Union which states that she would like Ingol to stay open as a golf course.

3.2 In Respect of Ian Simpson's ('IS') Proof of Evidence

3.2.1 **Regarding Point 7:** *IS concludes that Humberts Leisure reasonably tested the market for seeking a 'buyer' of Ingol for golf use via the method of offering a long lease at a peppercorn rent. Chris Hennessy of Matthews & Goodman is providing the primary proof of evidence on behalf of Preston City Council so I do not propose to duplicate his comments. I do, however, have one absolutely fundamental reservation about the way that the property was offered to the market for future golf use. A successful and commonly used formula is to offer a golf property on an annual rental basis rather*

than seeking an upfront premium with no rent. This option was not offered to the market - and by not doing so it is my strong opinion that Ingol was not sufficiently offered to the market for continued golf use (see my paragraphs 5.6.11 to 5.6.12 in my main proof).

3.2.2 There are three main ways of offering a golf course to the market. They are:

- a sale of the freehold interest;
- granting a long lease at a peppercorn (i.e. nil/nominal) rent;
- granting a medium to long-term lease at an annual rental based on trading performance.

3.2.3 As golf property advisers in the UK golf industry Ben Allen (of Humberts Leisure who marketed the property), Ian Simpson (of Savills and who is giving evidence on behalf the appellants) and myself (giving evidence on behalf of Preston City Council), we are all well aware of the pros and cons of using the above methods in paragraph 3.2.2 to get 'successful outcomes' for our collective clients. I refer to some of the pros and cons in my commentary on the marketing of Ingol in paragraphs 5.6.1 to 5.6.32 of my main proof.

3.2.4 Marketing a golf course is a reasonably specialised subject. The appellants have relied on correspondence with the Council in respect of marketing. However, in my opinion, a development control team within the Council would not be aware of all the ways to successfully market a golf course for continued golf use. I think that it was really for the appellants' specialist advisers to provide a reasonable marketing campaign rather than rely on guidance from the Council.

3.2.5 Fundamentally Humberts Leisure chose only to market the property on one of the three bases referred to in paragraph 3.2.2 above. That was on the basis of granting a long lease at a peppercorn rent with the user clause restricting use to a pay and play golf course only. Humberts Leisure do not appear to make any reference to the possibility of using the third method, that of granting a lease at an annual rental. They only make reference as to why the freehold option was not offered to the market.

3.2.6 I can understand why the appellants would not want to offer the freehold property to the market if they felt that Ingol had substantial residential development potential and wanted to retain that potential upside for themselves. However, by not doing so

they effectively put off the majority of 'lifestyle' golf use buyers who typically only want to buy freehold golf courses. I refer to lifestyle buyers in paragraph 5.6.27 of my main proof. They are buyers of golf courses who are not necessarily only profit driven (like the chain commercial golf operators).

- 3.2.7 I can understand that the appellants wished to restrict the future use of Ingol to a golf course so that they, as freeholders, had the ownership rights to alternative higher value redevelopment. This meant offering a leasehold interest in the property.
- 3.2.8 However, by not offering the property to the market on the third basis available, that of a medium to long-term lease at an annual rental, they made the proposition actually offered to the market extremely unattractive - and it is of no surprise to me that they did not find a golf 'buyer'.
- 3.2.9 I have explained my reasoning as to why the chosen route of offering a long-term lease at a peppercorn rent (in the manner that Humberts Leisure did) would be very unattractive to the market; and how it would have been an attractive proposition on a medium-term lease at an annual rental in paragraphs 5.6.1 to 5.6.32. of my main proof of evidence.
- 3.2.10 In my opinion, to properly 'test' the interest from the golf market in operating Ingol as a golf course it would need to be remarketed and include inviting interest on an annual rental basis. Both Ben Allen and Ian Simpson have let golf courses on an annual rental basis, so they know that it can be done. I have let numerous golf courses on this basis as well in recent years. Indeed, Duxbury Park Golf Course and Stanley Park Golf Course which both sit just outside the 20 minute drivetime boundary from Ingol were let on this basis (Stanley Park in the summer of last year). In paragraph 2.8 of my main proof I list the golf courses that I have let / am in the process of letting on this basis.
- 3.2.11 Offering a property for lease on an annual rental basis is a traditional method in the UK property world. For the majority of shops and offices the norm is for the owner/landlord to provide the shell unit (i.e. the completed property except for tenant's fixtures, fittings and furnishings) and the tenant moves in, fits out the property and starts trading. It is not the norm for the tenant to have to pay the landlord a lump sum of money upfront and then a peppercorn rent to lease a shop or office.

3.2.12 The same principle applies to leisure and trade related properties such as golf courses and pubs. The owner/landlord provides the completed golf venue (the course, the clubhouse, ancillary buildings, car parking and often fixtures and fittings as well) and the tenant moves in, provides additional fixtures, fittings, furnishings and equipment (mainly greenkeeping equipment) and then runs the business and pays the landlord a rent linked to trading performance.

3.3 In Respect of Graham Stock's ('GS') Proof of Evidence

3.3.1 **Point 8:** *GS, in paragraph 8.11 of his proof of evidence, notes that Mr Swift's firm, Planit, advises that the guideline costs for bringing Ingol back into use as a golf course total some £1.2 million and he provides a breakdown of these costs in his Appendix GS 3. It is my practical experience that the total estimated cost of £1.2 million (£1.27 million as stated in Appendix GS 3) is a substantial overestimate of the required cost to bring Ingol back into play as a golf course. I have a report from a leading golf greenkeeping specialist which confirms that Ingol could be brought back to life as a golf course at a cost far below the figure of £1.2 million (see Appendix Reb MAS 8).*

3.3.2 A practically minded and pragmatic golf operator would not contemplate spending this sum and indeed would deem it unnecessary to do so. To reasonably test the validity of the Planit estimated guideline cost of £1.27 million my clients commissioned Laurence Pithie of Turf Master One (see www.turfmasterone.co.uk) to review the figures.

3.3.3 Laurence Pithie was the first greenkeeper to attain the British and International Golf Greenkeepers' Association's Master Greenkeeper Certificate in 1991 and is also a recipient of both Greenkeeper and Groundsman of the year awards in 1984 and 1988 respectively. He has served the golf industry for 40 years and for 16 years worked with Crown Golf (Europe's leading golf course operator with 30 plus venues) and its predecessor American Golf (UK) Ltd as their group golf course manager. He has published a comprehensive Golf Course Maintenance Manual which is produced by the English Golf Union. He therefore has a great deal of experience in knowing how to bring golf courses in poor condition back to good condition and what the likely cost of doing so will be.

3.3.4 Laurence Pithie inspected the whole course on 26 May 2011 and I attach as Appendix Reb MAS 8 his detailed findings. In summary his estimated costs and those prepared by Planit compare as follows:

<i>Item</i>	<i>Planit estimate</i>	<i>Laurence Pithie estimate</i>
Clubhouse refurbishment	£100,000	Not estimated
Greens	£200,000	£14,100
Tees	£90,000	£9,000
Fairways	£50,000	£11,100
Bunkers	£180,000	£21,000
Irrigation update	£300,000	£200,000 / £120,000
Machinery	£300,000	£310,000*
Other	Not applicable	£36,600
Fees	£50,000	Not applicable
Total	£1,270,000	£601,800 / £521,800

3.3.5 Furthermore, from a cashflow perspective, it is my experience that for the two most expensive capital items in the table above: irrigation update and greenkeeping machinery one can reduce the costs further, if pushed.

3.3.6 For example, when I let Moors Valley Golf Course in Verwood in Dorset a few years ago, the council who owned it were convinced that they would need to spend over £200,000 on a new irrigation system, yet what has happened since is that the new operator (who took it on a lease from the council on an annual rental basis) decided not to make this capital outlay 'day one' and resolved to make the best of what they inherited even if it meant an increased labour cost to keep the system operational to a very basic standard.

3.3.7 Likewise, for greenkeeping equipment, it is highly unlikely that an operator would spend £300,000 as a capital lump sum 'day one' but instead would lease the equipment on a 5 year rolling programme or buy some of the very expensive items second hand.

3.3.8 In my experience of letting golf courses the total capital cost estimated by Laurence Pithie above is fairly typical, or indeed less than, the estimated total capital investment that specialist golf operators propose within the first five years of a new lease when they take over a municipal golf course from a local authority. It is the norm with local

authority courses that the greenkeeping equipment is poor and needs substantially replacing/upgrading.

- 3.3.9 My conclusion is that little weight should be placed on the guideline cost of £1.27 million, as suggested by Planit, and considerably more weight should be placed on the estimated costs and work schedule by Laurence Pithie attached in Appendix Reb MAS 8.

4. SECTION C: MY CONCLUSIONS AND STATEMENT OF TRUTH

4.1 Having considered the proofs of evidence from the appellants' professional advisers my conclusions reached in my proof of evidence dated 17 May 2011 remain the same in that:

- There is a need for the 18-hole golf course at Ingol from a demand/supply perspective.
- Ingol is a viable golf course business.

4.2 I confirm that the statement of truth and declaration that I made in my proof of evidence dated 17 May 2011 also applies to this rebuttal proof of evidence.

A handwritten signature in black ink, appearing to read 'M.A. Smith', written in a cursive style.

Mark Anthony Smith BA MRICS MBA

Date: 31 May 2011