



#SaveRHS

The Old Royal High School Hotel: The economic case

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What's not to like?

- £25.2M/year in GDP for Edinburgh economy at 2017 prices 2018-2025.
- Supports an average of 630 local jobs through 2018-2025.
- £9.9M in tax revenues/year at 2017 prices to 2025.

(Oxford Economics, 2017).



Er... Hang on a moment

- How do they **know** what will be happening in 2025?
- They are making assumptions, based on multiplying many different factors, e.g. jobs, wages, spending etc. etc.



Where do they get their data from?

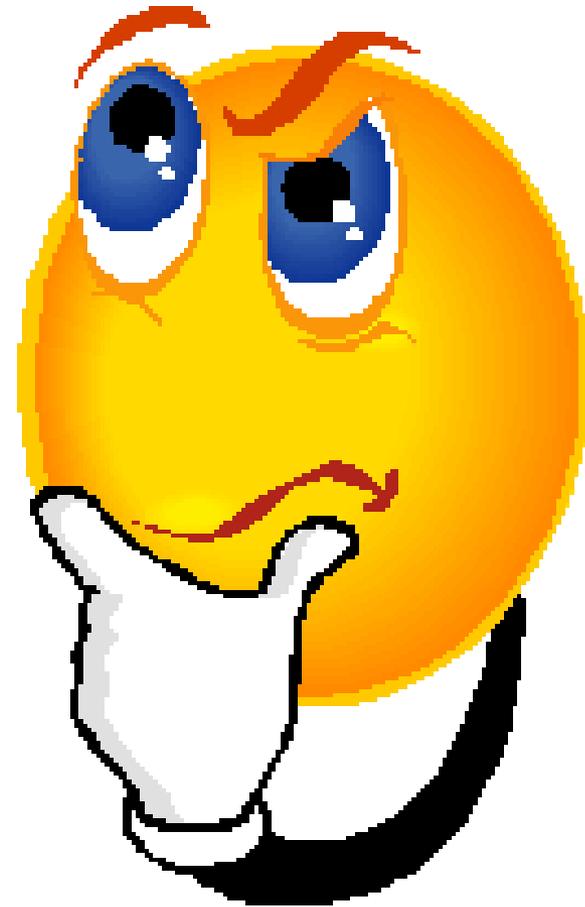
- Some of it is from government statistics, some from market analysis, but it all starts from...
- PLANNED SPENDING ON THE PROJECT BY THE DEVELOPERS
- ...and “Any subsequent revision or update of those data will affect the assessments and projections shown .”



OK, but they know their stuff, right?

- DHP owned the old Odeon 2003-16. It is a Building at **Risk**.
- Building a hotel will have some economic impact; but there's a **risk** it may not be as much as predicted.
- It's predicted (optimistically) to add 2.6% to annual tourism spend in Edinburgh: that's not a game changer.

The economic consultants omit things that are “difficult to calculate” which would reduce the overall economic benefit.



Such as?

- Their calculations are GROSS, not NET, so it's not really the EXTRA economic benefit.
- If somebody was going to stay at another Edinburgh hotel, but stays at the RHS instead, the full amount of their RHS spend is calculated, NOT that minus what they'd have spent anyway.



Might this happen?

- People come to Edinburgh because it is Edinburgh, not for the hotel.
- Occupancy in 5* Edinburgh hotels is 74%.
- The gap in the hotel market identified in market research is for 4* near the conference centre.



What might go wrong?

- Hotel viability – **risk** that construction costs underestimated (c.f. Parliament, trams...).
- Luxury hotels are high **risk**. Scotsman Hotel in administration, Balmoral super luxury strategy failed.
- High level of debt, target 73% occupancy at room rates 66% > existing competitors = **risk**.



Risks and uncertainties

Financial crisis

Indyref2

Terrorist outrage hits UK tourism

£ fluctuates against \$

Rising Inflation

Competition from existing/new hotels

Brexit

CONSTRUCTION COSTS OVERRUN

Travel bans on some countries

What is the developers' agenda?

- Get planning permission.
- That does not mean they **MUST** build the luxury hotel: there is a **risk** they could seek to modify the permission, e.g. to a budget hotel – or sell on the permission.
- Development might stall.
- The site, and Edinburgh's identity, could not be recovered.



Why do we have a planning system?

- Because “economic development” and property speculation are not the best way to decide on the use of land.
- Because citizens have a right to the city – its spaces and how they are to be used.



Precautionary Principle

RISKS

- **Economic benefits less than predicted.**
- **Real construction costs & competition make luxury hotel unviable.**
- **Construction delayed or stalled.**
- **Another Edinburgh “fiasco” – reputational damage.**

CERTAINTY

- **Permanent, irreversible loss of green setting of RHS.**
- **Detrimental impact on World Heritage Site, the Conservation Area and the RHS building’s international status.**