

11th April 2016



Sheona C Hunter
Head of Legal & Democratic Services
Resources
Angus Council
Orchardbank
FORFAR
DD8 1AN

CGLMC Ltd
Carnoustie Golf Centre
Links Parade
Carnoustie
DD7 7JE
Tel: +44 (0) 1241 802270
Fax: +44 (0) 1241 802271
Email: golf@carnoustiegolflinks.co.uk
www.carnoustiegolflinks.co.uk

Dear Sheona

In terms of Clause Fourth of the Minute of Agreement between Angus Council and CGLMC Limited dated 30 April and 28 May, 2015 relative to the management of the Carnoustie Golf Courses, we hereby apply to Angus Council for consent to construct an extension to the existing Golf Centre comprising bar/restaurant facilities, office accommodation, meeting rooms, locker rooms for Season Ticket holders and golf simulator bays. Plans are annexed showing the location of the existing Golf Centre and the proposed extension. We believe that this is an alteration which will improve the "undertaking" as it is defined in the said Minute of Agreement.

In accordance with Clause Fifteenth of the said Minute of Agreement, we also apply to increase the borrowing of CGLMC Limited to £2,950,000. Agreement has been reached with the Royal Bank of Scotland to provide this funding repayable over a maximum period of nine years with no penalty for early repayment. We have drawn up financial projections and it is our anticipation that the Bank borrowing will be repaid over 3½ years.

In support of these applications for consent, we are enclosing herewith a document giving some background which may assist any deliberations.

Yours sincerely

A handwritten signature in cursive script that reads 'Graeme Duncan'.

Graeme Duncan
General Manager

GOLF CENTRE DEVELOPMENT – LANDLORD’S CONSENT

Report By: Graeme Duncan

Date: 11th April 2016

Carnoustie Championship course is one of the finest golf courses in the world. The intention of the Carnoustie Golf Links Trustees is to create a building that provides world class facilities to all our golfing customers and matches the experience delivered by the golf course.

Consultation.

We consulted on this project for 2 years. We wanted to hear from as many people in the community as possible, and we did. We held meetings and presentations with the local golf clubs, Carnoustie Community Council, Carnoustie Development Group, the Carnoustie Golf Hotel, hotels and B&Bs within Carnoustie and residents of Links Parade. Further afield, we spoke with the R&A, IMG(Dunhill), 20 golf tour operators and the local MP and MSP.

We placed information stands in the Carnoustie Library and the Golf Centre, and asked for feedback forms to be completed.

68% of the forms we received were in favour.

Viability.

We employed CDLH, who are specialist chartered surveyors with considerable experience assessing businesses within the leisure and hospitality sector across Scotland. They provided a detailed financial viability review which is contained within the Business Justification Case document. CDLH estimated that the bar and restaurant would operate with a small annual surplus. Given the significant predicted surpluses that the golf course is expected to generate in the next 5 years, this is a positive and sustainable position.

Alan Creevy of CDLH carried out the viability review and his report is based on his many years of experience, not opinions. He is quite clear that the bar and restaurant will be successful.

For every review CDLH carry out, they return after 3 years and benchmark the actual performance of a facility against the predictions that they made. They find that the actual performance averages 5% above or below the original predictions.

Bar/restaurant facilities are successful at every other major venue in Scotland. On a normal summer’s day, the restaurants at St Andrews, Kingsbarns, Gleneagles, Troon and Turnberry are packed with people enjoying top quality fare. Carnoustie gets as many, if not more, visitors than all of these venues except St Andrews, so why would a bar/restaurant not work for us. We can’t be that bad at running it. Also, if some local golf clubs, and season ticket holders who are not golf club members, do make use of the new building, and all indications are that they will, then this provides a very solid base for winter income.

Alan Creevy is available to answer questions on his report.

Henderson Loggie prepare and update a rolling series of financial projections which cover the next 5 years until 2021. These show strong surpluses being generated by Carnoustie Golf Links which

demonstrate that good bank balances will be retained and a loan can be repaid in a short period. These projections have been prepared taking a very conservative position on both income and expenditure. Steve Cartwright of Henderson Loggie is available to answer questions on these projections.

Affect on local community.

Carnoustie Golf Links provides secure, well paid jobs in Carnoustie. Our staff live in Angus. We are a living wage employer, the first of any golf club in Scotland. Our golfing visitors make use of 120 caddies, who are all local people. Their wages go directly into the local economy.

As a charity, we provide funds every year for worthy causes in Carnoustie and Angus.

We work closely with Burnside, Woodlands and Carlogie Primary Schools on environmental projects.

We are, in every sense, part of the community.

This will be a great asset for Carnoustie and Angus. It will provide a facility which will have magnificent views over the golf course and will be unique within Angus.

Carnoustie and Angus communities are every bit as entitled as St Andrews and Fife to have a world class facility like this.

Affect on local businesses.

Everyone at Carnoustie Golf Links is frustrated by the St Andrews effect, where visiting golfers bus in, play golf and then bus back out to St Andrews without spending time (or money) in the town. The biggest reason for this, verified by Tour Operators, is the lack of facilities that are on offer. If we provide a high quality bar and restaurant, it can only help to encourage visitors to stay longer.

The Carnoustie Golf Hotel, which is the closest business to us, is very strongly in favour of this development. They see it as complementing their business, and increasing the customer base for all local businesses.

We are strong supporters of local businesses. Every year, we host the Crows Nest Tassie in September. This brings over 300 golfers to the town. They need accommodation, food and drink. We keep the entry fee low so as to ensure a full field every year. We work with local accommodation providers when there are major tournaments taking place at Carnoustie, such as the British Amateur, the Seniors Open and the Ricoh Ladies Open.

We think we will bring in additional business in the main. Golfing visitors who would otherwise return to St Andrews will use it. Local people who might otherwise choose to go to Broughty Ferry or Dundee will use it.

Affect on Carnoustie golf clubs.

In the last 20 years, 3 local golf clubs (Mercantile, New Taymouth and Dalhousie) have seen their buildings demolished. They still function as golf clubs, but with no premises of their own. The Caledonia, Carnoustie and Carnoustie Ladies still have their own buildings, but all have challenges every year to make ends meet.

This is a common problem throughout Scotland and the rest of the UK. Golf clubs are good at coming up with innovative solutions, but the reality is that the world has changed and golf clubs struggle. This building will not create any further problems for the local clubs with premises. They are already battling indifferent members, the effect of breathalyser limits, competition from pubs showing sporting events, lack of play of fruit machines and so on. Instead the Golf Centre extension can supply them with a lifeline by providing a home for any local golf club who want to move in. It is not a threat to them, but a sustainable solution for the next 50 years.

Open Championship.

The reason that golfing visitors come to play Carnoustie is because we are an Open Championship venue, and we need to do everything we can to remain an Open venue.

This means ensuring that, as much as we possibly can, Carnoustie provides and tries to surpass the facilities available at other venues.

The awarding of an Open Championship to a particular venue is decided by the R&A Championship Committee. They meet behind closed doors and announce their decision for each year. All of the various factors are considered. Accommodation, transport links, course quality, spectator numbers and facilities on offer are all important. Due to the prestige and financial benefits, many courses would like to host an Open. It is a very competitive environment. St Andrews get an Open every 5 years. Other venues average an Open every 10 years.

However, the R&A have recently announced Royal Portrush in Northern Ireland as the venue for the 2019 Open. The Northern Ireland Executive have openly stated they will provide massive investment to ensure that the event is an outstanding success, and, because of that commitment, the R&A have contracted to have at least another 2 Opens at Portrush. Now that Portrush is back as a venue, this leaves Wales as the only home country without an Open course. There will undoubtedly be strong moves from them. All existing venues are alive to this and are investing heavily. Muirfield, Birkdale, Troon and Hoylake have all completed significant clubhouse improvements in recent years. Turnberry is rebuilding the course and clubhouse, although there are other issues there.

We need to respond to this and not allow Carnoustie to fall behind.

Other options.

This has been a 2 year, very detailed appraisal, where every possible option has been looked at in depth, and has resulted in a comprehensive Building Justification Case report.

There is no other option that comes close to being viable or which fulfils the needs of the local community, golf clubs and visitors.

If this option is declined, then Carnoustie will remain where we are at present, with limited facilities. There is no better option that will be revealed by further research or consultation, and to propose that might be the case is wishful thinking and failing to face up to reality. If we are turned down, then Carnoustie Golf Links will do everything we can to deliver regular Open Championships, and retain visitor numbers. However, the other major golfing venues will continue to power on with changes and improvements as we stand still.

Why now and not after 2018

Waiting would achieve nothing. There is no more information, or better option, to be discovered.

The Open Championship takes place in Carnoustie in 2018. By having the new facility built and open before that Championship, it provides us with the perfect opportunity to showcase Carnoustie and Angus to the R&A and the golfing world. It will allow us to present world class, modern facilities that are the equal of the other venues and will mean Carnoustie will not be over-shadowed by the extravaganza that will be the Portrush event in 2019.

Television coverage of the Open Championship is now worldwide, with a potential viewing audience of 600 million. We will be allowed to produce short "fill-in" pieces to be shown to this audience. One of these could be of the new bar and restaurant. An opportunity to promote the area as a holiday destination to an audience of this size only comes at an Open championship.

On the domestic front, 2018 may be too late for the Caledonia Club who have made public the difficult financial position they are in. They will be making decisions very soon on their future and a new building could offer them a solution.

Managing the Golf Links.

The job of Carnoustie Golf Links is to manage the golf courses on behalf of Angus Council. We have never lost sight of that. We are custodians, not owners, and in 2033, when the present agreement ends, the golf courses will be returned to the care of Angus Council who will decide on their future management. Within the Minute of Agreement with Angus Council, we have two main duties. Maintaining the golf courses in the best possible condition, and ensuring public access to the courses. For us, ensuring public access means delivering the best possible service to the members of the public who come to play. It does not seem right that people will receive better facilities at St Andrews or Kingsbarns or Royal Troon than they do at Carnoustie, and we want to correct that.

When we return the courses to Angus Council control, we want to hand back world class facilities, of which everyone is justifiably proud.

Season ticket holders

The present season tickets at Carnoustie are very reasonably priced. Our main ticket is cheaper than the equivalent ticket at Monifieth Golf Links. We offer a 65 years and older discount, and have recently reduced our junior season ticket by 45% to encourage more young people to take up the sport.

The financial projections show that there would be no reason to increase the season ticket to fund the construction or running of the building, and we are happy to commit to that.

Other projects

The lack of a driving range/warm-up facility has long been a source of concern at Carnoustie. We are currently reviewing all the possible options, but the most suitable area has a number of very significant difficulties to overcome. We are optimistic that the provision of golf simulator bays in the proposed extension would deliver excellent warm up facilities and would significantly reduce the requirement for an outdoor range.

Summary

We began this investigative process in good faith and with no preconceived outcome in mind. We knew only that Carnoustie was falling behind other venues and that we had to put all our efforts into trying to secure the golfing future of Carnoustie. We had to try and identify a solution that would work for all stakeholders- the town, the county, the local golf clubs, season ticket holders and visitors, and we believe we have done that.

Over the years we have built the best Greenkeeping sheds in the country. We have replaced a wooden hut with a fine, stone built halfway house for refreshments. There is a new car park for the Burnside course. We built locker rooms and a professional shop to the highest standards. Our courses are rated as in the best condition of any in the UK, and are supported by a large, modern fleet of greenkeeping equipment. Our season ticket prices are low and we work very hard to encourage junior golf.

We believe we have delivered on our commitments in the Minute of Agreement and we see this building development as the next logical step in continuing to improve how we look after the public who play the golf courses. We consider this project to be an alteration which will improve the undertaking, as defined in the original Minute of agreement between Carnoustie Golf Links and Angus Council.

We would respectfully request that Angus Council permit us to take the next step on our golfing journey.