

Land at Common Road, Merthyr Tydfil

Economic Operator Statement

McDonald's Restaurants Ltd

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1.0 Introduction

- 1.1 This Economic Operator Statement has been prepared by Lichfields on behalf of McDonald's Restaurants Ltd ('McDonald's'). It accompanies a full planning application in relation to the proposed development of a Drive-Thru restaurant on land at Common Road, just north of Heads of Valleys Road. The application site is located in the Merthyr Tydfil County Borough Council administrative area.
- 1.2 The Statement provides an overview of the process and key criteria applied by McDonald's in identifying the application site as a commercial opportunity. In addition, it outlines the potential socio-economic impacts that could be unlocked as a result of the scheme's delivery.

Proposed Development

- 1.3 The accompanying planning application seeks planning permission for a 293sqm (Gross External Area (GEA))¹ restaurant with Drive-Thru lane (Use Class A3) with associated servicing, car parking, hard and soft landscaping and other associated works. The proposed restaurant would be operated by McDonald's.

Structure

- 1.4 The remaining sections of the report are structured as follows:
- **Section 2.0:** provides an overview of the site selection process adopted by McDonald's in assessing the commercial viability of the proposed restaurant;
 - **Section 3.0:** outlines the key socio-economic impacts that could be unlocked by the delivery of the application site during the construction and operational phases; and,
 - **Section 4.0:** summarises the key messages from the preceding sections of the document.

¹ Or 270sqm Gross Internal Area (GIA)

2.0 Approach to Site Selection

- 2.1 McDonald's has a well-established methodology for selecting locations for its proposed restaurants. The following paragraphs outline the site selection process and the factors used to assess the likely commercial viability of the site.

McDonald's Store Format

- 2.2 The McDonald's brand is globally recognised and has been trading in the UK since 1974. The company currently trades from more than 1,400 restaurants across the UK and directly employs over 170,000 people.
- 2.3 The *McDonald's at 50: Our Social and Economic Impact*² report highlights the economic contribution of McDonald's operations at the national and regional level. In 2023, McDonald's sites across Wales contributed £369.5 million to the national economy and supported 11,195 jobs. This included:
- 1 9,160 direct jobs within the 74 restaurants in the country;
 - 2 845 indirect jobs in the supply chain; and,
 - 3 1,190 induced jobs within the wider economy.
- 2.4 Almost 90% of McDonald's restaurants are operated as local businesses by franchisees. This approach provides the opportunity for local investors to leverage the global marketing and branding of McDonald's, as well as benefitting from the organisation's comprehensive training programmes and well-established supply chains. As a result, the development of a new McDonald's restaurant offers the potential for immediate growth and a lower risk of failure compared to an alternative independent start-up. The anticipated employment opportunities supported by the proposals (see Section 3.0) can therefore be perceived as more secure than those supported by an independent alternative.
- 2.5 The business' network of restaurants in the UK includes four principal formats, as summarised below³:
- 1 High Street;
 - 2 Drive-Thru;
 - 3 Drive To; and,
 - 4 Delivery Kitchen.
- 2.6 The most prevalent formats are Drive-Thru and High Street, which account for approximately 1,000 sites and 400 sites respectively.
- 2.7 The application site has been identified as a suitable location for a Drive-Thru restaurant.

² McDonald's at 50: Our Social and Economic Impact (2024)

³ In addition, there are a small number of 'In Store' restaurants. However, these are not included within the 'principal' store formats.

Site Selection Process

- 2.8 Potential sites are identified through a number of sources, including McDonald's retained commercial property agents and external referrals. Locations are then assessed using a two-stage process, as outlined below:
- **Stage 1:** Potential sites are assessed using McDonald's bespoke analytical model. This is used to determine whether sites are likely to represent suitable locations for investment.
 - **Stage 2:** For sites which progress beyond Stage 1, further analysis is conducted to determine the likely strength of their future trading performance. This assessment draws upon a review of comparable sites within McDonald's existing portfolio of assets.

Stage 1: Initial Modelling

- 2.9 The analytical model used at Stage 1 is proprietary to McDonald's. Details of the modelling approach are therefore commercially sensitive and cannot be disclosed in full. The modelling framework is dynamic. As such, it recognises that interdependencies exist between key metrics and influence the importance of each other. The anticipated role and market position of a site can also impact upon the relative importance of key metrics. The list of criteria, therefore – and the threshold values which must be met for a site to be considered viable – may vary according to the type of site to be delivered.
- 2.10 At present, Merthyr Tydfil has two Drive-Thru restaurants located to the *west* of the town centre. McDonald's advises that the proposed restaurant will provide additional capacity in an underserved market as it will be easily accessible to the underserved *eastern* suburbs of Merthyr Tydfil. In addition, the application site is expected to benefit from proximity to a neighbouring retail destination and increasing transient custom following major road upgrade works the A465.
- 2.11 In recognition of the factors outlined above, the key issues assessed within the model are:
- 1 Local population catchment;
 - 2 Proximity to existing McDonald's restaurants in the surrounding area;
 - 3 Proximity to local retail destinations; and,
 - 4 Anticipated volume of traffic flows.
- 2.12 The following paragraphs provide an overview of each of these factors and how the application site performs against them. It can be seen from the list above, that the model does not consider local representation of McDonald's competitors. It is understood, based upon discussions with McDonald's that:
- 1 Competition is not considered to have a significant impact on trading levels of McDonald's sites; and,
 - 2 Where competition does exert *some* influence on trading, this can often be positive, with greater range and choice making a destination more attractive and encouraging more customers to stop/visit.

Local Resident Population

- 2.13 McDonald's recognises that every site is unique in terms of revenue generators and that the level of influence and the importance of each fluctuates. As a general guide, however, a population of 15,000 people within a (non-overlapping) 8-minute drive time is typically sought by McDonald's to support a viable Drive-Thru restaurant.
- 2.14 In the context of the above, McDonald's analysis indicates that an 8-minute drive time from the application site contains a non-overlapping population of approximately 24,600. This exceeds the typically applied population threshold by more than 60%. In addition, the wider Merthyr Tydfil market has a settlement population of approximately 37,000. Lichfields is advised by McDonald's that Merthyr Tydfil is comparable in population size to a number of towns that support three Drive Thru restaurants. At present, Merthyr Tydfil contains two Drive Thru's, both of which are trading strongly. As such, McDonald's considers the Merthyr Tydfil market to be underserved at present.
- 2.15 It is clear from the analysis presented above that the site clearly exceeds the analytical model's population catchment threshold.

Existing Network of Restaurants

- 2.16 In considering a site's relationship to McDonald's existing portfolio of restaurants, the analytical model seeks to provide sufficient distance between existing restaurants. This helps to ensure that new developments are positioned to serve new (or less well penetrated) catchment areas.
- 2.17 More broadly, McDonald's typically looks to ensure that no Drive-Thru/Drive To restaurants are located within 1km of each other in areas which perform well against the local population threshold. The analytical model considers both Drive-Thru and Drive To locations, as their offer and market position is seen as comparable. When assessing the suitability of Drive-Thru sites, the model does not, however, have regard to the proximity to High Street, Delivery Kitchen or In Store locations. This is because these formats are viewed as serving a separate customer base and being underpinned by different drivers of demand.
- 2.18 The closest Drive Thru/Drive To restaurants to the application site are listed below.
- 1 **Rhydycar Leisure Park (3.3 miles):** The site is situated to the southwest of Merthyr Tydfil within Rhydycar Leisure Park which includes a number of leisure and entertainment uses such as Vue Cinema, Halo Merthyr Tydfil Leisure Centre, Travelodge and Superbowl UK. It is also within close proximity to an Aldi supermarket and a number of office buildings, which also help to attract custom to the restaurant. This site is the closest restaurant for residents living/employees working in the communities of Ysgubor Newydd and Twynyrodyn. In light of these factors, the restaurant serves a different market to that being targeted by the application site.
 - 2 **Cyfartha Retail Park (3.4 miles):** The site is situated to the north west of Merthyr Tydfil within Cyfartha Retail Park, which includes a wide range of retail operators such as Currys, Sports Direct, TK Maxx, Next, and M&S. In addition, the wider area surrounding the site includes Trago Mills, a 30,250sqm retail superstore⁴. This site is

⁴ CoStar (2025)

also the closest restaurant for residents and employees of the communities of Morgantown, Heolgerrig, and Gellideg. As such, the restaurant serves a different market to that being targeted by the proposed development.

- 2.19 Further, both of the above sites are situated to the *west* of Merthyr Tydfil, whilst the application site is located to the *north-east*. It is strategically located to meet demand from the underserved eastern suburbs, including Dowlais and Pant. In addition, McDonald's advises that the town's existing Drive Thru restaurants are trading strongly, despite having sub-optimal layouts and parking provision. This application site would help to provide some relief to these sites, thereby improving the customer experience provided.
- 2.20 The above demonstrates that the application site complies with the requirements of the McDonald's model with respect to proximity to existing restaurants. This supports McDonald's view that the site is suitable as a new restaurant location.

Proximity to Local Retail Destinations

- 2.21 Proximity to retail and employment areas can act as a significant attractor of custom for McDonald's restaurants. Indeed, McDonald's restaurants are regularly located near other retail and leisure operators where this is possible, as they are known to contribute to stronger sales performance. On average, such locations are understood to add 10% to sales. Furthermore, McDonald's analysis of Visa transaction data indicates that 14% of Drive-Thru/Drive To sales are generated (on average) by retail-related custom (i.e. engaged in a transaction at a retail unit within 500m of a restaurant prior to their visit).
- 2.22 The application site is located adjacent to a Lidl supermarket and Comfortzone on Heads of the Valleys Road, and is within 500m of an Asda supermarket, B&M Home store and a Dunelm store. The site's proximity to these operators, as well as the industrial uses on Pengarnddu Industrial Estate (including Tenneco Walker, 2 Sisters Food Group and St Merryn) are expected to help drive demand and give McDonald's further confidence that the subject site will be a good location from a trading perspective. It is estimated there are a total of 2,750 people employed in close proximity to the site⁵, which could lead to further demand from workers during lunchtime/breaks.

Traffic Flows

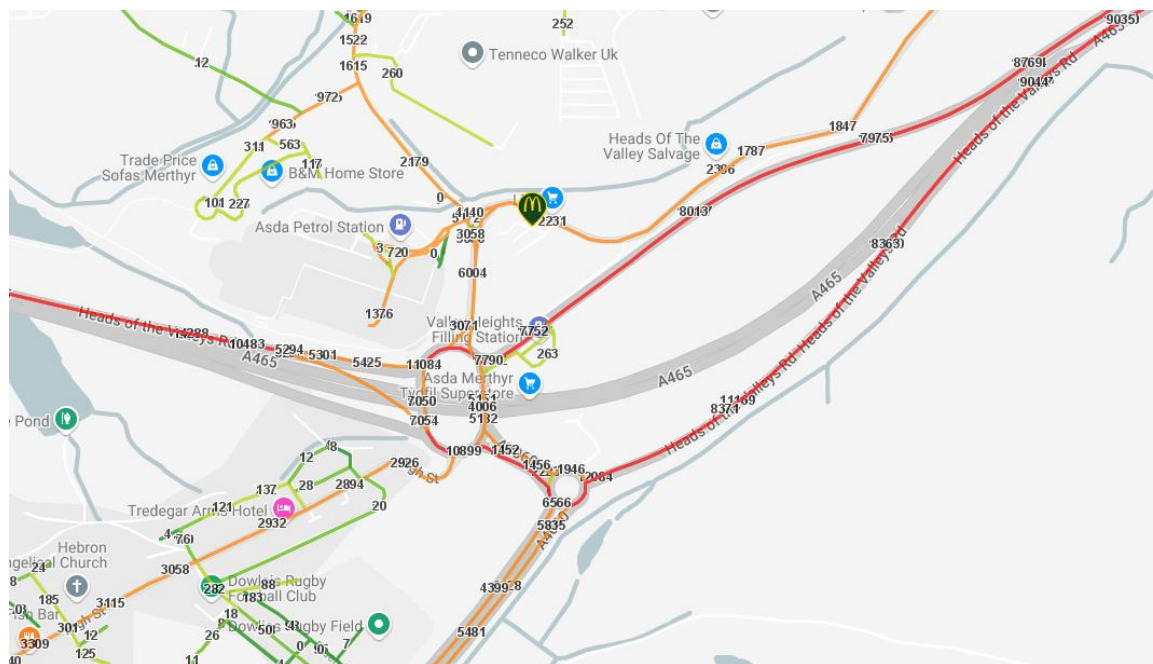
- 2.23 The Department for Transport (DfT) records data regarding traffic flows based on Average Annual Daily Flow (AADF). McDonald's advises that a minimum traffic flow of 10,000 AADF is typically required for a site to be considered a suitable development opportunity.
- 2.24 The McDonald's model uses a hybrid dataset, which triangulates data from DfT, TomTom and mobile phone activity. This provides estimates of AADF across the entire road network, with the data for the application site shown in Figure 2.1.
- 2.25 Data published following the reopening of Heads of Valley Road is not yet available. However, McDonald's advise that a traffic flow figure of approximately 30,000 AADF is anticipated. This exceeds the AADF target threshold referred to above by a factor of 3. The traffic flow achieved by the application site reflects its visibility from the Heads of the

⁵ Within the Lower Super Output Areas of Merthyr Tydfil 002A and 002B

Valleys Road, a key part of the transport network which serves as a main local travel route whilst also connecting Merthyr Tydfil with Swansea and Abergavenny.

- 2.26 Significant upgrade works have recently been completed on the Heads of the Valleys Road. This £590m project has involved the dualling a 17.3km stretch of the road and introduction of new junctions to facilitate an increase in the volume of traffic. McDonald's advises that traffic flow figures are expected to increase to 40,000 AADF by 2037. The application site and McDonalds totem will be visible from the improved road, which could further bolster the site's ability to translate passing traffic into transient sales.

Figure 2.1 Traffic Flow Data



Source: 2018, 2023 Precisely. © 2006-2022 TomTom. All rights reserved

Stage 2: Site Comparators

- 2.27 Based upon the Stage 1 analysis, the application site was identified as a viable location for a Drive-Thru restaurant as a result of:

- 1 The size of the local population catchment;
- 2 Its proximity to existing McDonald's restaurants in the surrounding area;
- 3 Its proximity to local retail destinations; and,
- 4 The anticipated volume of traffic flows.

- 2.28 Stage 2 of the assessment process generates a modelled sales estimate for sites which progress beyond Stage 1. This is used to determine the likely commercial viability of a site and draws principally upon an analysis of similar existing McDonald's locations. It is understood that the sales forecasts for the application site were developed drawing upon data for comparator Drive Thru locations. Comparator restaurants were identified on the basis of the following market conditions:

- 1 Located within a town with a similar population size;

- 2 Located in a town which contains three McDonald's Drive Thru restaurant; and,
- 3 Located on a significant local travel route.

2.29 The estimated sales figures for any site assessed at Stage 2 are an aggregate of the following three individual sales estimates. This approach is intended to reflect the core customer markets served by McDonald's across all formats:

- 1 **Transient custom:** This is based on passing trade influenced by proximity to the strategic road network, volume of traffic flows and distance to the nearest Drive-Thru restaurant;
- 2 **Residential and delivery sales:** Reflecting the size of the residential population within an 8-minute catchment (as well as the relationship to existing locations in the area); and,
- 3 **Retail-related sales:** Taking account of the size and strength of an area's retail draw and the potential of this to drive custom.

2.30 McDonald's assessment of the anticipated sales for the application site indicates that the proposed restaurant at the application site is expected to perform well and to be commercially viable.

2.31 It is clear that McDonald's has been through a comprehensive site assessment exercise and that this process has identified the application site as a viable commercial opportunity.

3.0 Socio-Economic Impact of Development

- 3.1 This section sets out the potential socio-economic impacts associated with the proposed development. The key impacts relate to the new employment opportunities and additional economic output that could be generated by the proposals (during both construction and operation). The environmental and wider community impacts associated with the scheme are also considered.

Construction Impacts

Direct Employment

- 3.2 The total construction cost of the development is estimated at £3.5 million. This figure has been provided to Lichfields by McDonald's.
- 3.3 Labour coefficients from the HCA Calculating Cost per Job Best Practice Note (2015) can be used to estimate the number of direct construction jobs that could be supported by the proposed development over the course of the construction phase. Taking account of the nature of the scheme, a 'private commercial' coefficient is considered as the most appropriate for estimating the number of direct construction jobs. This coefficient assumes that every £1 million of construction value (in 2011 prices) will support 16.6 direct Full-Time Equivalent (FTE) jobs for a period of one year.
- 3.4 To use the coefficient, the estimated construction cost has been deflated from 2025 to 2011 prices using UK Government GDP deflator data (2023). Applying the private commercial coefficient to the deflated construction cost of £2.6 million and then dividing the result by the length of the construction period (5 months or 0.42 years) indicates that the proposed development could be expected to support – on average – 105 gross direct FTE jobs during the construction phase.

Indirect Employment

- 3.5 The construction of commercial property involves purchases from a range of suppliers, which purchase from their own suppliers further down the supply chain. The relationship between the initial direct expenditure and total economic impact is referred to as the 'multiplier effect' and demonstrates that an initial investment can have substantially larger economic benefits as this expenditure is transmitted through the economy.
- 3.6 As a result, it is anticipated that businesses in the local and regional economy would benefit from trade linkages established during the construction of the scheme. Consequently, a number of indirect jobs would be supported through the supply of construction materials and equipment.
- 3.7 ONS data indicates that the construction industry has an indirect multiplier of 2.21⁶. Applying this to the 105 direct FTE construction jobs derived above indicates that a further 125 *indirect* FTE jobs could be supported through the construction phase. In total, therefore, the proposed development could be expected to support 230 direct and indirect FTE jobs during construction.

⁶ ONS Detailed Input-Output Tables (2019); an employment multiplier of 2.21 implies that for every one direct job generated a further 1.21 indirect jobs are supported in the supply chain.

- 3.8 It should be noted that the preceding analysis is based upon the application of a ‘Type I’ multiplier and therefore makes no allowance for any *induced* employment impacts associated with the proposed development. Induced employment impacts relate to the jobs generated in the local/regional economy (in shops, bars, restaurants and other service providers) as a result of wage expenditure by the direct and indirect employees associated with a scheme. On this basis, the total employment impact derived in the preceding paragraphs is considered likely to represent a conservative estimate.

Economic Output

- 3.9 The construction phase of the development will also make a contribution to local economic output, as measured in terms of Gross Value Added (GVA). GVA is a measure of the difference between what is produced as output (goods and services) and the inputs (raw materials, semi-finished products etc.) used in the production of these outputs. It represents the additional value that is added through economic activity. In measuring economic growth, economists typically have regard to the quarterly (or annual) change in GVA for a given area.
- 3.10 Based on recent data (2023) published by Experian, it is estimated that the scheme could be expected to deliver an additional £10.8 million of GVA during the construction phase (including direct and indirect GVA). This estimate has been derived having regard to:
- 1 The level of direct employment to be supported during construction;
 - 2 The length of the build period;
 - 3 Average GVA per construction worker for Wales⁷; and,
 - 4 An appropriate GVA multiplier for the construction industry⁸.
- 3.11 It should be noted that a ‘Type I’ multiplier has been applied and, as such, no induced effects are captured within the analysis. In reality, therefore, £10.8 million of GVA is likely to represent a conservative estimate of the scheme’s total potential impact.

Operational Impacts

Direct Employment

- 3.12 It is estimated that the proposed development could support the creation of 105 gross direct headcount jobs, once completed and operational. This could be expected to correspond to approximately 80 gross direct FTE jobs. Both employment figures have been estimated by Lichfields, drawing upon analysis of floorspace and employment data for a sample of almost 900 McDonald’s restaurants across the UK. They have subsequently been verified by McDonald’s, having regard to the company’s business model for the application site.

Indirect Employment

- 3.13 In addition to the direct jobs considered above, some indirect employment could also be created, in the supply chain, as a result of additional spending on goods and services by McDonald’s. The wage expenditure of the direct workers, as well as those employed in

⁷ Experian (2023) – re-based to 2025 prices using the UK Government GDP deflator

⁸ A multiplier of 2.27 has been applied, based on ONS Detailed Input-Output Tables (2019)

businesses supplying McDonald's, would also support induced jobs in shops, services, and other businesses in the wider economy.

3.14 Having regard to appropriate local and regional multipliers⁹, it is estimated that the 80 direct FTE jobs created by the proposed development could support the creation of 30 'spin-off' FTE jobs in the local economy. At the regional level, 45 'spin-off' FTE jobs could be supported (including the 30 to be captured locally).

3.15 In total, therefore, the proposed development could support approximately 125 FTE jobs (comprising direct, indirect, and induced impacts) across the wider region.

Economic Output

3.16 The direct operational employment created by the proposals could also be expected to result in an increase in GVA.

3.17 It is estimated that the gross direct employment associated with the scheme could generate additional *direct* GVA of £2.0 million per annum. This has been derived having regard to:

- 1 The level of gross direct employment generated by the proposals (105 headcount jobs); and
- 2 Direct GVA per headcount job created (on average) by McDonald's restaurants in Wales.

3.18 It should also be noted that an additional level of indirect/induced GVA could be generated. The total level of GVA supported by the proposed development once operational could therefore be higher than the £2.0m set out above.

Fiscal Impacts

3.19 Business rates are a property tax paid by occupants of non-domestic property. They are used to help fund investment in important local infrastructure and services. It is estimated that the proposed development could generate business rate payments in the order of £58,000 per annum, with a proportion of this retained by the local authority (Merthyr Tydfil County Borough Council). This estimate has been calculated having regard to the following:

- 1 The overall quantum of floorspace to be delivered;
- 2 The average Rateable Value (RV) of other nearby McDonald's Drive Thru sites¹⁰; and,
- 3 The application of the (2025/26) Welsh business rate multiplier of 0.568.

Environmental Impacts

3.20 The scale of McDonald's operations presents an opportunity to have a positive impact on some of the biggest challenges facing the World today. The threat of climate change is one such challenge and McDonald's is proud of the investment it has made to reduce their carbon footprint in the UK.

⁹ HCA Additionality Guide, Fourth Edition 2014 – 'Recreation' multiplier: 1.38 local; 1.56 regional

¹⁰ Merthyr Tydfil; Cyfartha Retail Park; and Ebbw Vale.

3.21 McDonald's was the first global restaurant chain to set science-based greenhouse gas reduction targets at a global level. Its aim is to achieve net zero emissions across all restaurants and offices by 2030, as well as net zero across the entire business and value chain by 2040.

3.22 To meet these targets, McDonald's operates the following initiatives to promote environmental good practice:

- 1 Purchase 100% renewable electricity for all sites that McDonald's own and operate;
- 2 Cooking oil from restaurants is recycled into biodiesel using local collectors. The biodiesel is then used as fuel for McDonald's vehicles. In 2023, this helped to reduce carbon emissions by 16,250 tonnes;
- 3 In the UK in 2023, 97.5% of customer packaging was designed to be recyclable or compostable; and,
- 4 Customer recycling stations are installed in all new restaurants, to encourage customers to dispose of their food packaging responsibly.

Community Impacts

3.23 McDonald's is committed to operating as a valued and responsible member of the communities in which it operates. This is supported by a range of activity including:

- 1 **Delivering strong staff training programmes:** McDonald's invested more than £62 million in training in 2023. Approximately two-thirds of McDonald's employees are aged between 16 and 25. For many, a job at McDonald's is the very first step in their career. This highlights the importance of a strong training programme to enhance the development and work experience of school leavers and young people.
- 2 **Encouraging young people to lead more active lives:** McDonald's has a long tradition of supporting community football, providing financial support to grow and improve standards in grassroots football across England, Scotland, Wales and Northern Ireland. McDonald's most recent initiative, the Fun Football programme was launched in 2019. It is the UK's largest grassroots participation programme for children aged 5-11. By 2026, the programme aims to deliver:
 - a Access to free football coaching for more than 1 million children; and,
 - b Diversity, Equality and Inclusion training to over 800 grassroots coaches.
- 3 **Supporting charities:** McDonald's operate its own independently registered charity, Ronald McDonald House Charities UK (RMHC), which helps support families with sick children in hospital. In 2023, franchisees, suppliers and customers raised £10.3 million for RMHC, which supported 8,415 families across the UK. In addition, McDonald's franchises donated a further £4.5 million in 2023 to support a range of local causes.

4.0 Summary

- 4.1 The development proposals will deliver a McDonald's Drive-Thru restaurant on land north of Heads of Valley's Road. The application site has been identified – using McDonald's bespoke analytical model – as a commercially viable location.
- 4.2 The analytical model has had regard to the following criteria, with the site performing well against each of the following criteria:
- 1 The size of the local population catchment;
 - 2 Its proximity to existing McDonald's restaurants in the surrounding area;
 - 3 Its proximity to local retail destinations; and,
 - 4 The anticipated volume of traffic flows.
- 4.3 Modelled sales estimates for the site have also been produced, drawing upon analysis of comparable McDonald's locations. The exercise has confirmed the commercial potential of the site.
- 4.4 In addition to the commercial opportunity the development proposals present, the scheme could also deliver the following economic, environmental and community impacts:
- 1 Support 105 direct FTE construction jobs, as well as supporting a further 125 indirect FTE jobs during the construction phase;
 - 2 Generate an additional £10.8 million of Gross Value Added during construction;
 - 3 Create 105 direct headcount jobs (80 direct FTE jobs) on-site, once the proposals are completed and operational. This could support a further 45 indirect and induced FTE jobs in the wider region;
 - 4 Generate £2.0 million of additional GVA per annum through direct operational employment; and
 - 5 Deliver an uplift in business rates revenue in the order of £58,000 per annum – a proportion of which would be retained locally.
- 4.5 McDonald's have established a number of initiatives to provide beneficial environmental and community impacts, including recycling measures such as the reuse of cooking oil for biofuel and strong staff training programmes.

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