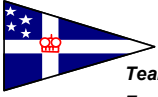


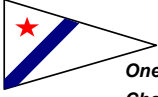
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2000 - 2003



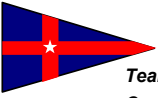
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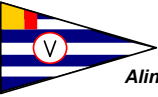
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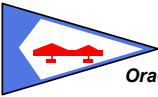
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*Team Dennis Conner*



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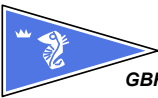
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*Victory Challenge*



*Prada Challenge*



*GBR Challenge*



*Le Defi Areva*

# Comparison of America's Cup Economic Impacts 2000 - 2003

Prepared for  
Ministry of Tourism

By  
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# 1 Introduction

McDermott Fairgray Group Ltd and Ernst Young carried out the economic impact assessment on the 2000 America's Cup Defence and Louis Vuitton regatta. A similar study of the 2003 America's Cup Defence was recently completed by Market Economics Ltd.

While closely similar methodologies were applied in both studies - using input-output modelling and multiplier analysis to calculate flow on effects through the economy - the 2003 study was able to draw on more recent data about the nature of the New Zealand economy, which showed a lower degree of multiplier or flow on effect.

This paper provides a more direct comparison of the economic impacts of the two events, by applying the most up-to-date economic models to the analysis of the 2000 America's Cup Defence.

The 2000 study identified the direct expenditure effects, and applied input-output models to calculate the flow on effects of this spending generated by participants, spectators and organisers. The models used for both the national and regional impacts were derived from the 1987 inter-industry study carried out by Statistics New Zealand (a structural study of the New Zealand economy), which had been partially updated in 1994/95.

In 2001, Statistics New Zealand released a comprehensively updated inter-industry table based on surveys conducted in 1995/96. This has allowed recalculation of the economic models, which provide a significant improvement in their representation of both the regional and national economies, and produce more accurate measures of direct and flow on impacts from additional expenditure. The models used for the 2003 America's Cup study were able to draw on this 1995/96 Inter-Industry Study.

The New Zealand economy underwent significant structural changes between 1987 and 1995, and the latest models reflect that structural change. In broad terms, the economy has become more open to international competition and is more efficient and effective as a whole in meeting the needs of New Zealanders in a sustainable manner.

However, the use of models on different years – and therefore different economic structures - has meant that the economic impact figures produced for the 2000 event are not directly comparable with those produced for the 2003 event. The purpose of this paper is to present the impact assessment carried out for the 2000 event in terms that are directly comparable with the 2003 study, and assess the differences.

## 2 Methodology and Outcomes

We have taken a two step approach to reassess the 2000 results in 2003 terms;

- Direct expenditure from the 2000 study was recoded to align with economic sectors in the revised models. The actual expenditure numbers have not been altered, rather the allocation to specific sectors has been adjusted, to be consistent with the latest models.
- The value added ratios and multipliers (indirect, induced) in the latest models have been applied to the 2000 spend figures to produce direct and total output, value added, and employment. These impacts are then able to be compared directly with outputs from the 2003 assessment.

### 2.1 NATIONAL OUTCOMES

The McDermott Fairgray/Ernst Young study (2000) identified that almost \$474m in additional expenditure was generated by the 2000 event in the national economy. This translated to \$188m in direct value added and supported 3,820 full time equivalent employees (FTE years). Once the flow on effects of meeting the increased demands for intermediate goods and services to supply this increase in demand were accounted for total value added equalled almost \$640m, to sustain total employment of 10,620 FTE years (Table 2.1).

Applying the 2003 economic models and multipliers to the identified direct spend (\$474m) gives a direct value added figure of \$195m (slightly higher than the \$188m in 2000) and direct employment of 4,500 FTEs (compared with 3,820). However, the multiplier analysis shows lower flow on effects, and the total value added is significantly reduced at \$495m (compared with \$640m). Total employment is also lower at 8,690 FTEs (compared with 10,620) (Table 2.1).

By comparison, the 2003 Americas' Cup event resulted in \$523m of additional direct expenditure, generating \$213m in direct value added and 5,010 FTEs. In total, almost \$529m in value added was generated sustaining 9,360 FTEs.

**Table 2.1: National Economic Impacts – America's Cup 2000 and 2003**

	AC 2000	AC2000 Spend, AC2003 Multipliers	AC 2003
<b>Economic Impacts (\$m)</b>			
Net Additional Expenditure	\$ 473.8	\$ 473.8	\$ 523.4
Direct Value Added	\$ 188.7	\$ 195.1	\$ 212.7
Total Value Added	\$ 639.6	\$ 494.7	\$ 528.6
<b>Employment Impacts (FTE years)</b>			
Direct Employment	3,820	4,500	5,010
Total Employment	10,620	8,690	9,360

## 2.2 AUCKLAND REGIONAL OUTCOMES

The situation is similar in Auckland. The original regional economic model indicated that the direct additional expenditure in the Auckland economy (\$432m) generated direct value added of \$171m and employment of 3,500 FTEs. Once the flow on effects are included, value added generated in the region rises to \$472m supporting employment of 8,070 FTEs (Table 2.2).

Applying the 2003 regional economic models to the direct spend sees slightly more direct value added, \$177m vs \$171m, supporting 4,090 FTEs (compared with 3,500 estimated in 2000). Applying the revised Type II multipliers (indirect and induced effects) to these figures produces a significantly reduced total value added estimate of \$397m (compared with \$472m) and total employment of 7,120 FTEs (compared with 8,070) (Table 2.2).

**Table 2.2: Auckland Economic Impacts – Americas' Cup 2000 and 2003**

	AC 2000	AC 2000 Spend, AC 2003 Multipliers	AC 2003
<b>Economic Impacts (\$m)</b>			
Net Additional Expenditure	\$ 431.8	\$ 431.8	\$ 496.8
Direct Value Added	\$ 171.2	\$ 177.3	\$ 201.0
Total Value Added	\$ 472.3	\$ 396.5	\$ 449.8
<b>Employment Impacts (FTE years)</b>			
Direct Employment	3,500	4,090	4,770
Total Employment	8,070	7,120	8,180

## 2.3 SECTORAL OUTCOMES

The major share of the difference between the 2000 figures and the 2000 figures put through the 2003 model occurred in a relatively limited number of sectors;

- Accommodation
- Air Transport
- Construction
- Boat building and Related Services

Collectively they accounted for almost 60% of the difference, with the remaining 23 sectors accounting for around 40%.

It is also important to note that there was a significant difference in the mix of activities between the two events. In 2000 the construction sector was very important within the overall expenditure pattern, and accounted for over 14% of total direct expenditure. However, during the 2003 event, the construction sector only accounted for 4% of total direct expenditure. In dollar terms it had reduced from over \$66m in 2000 to \$21m in 2003. At the same time, boat building and related activities had increased from 13% to over 24% and from \$63m in 2000 to \$129m in 2003.

### 3 Conclusions

The differences identified above reflect the changing nature of New Zealand's economy between 1987 and 1995, as well as improvements in the calculation of both national and regional multipliers, and in the supporting statistical data.

With an increasingly open economy New Zealand businesses have a wider range of suppliers to choose from, in that they are not necessarily restricted to a limited range of local producers of intermediate goods and services. This has led to a greater integration between the New Zealand economy and the world economy, though it has also reduced New Zealand's level of self sufficiency. This has the effect of reducing the number and value of transactions between businesses and hence sectors within the New Zealand economy, and thereby reducing the multiplier effect of increased demand.

The practical outcome is that New Zealand businesses, in meeting the increased demands for their services by an event such as the America's Cup, are sourcing more intermediate goods and services from international suppliers rather than domestic suppliers. Accordingly, they generate less flow on activity within the national economy.

Given that the 1987 inter-industry study reflects a snapshot of New Zealand at the beginning of its transition to an open economy, it reflects higher levels of self sufficiency and lower levels of efficiency than exist today. By 1995, however, much of the structural change had either occurred or was occurring within the economy, New Zealand had a much more open economy operating in a much more efficient manner. This is reflected in the lower multipliers in the revised input output models used in the 2003 Americas' Cup Economic impact analysis.

The key conclusions that can be drawn from this comparison are that;

- a. Both the 2000 event and the 2003 event generated significant economic benefits to both New Zealand as a whole and Auckland in particular. Both events generated around half a billion dollars of value added, with the 2003 event generating \$529m in total value added compared to the \$495m generated in the 2000 event.
- b. When viewed on a comparable basis, the 2003 event sustained a slightly larger impact overall than the 2000 event.
- c. Both studies utilised the most up to date information and models available at the time.