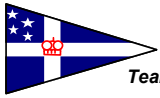
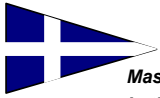


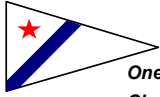
Summary of
the Economic Impact
of the 2003
America's Cup Defence



Team New Zealand



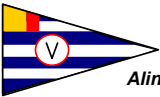
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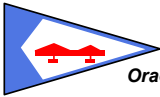
OneWorld Challenge



Team Dennis Conner



Alinghi Swiss Challenge



Oracle BMW Racing



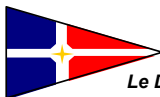
Victory Challenge



Prada Challenge



GBR Challenge



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Summary of the Economic Impact of the 2003 America's Cup Defence Summary

Prepared for

Ministry of Tourism

By

Market Economics Ltd

In conjunction with

Gravitas Research & Strategy Ltd & Horwath Asia Pacific Ltd

OCTOBER 2003

Topline Results

1. The America's Cup had a major positive economic impact for Auckland and New Zealand.
2. This study has identified \$523m of net additional spending in the New Zealand economy generated by the event over the 2000-03 period, which would not have occurred otherwise.
3. This expenditure generated \$529m of value added in the New Zealand economy, making a significant contribution to national GDP.
4. It generated \$450m of value added in the Auckland economy - a significant contribution to regional GDP.
5. The Cup-related expenditure also had a substantial positive effect on employment in the economy, sustaining the equivalent of 9,360 full time years of employment at the national level, and 8,180 full time years in the Auckland economy.
6. These findings are based on extensive in-depth and survey research among the main spending sectors, and the main sectors involved in meeting the additional demand. The expenditure information has been analysed, using comprehensive models of the regional and national economies, to identify contributions to value added (GDP) and employment. The measurement identifies direct value added, and the flow-on (indirect and induced) effects as expenditure passes through the economy.
7. The major expenditure was contributed by:
 - ◆ Syndicates (\$171m)
 - ◆ Superyachts and other yachts (\$155m)
 - ◆ Syndicate communities (\$53m)
 - ◆ International visitors (\$49m)
 - ◆ Regatta organisers (\$29m)
 - ◆ Media (\$28m)
 - ◆ Sponsors and businesses (\$21m)
 - ◆ Cruise ships and other vessels (\$11m)
8. The main sectors to benefit from the additional demand were:
 - ◆ Marine sector (\$143m)
 - ◆ Accommodation and hospitality (\$92m)
 - ◆ Retail and entertainment (\$132m)
 - ◆ Business and household services (\$48m).
 - ◆ Transport (\$48m)
9. In addition to these tangible GDP and employment effects, the America's Cup event generated greater international awareness of New Zealand - as a tourism destination and a place to do business – and helped consolidate the reputation of the New Zealand marine sector.

Executive Summary

Objective

This report was commissioned by the Ministry of Tourism to identify the impact of the America's Cup regatta held in Auckland over the summer of 2002-2003 on the Auckland region and the national economies. The economic impact has been measured as the value added and employment sustained in the regional and national economies, as a result of the additional expenditure generated by the Louis Vuitton Cup and the America's Cup Defence. The study was undertaken by Market Economics Ltd, Gravitas Research and Strategy Ltd and Horwath Asia-Pacific Ltd. It follows an earlier study for the Ministry into the effects of the build-up to the Cup over the 2000-2002 period.

National Economic Impact

The regatta was a major event, with a multitude of effects across the economy. This study identified some \$542m of total expenditure associated with the America's Cup, and net additional expenditure of some \$523m, including \$497m in the Auckland Region. Table 1 shows the net additional expenditure generated by the event, from each main spending source to each main selling sector.

Table 1: Net Additional Expenditure by Source by Summary Sectors (2000-03)

Direct Spend (\$m)	Accommodation & Hospitality	Retail & Entertainment	Transport	Marine Sector	Business & Household Services	Other	Total
New Zealand							
Syndicates	28.4	11.2	8.0	65.1	22.1	35.8	170.6
Syndicate Community	16.5	30.2	4.9	0.1	1.2	0.0	52.9
Superyachts and Other Yachts	11.7	58.9	1.8	76.4	0.0	5.8	154.6
Other Boats/Ships	2.8	2.2	4.7	0.0	0.8	0.3	10.8
Sponsors and Businesses	2.9	0.7	2.4	0.3	7.5	6.9	20.7
Organisers	3.7	4.1	3.8	0.8	9.1	7.2	28.7
Media	6.0	9.0	4.4	0.0	5.5	3.3	28.1
Govt and Comm Services	0.7	2.0	0.8	0.1	1.6	2.3	7.6
International Visitors	19.1	13.6	16.7	0.0	0.0	0.0	49.4
Domestic Visitors	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	91.7	132.0	47.5	142.7	48.0	61.6	523.4

The economic impacts were substantial at the national level. The additional expenditure of \$523m generated some \$213m in direct value added (about 40% of total expenditure). The indirect and induced effects as the expenditure flowed through the New Zealand economy added a further \$316m, so that the total economic contribution to New Zealand was \$529m (Table 2). This represents a significant impact, which equates to around 0.42% of the national GDP estimated at \$126.2Bn (YE March 2003, Statistics New Zealand).

The flow on effects of the expenditure were substantial, reflecting the complexity and comprehensive structure of the national economy. The indirect and induced effects were nearly 1.5 times the size of the direct impact. The additional expenditure generated by the event sustained the equivalent of 9,360 full time equivalent (FTE) years of employment.

Overall the event had a strong positive impact, as there were major flows of overseas money spent in the New Zealand economy, by syndicates, organisers, sponsors, super-yachts, media and tourists.

Some of the impact (from domestic travellers going to Auckland for the regatta) was positive for the Auckland economy, but negative for other regional economies, because their extra spending in Auckland was offset by reduced spending in their home regions or other domestic travel destinations.

Table 2: Contribution to the National Economy (2000-03)

Impact	Direct	Indirect & Induced	Total
Contribution to GDP (\$m) 2000-02	\$ 54.4	\$ 83.0	\$ 137.4
Contribution to GDP (\$m) 2002-03	\$ 158.3	\$ 232.8	\$ 391.2
Contribution to GDP (\$m) Total	\$ 212.7	\$ 315.9	\$ 528.6
Employment (FTE yrs) 2000-02	1,210	1,140	2,350
Employment (FTE yrs) 2002-03	3,800	3,210	7,010
Employment (FTE yrs) Total	5,010	4,350	9,360

Most of the impact (74%) was in the 2002-03 year (\$391m), corresponding with the peak of syndicate activity, and because almost all the spectator and media activity focused on the Louis Vuitton challenger series, then the America's Cup Defence in March 2003. The \$391m total value added impact suggests a contribution to national GDP over the 2003 year of around 0.31%.

There was also a substantial contribution of \$137m to national GDP in the 2000-02 build up period, sustained by the strong presence of challenger and defender syndicates in the summers of 2000-01, and 2001-02.

While the major share of the economic impact (85%) was for the Auckland economy, there was still substantial effect in other regions. This arose mainly because international visitors – participants as well as supporters groups, super-yacht owners and guests, sponsors and their guests, media and tourists – travelled to other parts of the country, especially during 2003.

Table 3: National Economic Impacts by Source (2000-03)

New Zealand	Value Added (\$m)	Value Added (%)	Employment (FTEs)	Employment (%)
Syndicates	\$ 168.1	58%	2,820	56%
Syndicate Community	\$ 58.6	20%	1,220	24%
Organisers	\$ 30.9	11%	510	10%
Sponsors and Businesses	\$ 22.2	8%	360	7%
Govt and Comm Services	\$ 8.1	3%	140	3%
Total Participants	\$ 287.8	54%	5,050	54%
Superyachts and Other Yachts	\$ 146.3	61%	2,550	59%
Other Boats/Ships	\$ 12.2	5%	220	5%
Media	\$ 30.5	13%	550	13%
International Visitors	\$ 51.8	22%	990	23%
Domestic Visitors*	\$ -	0%	-	0%
Total Spectators	\$ 240.7	46%	4,310	46%
TOTAL EVENT	\$ 528.6	100%	9,360	100%

Over half the national impacts can be attributed to the activities of the participants and hosts (54%), and 46% to spectators. The figures highlight the significant amount of spending by both syndicates and their support communities (Table 3), which generated nearly \$227m of value added within the

national economy, while the associated business and sponsorship activities, along with organisers, generated another \$53m.

Impacts on the Auckland Economy

The regatta generated an additional \$497m of expenditure into the Auckland economy. This expenditure generated some \$201m in direct value added (about 40% of total expenditure). As the expenditure flowed through the economy, the indirect and induced effects added a further \$249m, bringing a total economic contribution to the Auckland region of \$450m (Table 4). This is a substantial figure, equivalent to around 1.07% of the Auckland regional GDP (estimated at \$42Bn for 2003). It shows the event had a significant positive impact on the region's economy for 2003, following lesser but important impacts in the build-up period.

The flow on effects in the Auckland economy are substantial, and greater than the direct effect. This reflects the integrated nature of the Auckland regional economy, and both the strength and relative concentration into Auckland region of the key sectors which serviced the Cup-related activity. As a result, the major share of flow on effects occurred within the Auckland economy, rather than spreading more widely across the national economy.

In total, the additional economic activity sustained some 8,180 FTE jobs (Table 4), equivalent to around 1.6% of employment in the Auckland region in 2002.

Table 4: Contribution to the Auckland Economy (2000-03)

Impact	Direct	Indirect & Induced	Total
Contribution to GDP (\$m) 2000-02	\$ 51.8	\$ 65.7	\$ 117.5
Contribution to GDP (\$m) 2002-03	\$ 149.2	\$ 183.1	\$ 332.3
Contribution to GDP (\$m) Total	\$ 201.0	\$ 248.8	\$ 449.8
Employment (FTE yrs) 2000-02	1,150	910	2,060
Employment (FTE yrs) 2002-03	3,620	2,500	6,120
Employment (FTE yrs) Total	4,770	3,410	8,180

Just over one half of that contribution (\$244m) was sustained by spending by participants in the regatta - syndicates and support communities, organisers and sponsors. Spending by spectator groups visiting for the regatta accounted for around \$206m in value added (Table 5).

Table 5: Auckland Economic Impacts by Source (2000-03)

Auckland	Value Added (\$m)	Value Added (%)	Employment (FTEs)	Employment (%)
Syndicates	\$ 147.0	60%	2,540	58%
Syndicate Community	\$ 43.8	18%	940	22%
Organisers	\$ 27.0	11%	450	10%
Sponsors and Businesses	\$ 19.9	8%	330	8%
Govt and Comm Services	\$ 5.8	2%	110	3%
Total Participants	\$ 243.5	54%	4,370	53%
Superyachts and Other Yachts	\$ 129.1	63%	2,340	61%
Other Boats/Ships	\$ 8.0	4%	150	4%
Media	\$ 26.2	13%	480	13%
International Visitors	\$ 25.3	12%	480	13%
Domestic Visitors	\$ 17.7	9%	370	10%
Total Spectators	\$ 206.3	46%	3,820	47%
TOTAL EVENT	\$ 449.8	100%	8,190	100%

Table 5 shows the structure of spending by the spectators. As in the 2000 Defence, a high share of the expenditure was generated by the superyacht sector. Domestic visitors made a substantial contribution to Auckland, though most of this was simply a transfer effect, so that the total impact of spectators is greater at the regional level than nationally.

Impacts by Sector

The additional expenditure was directed at several key selling sectors across the New Zealand economy (Table 6), with the major sales to the marine sector of \$143m (primarily transport equipment manufacturing, \$129m), retail (\$101m), and accommodation and hospitality (\$92m). There were also significant sales increases for the business services, property services (real estate), entertainment, construction, textile manufacturing (mostly sails) and transport. The direct value added impacts shown in the table accrued specifically to these sectors, though the total impacts were spread more generally across the economy by the flow on effects of the additional spending.

Table 6: Expenditure for Key Selling Sectors Nationally (2000-03)

Economic Sector	Net Additional Expenditure (\$m)	Direct Value Added (\$m)	Direct Employment (FTEs)	Total Value Added (\$m)	Total Employment (FTEs)
Retail trade	100.5	50.1	1,430	115.3	2,300
Transport equipment manufacturing	128.9	30.8	480	99.7	1,440
Accommodation, restaurants and bars	91.7	37.4	1,770	98.2	2,610
Business services	43.6	19.6	420	51.0	860
Cultural and recreational services	31.5	11.5	230	32.7	540
Air transport, services to transport and storage	30.9	15.8	110	28.5	270
Real estate	23.2	15.8	80	24.7	190
Construction	21.0	6.6	170	22.3	400
Road transport	12.1	7.4	100	14.3	190
Textile and apparel manufacturing	7.4	1.8	40	7.3	110
Other	32.6	16.0	180	34.7	450
TOTAL	523.4	212.7	5,010	528.6	9,360

Estimating Economic Impacts

To estimate these economic impacts, extensive research was undertaken to identify how much was spent, and where, by regatta participants (syndicates, their associates and families, and series

organisers), regatta hosts (those providing the infrastructure and core services for the event), and regatta spectators (media, supporter groups, the super-yacht fraternity, international tourists to New Zealand and domestic visitors to Auckland, visiting because of the Cup). Surveys and interviews among these groups provided detailed information on their activity, demand for goods and services and expenditure while in New Zealand.

The information on gross expenditure was closely examined, to identify the net additional spending generated by the event, and to separate out transfers and spending which could not be attributed to the Cup. The net expenditure figures were analysed using models of the Auckland and New Zealand economies, to calculate the overall impacts in terms of \$m of value added and employment (FTEs).

Additional expenditure is effectively an injection into the economy, occurring because of the America's Cup regatta, and much of it was foreign spending in New Zealand, rather than spending transferred from elsewhere in the national economy. The economic impact of this increase in demand arises from the value added (a measure of gross domestic product) and jobs sustained. The **direct** impacts from the initial spending flow through the economy, as the businesses which sell goods and services directly to participants and spectators in turn increase their own purchases of goods and services, generating more output from other businesses. This is the **indirect** effect. All the extra business activity generates more wages and salaries for the individuals employed, who further stimulate the economy by spending more on consumption of goods and services (an increase in final demand). This is the **induced** effect of the initial spending.

The **total** economic effect of additional demand for goods and services is the sum of the direct, indirect and induced effects. The final total depends on the structure of the economy, and the relationships among sectors within it.

The inter-industry models used for the study depict the structure and functioning of the Auckland and national economies, and identify the combined direct, indirect and induced effects as "multipliers" through which the total effects of the America's Cup can be estimated.

The economic impact methodology applied for this study is widely used, and is recognised as the most appropriate method for estimating the economic contribution of such an event to a local or regional economy.

Economic impact analysis does not identify **all** effects – it does not cover externalities (transactions occurring outside the formal market, such as improvements to the Auckland built environment), or possible future consequent effects (such as increased tourism). Nor does it assess the efficiency or otherwise of expenditure decisions made by organisers, syndicates and individuals that generated the flow of money through the economy. In this regard, it does not measure the 'benefits' of expenditure, as in a cost:benefit analysis – economic impacts cannot be equated with benefit, even though the additional value added and employment contain some component of benefit. Further, the complexity of the event, based on many decisions and actions by different organisations, which impact on each other and have flow-on effects within the wider economy, means that the effect of specific expenditure is difficult to isolate.

Conclusion

The America's Cup regatta had a significant positive impact on the Auckland regional economy, and the New Zealand economy. Even though the Team New Zealand defence was not successful, the injection of some \$523m of additional expenditure, most from overseas, had substantial direct effects and widespread flow-on effects through the economy, generating value added and sustaining employment.

In addition to the tangible positive effects on economic activity and employment, the event substantially enhanced international awareness of New Zealand – through the extensive media exposure – with likely longer term benefits for international tourism, trade and investment. Similarly, the Cup attracted many superyachts and other yachts to New Zealand, providing the marine sector with another opportunity to demonstrate its capabilities and enhance business relationships.