

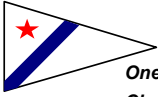
The Economic Impact  
of the 2003  
America's Cup Defence



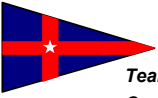
*Team New Zealand*



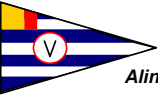
*Mascalzone Latino Challenge*



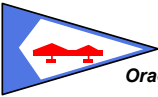
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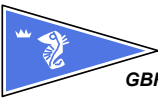
*Oracle BMW Racing*



*Victory Challenge*



*Prada Challenge*



*GBR Challenge*



*Le Defi Areva*

# The Economic Impact of the 2003 America's Cup Defence

Prepared for

Ministry of Tourism

By

Market Economics Ltd

In conjunction with

Gravitas Research & Strategy Ltd & Horwath Asia Pacific Ltd

OCTOBER 2003

## CONTENTS

<b>TOPLINE RESULTS .....</b>	<b>I</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>II</b>
<b>1 INTRODUCTION.....</b>	<b>1</b>
1.1 Overview .....	1
1.2 Objective And Scope.....	3
Objective .....	3
Scope .....	4
1.3 Study Structure & Conventions .....	5
Overview .....	5
Reporting and Confidentiality .....	6
Conventions and Definitions .....	6
<b>2 METHODOLOGY AND INFORMATION .....</b>	<b>8</b>
2.1 Impact Overview.....	8
Spending Entities .....	8
Selling Sectors: Businesses Benefiting from the Regatta.....	9
2.2 Project Surveys .....	10
2.3 Transfer Effects and Net Additional Expenditure .....	12
2.4 Timing Effects.....	14
2.5 America's Cup Shares .....	14
2.6 Expenditure in Auckland and Rest of New Zealand.....	15
2.7 Impact Models .....	15
Economic Impact Analysis .....	15
“Crowding Out” Effect.....	17
<b>3 ECONOMIC IMPACTS .....</b>	<b>18</b>
3.1 Syndicates.....	18
3.2 Syndicate Communities .....	20
3.3 Superyachts & Other Visiting Yachts .....	22
3.4 Other Boats & Ships.....	25
3.5 Regatta Organisers & Host Infrastructure .....	27
3.6 Government & Community Services .....	28
3.7 Media.....	30
3.8 International Visitors.....	32
3.9 Domestic Visitors.....	33
3.10 Sponsors & Other Businesses .....	35
3.11 Total Impacts.....	37
<b>4 THE DISTRIBUTION OF IMPACTS .....</b>	<b>38</b>

4.1	New Zealand Impacts by Sector .....	38
4.2	Auckland Impacts by Sector.....	39
<b>5</b>	<b>SENSITIVITY ANALYSIS .....</b>	<b>41</b>
5.1	International Visitor Spend .....	41
5.2	Domestic visitor spend .....	41
	<b>APPENDIX 1: TOTAL EXPENDITURE BY SOURCE TO KEY SECTORS.....</b>	<b>43</b>
	<b>APPENDIX 2: 2003 EXPENDITURE BY SOURCE TO KEY SECTORS.....</b>	<b>44</b>
	<b>APPENDIX 3: INTERNATIONAL VISITOR ACTIVITY .....</b>	<b>45</b>
	<b>APPENDIX 4: DOMESTIC VISITOR ACTIVITY .....</b>	<b>47</b>
	<b>APPENDIX 5: MEDIA ACTIVITY .....</b>	<b>50</b>
	<b>APPENDIX 6: SUPERYACHT ACTIVITY.....</b>	<b>52</b>
	<b>APPENDIX 7: AMERICAS CUP VILLAGE ACTIVITY.....</b>	<b>53</b>
	<b>APPENDIX 8: ECONOMIC MODELS &amp; MULTIPLIER ANALYSIS .....</b>	<b>55</b>
	Introduction.....	55
	Input-Output Modelling .....	55
	The Input-Output Table .....	55
	Assumptions of Input-Output Modelling .....	57
	Regionalisation Methodology .....	57
	Phase I: Adjustments to the National Table.....	59
	Phase II: Adjustment for Regional Imports .....	60
	Phase III: Derivation of Transactions Tables .....	61
	Multiplier Analysis.....	61
	Introduction.....	61
	Multiplier Definitions .....	61
	Multiplier Derivation.....	62
	<b>APPENDIX 9: COMPARISON OF 2000 AND 2003 ECONOMIC IMPACT STUDIES.....</b>	<b>64</b>
	Introduction.....	64
	Methodology and Outcomes .....	65
	National Outcomes.....	65
	Auckland Regional Outcomes.....	66
	Sectoral Outcomes.....	66
	Conclusions .....	67

## TABLES AND FIGURES

Table 1: Net Additional Expenditure by Source by Summary Sectors (2000-03).....	ii
Table 2: Contribution to the National Economy (2000-03).....	iii
Table 3: National Economic Impacts by Source (2000-03).....	iii
Table 4: Contribution to the Auckland Economy (2000-03).....	iv
Table 5: Auckland Economic Impacts by Source (2000-03).....	v
Table 6: Expenditure for Key Selling Sectors Nationally (2000-03).....	v
Figure 1.1: Outline of Challenger and Defence Event 2003.....	2
Table 3.1: Economic Impact – Syndicates.....	19
Figure 3.1: Syndicate Contribution to America's Cup 2003 Value Added.....	19
Table 3.2: Economic Impact – Syndicate Communities.....	21
Figure 3.2: Syndicate Community Contribution to America's Cup 2003 Value Added.....	21
Table 3.3: Economic Impact – Superyachts and Other Visiting Yachts.....	24
Figure 3.3: Superyacht and Other Visiting Yachts Contribution to America's Cup 2003 Value Added.....	24
Table 3.4: Economic Impact – Other Ships and Boats.....	26
Figure 3.4: Other Ships and Boats Contribution to America's Cup 2003 Value Added.....	26
Table 3.5: Economic Impacts – Regatta Organisers Activity.....	27
Figure 3.5: Regatta Organisers & Host Infrastructure Contribution to America's Cup 2003 Value Added.....	28
Table 3.6: Economic Impact: Government and Community Spend.....	29
Figure 3.6: Government and Community Contribution to America's Cup 2003 Value Added.....	30
Table 3.7: Economic Impact – Media.....	31
Figure 3.7: Media Contribution to America's Cup 2003 Value Added.....	32
Table 3.8: Economic Impact - International Visitors.....	33
Figure 3.8: International Visitors' Contribution to America's Cup 2003 Value Added.....	33
Table 3.9: Economic Impact - Domestic Visitors.....	34
Figure 3.9: Domestic Visitors' Contribution to America's Cup 2003 Value Added.....	35
Table 3.10: Economic Impact – Spending by Sponsors and Businesses.....	36
Figure 3.10: Sponsor and Business Contribution to America's Cup 2003 Value Added.....	36
Table 3.11: Total Economic Impact – All Participant, Spectators, Sponsors and Organisers.....	37
Table 4.1: Distribution of Total Impacts Among Key National Sectors.....	38
Table 4.2: The Distribution of Total Economic Impacts Among Key Auckland Sectors.....	40
Table A1.1: Net Additional Expenditure by Source to Summary Sectors 2000-2003 (\$m).....	43
Table A2.1: Net Additional Expenditure by Source to Summary Sectors YE June 2003 (\$m).....	44
Table A3.1: Visitor Numbers, Nights and Total Expenditure.....	45
Table A3.2: Distribution of Visitors by Purpose of Travel.....	45
Table A3.3: Allocation of Expenditure to America's Cup.....	46
Table A4.1: Allocation of Spend to America's Cup by Domestic Overnight Visitors.....	47
Table A4.2: Allocation of Spend to the America's Cup from Domestic Day Visitors.....	47
Table A4.3: Total Domestic Spend Attributable to America's Cup.....	48

Table A4.4: Domestic Overnight Spend Distribution by Sector.....	48
Table A4.5: Distribution of Domestic Day Trip Spend by Sector.....	48
Table A4.6: Origin of Domestic Visitors to Auckland for The America's Cup.....	49
Table A5.1: Summary of Media Accreditations for the America's Cup 2003 .....	50
Table A5.2: Summary of In Auckland Media Accreditations by Type of Media.....	50
Table A5.3: Media Accreditations by Country of Origin, America's Cup 2003 .....	51
Table A5.4: Total Media Expenditure by Sector, America's Cup 2003 .....	51
Table A6.1: Superyacht Activity During Build up and America's Cup 2003 .....	52
Table A6.2: Superyacht Expenditure During Build up and America's Cup 2003 (\$m) .....	52
Table A6.3: Superyacht Average Daily Expenditure 2003 (\$) .....	52
Figure A7.1: Visit Numbers to the America's Cup Village Oct 2002-Mar 2003 .....	53
Table A7.1: Distribution of Village Visitors by Day of Week Oct 2002-Mar 2003 .....	54
Table A7.2: Mean Number of Visits to the Village by Origin of Visitor Oct 2002-Mar 2003 .....	54
Table A7.3: Origin of Other Domestic Visits by Region of Residence Oct 2002-Mar 2003.....	54
Table A8.1: An Input-Output Table .....	56
Figure A8.1: The Economic Account Methodology.....	58
Table A9.1: National Economic Impacts – America's Cup 2000 and 2003 .....	65
Table A9.2: Auckland Economic Impacts – Americas' Cup 2000 and 2003 .....	66

## 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
<b>New Zealand</b>							
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
<b>Total</b>	<b>91.7</b>	<b>132.0</b>	<b>47.5</b>	<b>142.7</b>	<b>48.0</b>	<b>61.6</b>	<b>523.4</b>

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%
<b>Total Participants</b>	<b>\$ 287.8</b>	<b>54%</b>	<b>5,050</b>	<b>54%</b>
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%
<b>Total Spectators</b>	<b>\$ 240.7</b>	<b>46%</b>	<b>4,310</b>	<b>46%</b>
<b>TOTAL EVENT</b>	<b>\$ 528.6</b>	<b>100%</b>	<b>9,360</b>	<b>100%</b>

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%
<b>Total Participants</b>	<b>\$ 243.5</b>	<b>54%</b>	<b>4,370</b>	<b>53%</b>
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%
<b>Total Spectators</b>	<b>\$ 206.3</b>	<b>46%</b>	<b>3,820</b>	<b>47%</b>
<b>TOTAL EVENT</b>	<b>\$ 449.8</b>	<b>100%</b>	<b>8,190</b>	<b>100%</b>

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
<b>TOTAL</b>	<b>523.4</b>	<b>212.7</b>	<b>5,010</b>	<b>528.6</b>	<b>9,360</b>

### **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.

# 1 Introduction

## 1.1 OVERVIEW

The America's Cup 2003 regatta was a major international event. Like the 1999-2000 series – which culminated in the first successful defence of the Cup outside the USA – the 2003 Defence and the lead-up Louis Vuitton Cup for challengers generated intense national and international interest.

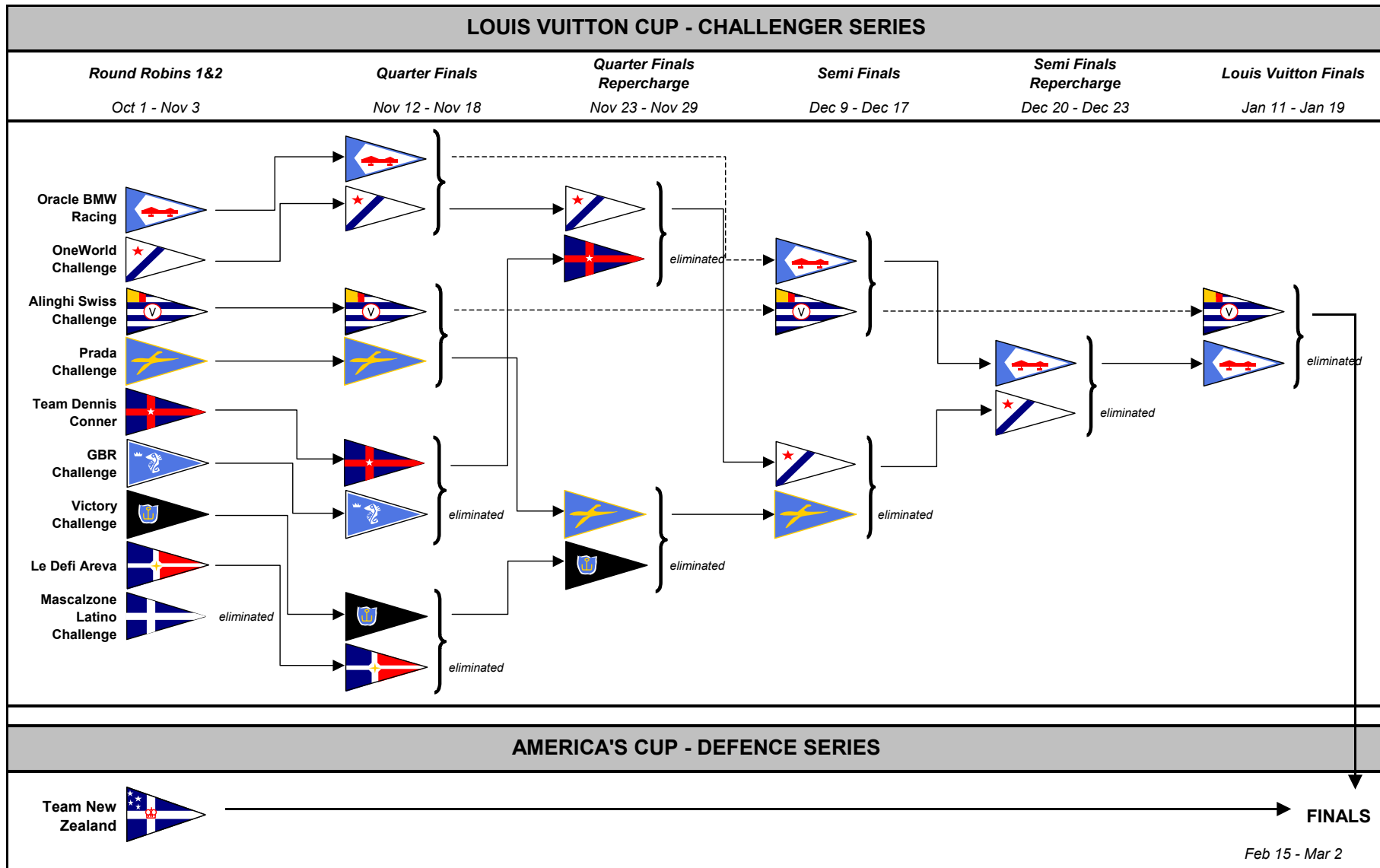
When the first starting gun for the Louis Vuitton Cup (LVC) sounded in mid-October, the America's Cup 'sector' was a well established part of the Auckland scene. Several challenger syndicates had set up base in Auckland during the summer of 2000-01 and, abeam of Team NZ, tested and practised constantly in the Hauraki Gulf. With their bases along 'Syndicate Row' in the Viaduct Harbour, challenger teams established communities of crew, families and supporters – in hotels, houses and apartments across Auckland. The challenger presence increased in the following summer, and there were seven challenger syndicates here from spring of 2001 and into autumn of 2002. Most headed back to the northern hemisphere in April and May for final preparations, returning to Auckland in July and August for the event proper. With the arrival of Stars and Stripes in late August, the challenger list was complete – nine challengers, more than 900 sailing and shore crew, and around 1,020 family members and friends – with substantial presence also of event organisers (CORM), officials, and media.

The LVC challenger selection series was more complex and extended than for the previous event, with two round robins, then quarter-finals plus a repechage stage and semi-finals plus repechage, leading up to the two-boat LVC final in January 2003. Racing was extended by lay days caused by wind strength (or lack of it). Nevertheless, the challenging syndicates were steadily eliminated from the contest – Mascalzone in the beginning of November, the British and French in mid November followed by the Swedish and Stars and Stripes. Four syndicates were still active in early December 2002, with Prada, and One World eliminated prior to Christmas. This left only Alinghi and Oracle in full operational mode for January 2003 (Figure 1.1).

Spectator interest grew during the Louis Vuitton Cup series, stimulated by some tight races and on-shore competitiveness, though the focus was firmly on the Defence, scheduled for February 2003. The presence of the super-yacht fleet and syndicates attracted crowds to a Viaduct Harbour precinct enhanced by corporate displays, interactive venues, hospitality infrastructure and spectator services. The racing itself attracted substantial spectator fleets out to the Gulf, including cruise liners for the Defence itself, and an array of media boats and helicopters.

Among the challengers, Alinghi stood out with strong performances throughout the LVC series, and duly emerged the team to take on Team NZ in February. By March 2, the series was over. The Alinghi threat materialised, as the Swiss challenge proved too strong for the Team NZ defender, winning the series 5-0 and quickly heading for Europe with the Cup.

Figure 1.1: Outline of Challenger and Defence Event 2003



Despite the loss of the Cup, the 2003 event had significant economic impacts for the Auckland Region and New Zealand. As in 1999-2000, the direct economic effects were wide-ranging, sustained by the spending of challenger and defender syndicates over an extended period, as well as regatta organisers, and media. Spectator activity was again substantial, with international and domestic visitors in Auckland for the event. The major influx of superyachts and other cruising yachts as well as sponsors and other businesses hosting clients and staff generated significant additional spend.

The expenditure of all these groups meant sales opportunity for local businesses, which boosted the workforce's spending power, flowing widely through the Auckland and New Zealand economies. Longer term, the effects of the extensive media exposure around the Cup will enhance international perceptions of New Zealand, stimulating future international tourism and trade.

## 1.2 OBJECTIVE AND SCOPE

### **Objective**

This study quantifies the economic impact of the 2002-03 America's Cup regatta for Auckland and New Zealand. It measures how the event resulted in increased economic activity, stimulated directly by the expenditure of participants, spectators and hosts, which then flowed throughout the economy to expand total regional and national GDP and employment.

The key measures of economic impact are the direct and total value added to the economy in a given year (contributing to GDP) as a result of increased spending, and the increased work opportunities associated with it (measured as full-time equivalent years of work, or FTEs).

The study identifies the additional direct expenditure by America's Cup participants and hosts (syndicates, organisers, sponsors and facility providers) and the spectators (superyachts, supporter and visitor groups and media), and the economic impacts attributable to each. It also identifies the key sectors of the Auckland and New Zealand economies (such as accommodation, air transport and the marine industry) which benefited directly from that additional spending and the increased demand for their products and services.

The main economic impact occurred during the period of racing, from October 2002 until March 2003, as numbers of participants and spectators both peaked. However, for this event there was an extended build up, as syndicates established in Auckland from 2000-01, and their preparations impacted on the regional and national economies from July 2000 onwards – especially over the summers of 2000-01 and 2001-02. Accordingly, for this study, the economic impacts have been estimated for the year to June 2003, and in total over the period since the 2000 Defence, though with the departure of the Cup and most syndicates there was very little expenditure after March 2003.

The objectives, scope and approach are consistent with the parameters of the previous impact studies of the 2000 America's Cup (October 2000), and the build up period to the 2003 event (August 2002).



## **Scope**

### ***Economic Impact***

It is important to understand the extent of the assessment, and what economic impact analysis does do, and does not do, so that results are interpreted appropriately.

Economic impact analysis identifies the effects arising from direct money expenditure in the economy. The 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 an economy. It is based on identifying the net additional expenditure in the economy (usually for each spending sector) and the distribution of that expenditure across the economy (ie, for each selling sector). For these selling sectors, the share of total sales which represent direct value added, and the employment directly sustained, are also identified. Then, input-output models of the economy (which reflect the relationships among all the sectors) are used to estimate the flow-on or multiplier effects, and calculate the total value added in the economy (in \$m) and the total employment sustained (in FTE years). These are fundamental measures of economic activity, and comparison of the economic activity with and without the additional expenditure shows the impact.

However, economic impact analysis does not identify **all** effects. It does not identify externalities (transactions occurring outside the formal market, such as improvements to the Auckland built environment), or possible future consequent effects (such as increased tourism stimulated by the media portraying images of New Zealand to overseas audiences, the "equivalent value of advertising" or EVA).

Nor does impact analysis demonstrate the efficiency or otherwise of the multitude of expenditure decisions made by organisers, syndicates and individuals that generated the flow of money through the economy. Rather, the impact analysis shows the direct and total effects arising from what spending there actually was, assuming that the individuals and organisations spending did so to achieve the benefits they sought - whether in terms of returns on investment, advancing strategic interests, achieving public benefits, achieving effective resource use in the pursuit of social or environmental ends, or increasing personal satisfaction.

Accordingly, economic impact assessment is one key tool among a range that can be used to assess the success or otherwise of an event, and the results of impact analysis provide one source of information for informing future decisions about investment in events.

### ***Impact vs Benefit***

The study has not sought to estimate the benefits to the economy from the America's Cup. While expanded economic activity and employment opportunity are considered by many to bring benefits to the community, it is not correct to simply equate a measure of impact with a measure of benefit. This is because the extra value added from the additional expenditure requires extra inputs of labour and resources, so there are additional costs involved to both businesses and individuals. In addition, it is very difficult to measure the benefit component of economic activity, not least because the concept of benefit varies among different stakeholders.

This distinction between economic impact and benefit is important. It is not appropriate to apply the impact measure as if it were the benefit for a cost benefit analysis, nor to compare the economic impact of the wider event with a particular investment or injection of funding (for example, public sector investment) to derive a comparison of costs and impacts, for two reasons. First, comparing funding (as a cost) with impact is not comparing like with like, as the impact analysis is concerned with both direct and flow on effects. Second, the impacts of a multi-faceted event like the America's Cup arise from many decisions and actions by different organisations, which impact on each other and with the wider economy. This means the specific effect of one expenditure action is extremely difficult to isolate, particularly when a number of key decisions and their timing have influenced other decisions.

## 1.3 STUDY STRUCTURE & CONVENTIONS

### Overview

The study and report structure reflects the requirements of economic impact analysis, to measure the full range of direct expenditure and impacts on the regional and national economies. To accurately measure the economic impact of this event, the essential requirements have been to:

- i. identify the full range of expenditure generated by, or associated with, the America's Cup regatta. This meant identification of all sectors and key organisations generating this expenditure, and the relationships among them;
- ii. identify all sectors and key organisations selling goods and services to the spending sectors;
- iii. collect comprehensive data (usually from a variety of sources) to identify the amount, timing (2001-2002, and the 2003 year) and location (Auckland, other New Zealand, overseas) of the expenditure by each sector;
- iv. ensure that only the **net additional** expenditure in the Auckland and national economies is included in the analysis. Transfers, where the expenditure would have occurred in any case (with or without the America's Cup) within the Auckland and national economies, need to be identified, as do flows of expenditure between organisations involved in the regatta, to ensure that expenditure has been counted only once;
- v. ensure that the appropriate share of spending associated with the Cup is attributed to the event – this applies especially to spending by spectators, since for many the Cup was one attraction among several reasons for visiting New Zealand and Auckland, and only a share of their total spend can be reasonably attributed to the Cup;
- vi. develop appropriate model capability, through which the net additional expenditure can be analysed to estimate the direct and flow on (indirect and induced) impacts.

The result of achieving the first five steps is a set of estimates of total and net additional direct expenditure, by each spending sector, and the corresponding sales/revenue to each selling sector. The sixth step – model development – provides the analytical capability for the study.

These requirements have determined the structure of the study (detailed in the methodology description, Section 2), with key steps to:

- i. establish a study framework to describe the event, the sectors and organisations involved, and the relationships among them – particularly links involving money flows;
- ii. apply this framework to both define the information requirements to measure gross and net additional expenditure, and provide the structure into which survey and other data was collated, analysed, cross-checked against other sources, and aggregated for measuring impacts;
- iii. link this framework to the calibrated economic input-output models for Auckland region and New Zealand, which use the expenditure information, and identify the direct, indirect and induced effects;
- iv. analyse the results for each main spending sector and each main selling sector, and the economy as a whole.

The framework incorporated information on the three main groups generating expenditure (regatta participants, hosts and spectators), and the core sectors providing the goods and services required, as well as the main relationships between the sectors. It also defined the information requirements, and the variety of surveys, interviews and statistics needed to develop a comprehensive picture of the event.

### ***Reporting and Confidentiality***

A key factor in the study was the nature of the information. Much of the most important information – relating to competing syndicates, corporate sponsors, superyachts and organisers - was highly sensitive and has been released to the study team under strict conditions of confidentiality. To preserve the confidentiality, it has been necessary to present many of the results in aggregate form.

We are extremely grateful to all organisations who provided this confidential information – it has provided the opportunity to analyse the impacts in detail.

### ***Conventions and Definitions***

The following conventions and definitions have been used.

**Value Added** is the component of output by a sector reflecting the difference between the value of inputs purchased, and the final product or service. It includes wages and salaries, consumption of capital, margins and surplus.

**Employment** impacts are estimated in full time equivalent years of employment or FTE years. This maintains consistency with the Statistics NZ employment measures and is the national standard. It is important to recognise that an impact of one FTE year of employment does not necessarily equate with one more person being employed for a year. For an event like the America's Cup held over a

specific time period, a significant share of the employment impact occurs through people in existing jobs working longer hours rather than additional people being employed. This is especially so in skilled occupations, where there is limited opportunity to attract people to new positions for a limited time period. In other sectors, like accommodation, hospitality and construction where there are jobs with lower skill requirements, temporary positions will have seen additional people employed and new job opportunities arise.

**GST.** All values of expenditure, value added and output in this report are expressed in GST-exclusive terms. For the impact analysis, all expenditure has been calculated on a GST-exclusive basis, and this consequently applies to the calculation of value added and employment.

**Net Additional Expenditure** (exclusive of GST) is the extra spending that occurred in the economy which was attributable to the America's Cup. The net additional expenditure therefore excludes expenditure that would have occurred irrespective of the event (eg: by Auckland residents on other goods and services if they had not spent on Cup-related activity), counts only once the flows of direct expenditure between organisations involved in the event, and counts only a share of total spending by visitors for whom the Cup was only one reason for visiting New Zealand or Auckland.

**Local and Domestic Visitor Spend** in Auckland by visitors from outside the region has been counted as net additional spend for the Auckland region, but no additional spend at the national level. This assumes that money spent in Auckland would instead have been spent elsewhere in New Zealand, so at the national level this is a transfer effect. The same assumption has been applied to expenditure by Auckland residents. However, if that money was spent in Auckland rather than on an overseas trip, on consumption of imported goods, or as a contribution to savings, then there would be corresponding net additional expenditure at the national and regional levels. The effect of allowing for some of the domestic visitor spend to be net additional spend has been tested in the sensitivity analysis.

**\$2003 values.** All values are expressed in constant \$NZ 2003 terms

**Study time periods.** The study covered the period from the end of the year of the 2000 Defence (June 30, 2000) until June 30, 2003. The results are reported for the total period, and for the 2002-03 year, as well as the build-up period 2000-02. For the impact analysis, it is assumed that all indirect and induced effects of expenditure have flowed through the economy within the same year as the direct expenditure.

**Regions.** The Auckland region is that area defined by the Auckland Regional Council (ARC) boundaries, while the rest of New Zealand is the balance of the country excluding Auckland region.

## 2 Methodology and Information

Economic impact assessment is a complex and demanding procedure. It is important to detail the procedures involved in collecting, analysing and interpreting the expenditure information, the assumptions made, the conventions used and the methods applied to calculate the economic impact from the expenditure statistics.

### 2.1 IMPACT OVERVIEW

The America's Cup regatta was a multi-faceted event, taking place over an extended period and involving a prolonged build up for many syndicates. It resulted in many different organisations and individuals being involved in extensive and diverse interactions within the Auckland and national economies. The impacts on the economy were equally diverse. Considerable effort was made in the study to identify all the significant areas of activity, and expenditure flows from the principal **spending** entities and groups, to the **selling** entities - principally businesses servicing the requirements of the spenders.

#### ***Spending Entities***

The key spending sectors were regatta participants, hosts and spectators. Within these categories, the specific organisations and groups were:

**Regatta Participants** - the syndicates, the challenger and defender bodies, the event organisers and sponsors, and their wider communities and associated parties who established themselves in Auckland for the event, and spent on local goods and services.

- ◆ 9 challenger syndicates and one defender syndicate;
- ◆ 3 bodies - CORM (Challenger of Record Management, servicing the challengers), AC2003 (part of the Team NZ Trust), and Louis Vuitton – which between them organised the challenger and defence series and other day-to-day running of the wider event.
- ◆ Syndicate-related communities, including the friends and families of syndicate team members who established in Auckland for some or all of the challenger and defence campaigns;
- ◆ A range of syndicate sponsors and event sponsors involved in both funding the activities of participants, providing goods, services and exhibitions, and also through syndicate and sponsor hosting of guests, clients and staff as spectators to the regatta.

**Regatta Hosts** - the Auckland organisations and public bodies, as well as central government providing funds and resources for activities and services around the event.

- ◆ The Royal New Zealand Yacht Squadron and Bucklands Beach Yacht Club were official hosts of the Defence and Challenger series respectively;
- ◆ Auckland's local authorities, but primarily Auckland City Council.

- ◆ Central government through investment in resources for event support and control, including Police, Navy and Civil Aviation.

**Regatta Spectators** – the range of spectators including superyachts, supporters groups, sponsors' guests and yachting followers who travelled to New Zealand from overseas or other parts of New Zealand, and Aucklanders themselves, together with media people who provided coverage around the world, and businesses taking advantage of the event for exhibits and displays, and to host clients and staff at Cup-related events.

### ***Selling Sectors: Businesses Benefiting from the Regatta***

Expenditure by participants, hosts and spectators generated corresponding sales for businesses throughout the economy to provide the goods and services required. The participants and their families and friends required accommodation, food, catering, transport, entertainment, communication, and a range of personal goods and services, with many established in Auckland over a long period, and consuming in a similar manner to Auckland residents.

Several thousand international spectators, including supporters, required accommodation, hospitality, entertainment, consumer goods and transport, just like other international visitors to New Zealand. The syndicates' yachts, the organisers' boats, and the superyachts and cruising yachts required berthage and bases, accommodation and services, boat building, repair and maintenance services, fuel and marine equipment.

The Viaduct Harbour again provided the focus for a wide range of Cup-related activity - from organised concerts and events to wining and dining, and just being there to experience the atmosphere – and was the hub for hospitality and entertainment services. Auckland's waterfront was the centre of race sightseeing activity. Hotels, motels, cruise operators, communications and media services, hospitality and retailers, airlines, taxis and leisure services all experienced heavier demand around the regatta.

The main sectors attracting the additional expenditure were the marine and boat building industry, and accommodation and hospitality, retail, transport, property and entertainment sectors, while the media production and aircraft services (helicopters) also had considerable demand from the media coverage required. The construction sector also experienced an increase in demand, especially from the base development activity around the Viaduct Basin, though this activity was at a much lower level than for the 2000 event, as the core infrastructure development had been completed.

The study framework incorporated all the spending entities and groups, and all the selling entities, and cross-matched them in a simple matrix structure. The gross spending and sales flows were reconciled, with subsequent exclusion of transfers and flows between spending organisations, together with separation of net spending flows between the 2003 year and previous years, and between Auckland and the rest of New Zealand.

## 2.2 PROJECT SURVEYS

The study required a wide range of survey information to support data from secondary sources and sector consultation, to identify the diverse activities of participants, hosts and spectators. The core existing surveys of visitor activity (International Visitor Survey and Domestic Travel Survey) had additional questions relating to the America's Cup included for the October 2002 - May 2003 period, to identify the aggregate numbers of visitors to Auckland and New Zealand, and further information on spending and travel patterns. An intercept survey gathered detail on visitors to the Viaduct Harbour precinct, the main focus of spectator activity around the Cup, and surveys among spectator cruise passengers were completed. An integral part of all the surveys was questions to identify visitors here only for the event, mainly or partly for the event, and those whose visit was not influenced by the America's Cup, so that appropriate shares of their spending could be attributed to the event.

Surveys also covered skippers/operators of superyachts and other visiting yachts, members of the Boating Industry Association (including some MAREX members), with Auckland hotel and restaurant owners, and visiting media personnel (using an e-mail format).

To complement these general surveys, in-depth interviews were undertaken with participant organisations, hosting organisations, and throughout the selling sectors. These included the cruise industry, provisioning, boating industry, accommodation and hospitality providers, and inbound tour operators.

This data gathering process generated some 10,920 interviews with domestic and international visitors and people visiting the Cup Village, some 311 completed detailed survey responses (including 92 from Marine Industry Association members), and 69 face-to-face in-depth interviews or equivalents with key organisations.

The specific surveys included:

- i. The Auckland Visitor Intercept Survey (November 2002 – March 2003) covered 668 international and domestic visitors to the Viaduct Harbour – 344 international visitors and 324 New Zealanders from outside of Auckland, collecting detail on visitor activity and expenditure in Auckland and elsewhere which was related to America's Cup viewing or other activities.
- ii. During this survey, counts were made among the 1,945 visitors canvassed to identify the proportion of visitors to the Viaduct harbour who were international visitors (32%), domestic visitors to Auckland (17%), or Auckland residents (51%). This information was combined with the official Viaduct Harbour visitor counts (sponsored by AMEX, and undertaken by electronic and visual counters, October 2002 – March 2003), which showed 3.26 million visitors. The survey counts suggest 1.66 million of the total 3.26 million visitors were Auckland residents, 1.02 million were international visitors, and 0.55 million were domestic visitors to Auckland.
- iii. Passenger counts were undertaken on 19 commercial spectator boats, covering 689 passengers, to identify the proportion of passengers who were international or domestic visitors, or Aucklanders, and the number of on-water viewing trips they experienced and nights spent in Auckland and other parts of New Zealand.

- iv. Extra questions were added to the standard International Visitor Survey of departing passengers over the period October 2002 to May 2003. This covered some 2,813 respondents. These questions were used to identify those who came wholly, mainly or partly for the America's Cup, and/or stayed longer in Auckland or New Zealand because of the event, and estimate their total travel and expenditure patterns while in New Zealand.
- v. Similar questions were added to the Domestic Travel Survey over the October 2002 – May 2003 period. These questions covered 6,750 New Zealand residents, surveyed over that period.
- vi. 71 self-completion questionnaires were received from media registered with the Louis Vuitton Media Centre, providing details on their length of stay, accommodation and expenditure patterns, travel within New Zealand, and the numbers of family and friends accompanying them. The results were combined with the Louis Vuitton Media centre statistics on total accreditation numbers by international and domestic media personnel, to develop the expenditure estimates for the media sector overall.
- vii. 92 self-completion questionnaires were received from Boating Industry Association members, from a survey to identify the amount of America's Cup related demand for their products and services, and the revenue and employment implications for the 2002-03 year. As in the 2000 study, this was possible due to the kind assistance of the Boating Industry Association.
- viii. 36 self-completion questionnaires were received from restaurants and hospitality outlets in Auckland, from a survey to identify the effect of America's Cup related activity on their businesses.
- ix. 10 self-completion surveys were received from major accommodation providers, on guest numbers and nights;
- x. 17 cruise liners visited Auckland during the regatta, including 3 which visited specifically for the America's Cup. Ports of Auckland statistics on vessel and passenger numbers were applied to previous survey statistics (developed for Tourism NZ) on cruise passenger activity spend per day, to estimate total expenditure. We note that cruise passengers are not included in the IVS, so the cruise passenger impact is counted as additional to IVS-based estimates.
- xi. 16 self-completion questionnaires were received from skippers/operators of superyachts visiting Auckland, and 33 from skippers of cruising yachts, for a survey covering length of stay, expenditure by sector, numbers of visitors and crew, and activities undertaken while in New Zealand.
- xii. Statistics from the NZ Customs Service identified 759 small vessels (yachts and motor launches) visiting and/or departing New Zealand in the year to June 2003, including numbers by port of first entry, length of stay, port of exit, vessel length and value. This provided a count of cruising yachts (as well as superyachts) through which the survey results could be weighted up for calculation of totals.

There were 69 indepth interviews with key people in significant spending and selling organisations, covering:-



- ◆ 9 syndicates
- ◆ 3 organising bodies and hosts
- ◆ 6 major service providers
- ◆ 4 village events and development/exhibitions
- ◆ 7 key boating industry businesses
- ◆ 5 hospitality providers
- ◆ 6 inbound tour operators
- ◆ 6 major corporate sponsors
- ◆ 6 visiting media personnel
- ◆ 2 television services executives
- ◆ 5 superyachts
- ◆ 4 charter and spectator boat operators
- ◆ 5 local and central government officers

The survey information was collated and analysed, with spending and sales information wherever possible to provide cross-checks. A range of statistics were gathered from Statistics NZ and other sources, to assist in cross-checking and trend analysis, including:

- ◆ Building consent data (Auckland City) to show the extent of construction expenditure around the Viaduct Harbour;
- ◆ Commercial Accommodation Monitor (statistics for Auckland October 2002 - May 2003);
- ◆ International Visitor Arrival statistics, to identify trends in arrivals by visitors from countries with a challenging syndicate (Switzerland, France, Italy, Sweden, United Kingdom, USA) and in general;
- ◆ Business Directory statistics on employment by sector within Auckland (2002);
- ◆ Monthly Survey of Retail Trade data, showing retail sales trends in Auckland over the Cup period.

## 2.3 TRANSFER EFFECTS AND NET ADDITIONAL EXPENDITURE

Not all of the expenditure was a net gain to the regional or national economies. While almost all the foreign exchange was a net gain, there were expenditure flows within New Zealand, and within Auckland which were simply transfer effects. These occurred where money was spent on Cup related activity, which would otherwise have been spent on other goods and services elsewhere within the economy, so was simply a transfer between one sector and another – it does not contribute to a net increase in expenditure in the economy.

The main transfer expenditures were:-

- ◆ Domestic visitor travel to Auckland from other parts of New Zealand. The bulk of this represents a transfer between sectors and within New Zealand, as money was spent on tourism activity in Auckland which would otherwise have been spent on tourism or other goods and services elsewhere in New Zealand. We note that if travel to Auckland was undertaken instead of travel overseas, then there would be some net gain to the national economy. For the base analysis, all the domestic visitor expenditure in Auckland has been counted as a net gain to Auckland, but counted as a transfer with no net impact on the national economy.
- ◆ Spending by Aucklanders on Cup-related goods and activity was predominantly a transfer effect. While the event did increase the size of the Auckland economy, most of the local expenditure represented a redirection of spending from within the normal pattern of spending by residents on goods and services.
- ◆ There are two potential transfer effects within the expenditure by the defender syndicate. One arises because a portion of the sponsorship money raised from within New Zealand may instead have been directed elsewhere in the economy if the regatta had not occurred, through sponsorship or funding of other events. Not all of that expenditure can be counted as a net gain to the national economy. However, the long term commitment of sponsor funding to the America's Cup defence (and previously to challenges) suggests that only a minor share may be a transfer effect, and since the sponsorship expenditure would have been directed to the campaign in any case, then the realistic alternatives are between that expenditure occurring off-shore for a challenge, or within New Zealand, for a defence.
- ◆ The overseas based corporate sponsorship for the syndicate has been counted as net additional spend. However, there was a larger net gain to Auckland, since the major share of the defence expenditure was directed to the Auckland economy than would have otherwise been the case if the same amount of overseas sponsorship had instead been directed to other activities.

Similarly, part of the expenditure by some Cup-related groups represented income for other groups. Care was taken to count this expenditure only once, and it has been allocated to the initial spender for consistency. Some of the key flows were:

- ◆ challengers and defender groups had international broadcasting rights. The revenues from these were counted in their syndicate expenditure, and therefore excluded from the calculation of net media spend.
- ◆ syndicate base rental and superyacht berthage expenditure in the Viaduct Harbour was ACVL and VHHL revenue. It was counted in the syndicate and superyacht spending, and allocated to the property sector within the economy models.

## 2.4 TIMING EFFECTS

The study objective was to identify both total effects over the course of the whole event, and the impacts within the year 2003. Thus it was important to estimate **when** the expenditure occurred. This was relatively straightforward for most groups, with the main expenditure outside of year 2003 being that by Team New Zealand and the major challenger syndicates (Alinghi, Oracle, One World), with smaller shares by other challenger syndicates. This was estimated in the earlier study on the America's Cup build up, and the estimates revised here based on more detail from the syndicates.

International and domestic visitor spend was all counted as occurring in the June 2003 year, as was the spending by superyachts, organisers, supporters groups, sponsor hosting, and most media, and business.

## 2.5 AMERICA'S CUP SHARES

Identifying the shares of expenditure which could be reasonably attributed to the America's Cup was another key requirement. While it was straightforward for regatta participants and hosts (all of the syndicates, organisers and sponsors activities were attributable to the Cup), it was more difficult for the regatta spectators, many of whom came partly for the America's Cup and partly for other reasons - some but not all of their expenditure could reasonably be attributed to the event, and counted for the Cup's impact. Also, some visitors came to New Zealand or Auckland for other reasons, and then stayed longer because of the Cup – generating extra expenditure to be counted as part of the Cup impact.

Questions were included in the International Visitor Survey and Domestic Visitor Survey to identify whether visitors were in Auckland and/or New Zealand wholly, mainly or partly because of the America's Cup, or if their visit was not at all related to the event, whether they would have still visited Auckland or New Zealand if the Cup had not been held, and whether they stayed any extra days in Auckland or New Zealand because of the Cup.

It is difficult for travellers undertaking a multi-purpose or multi-benefit activity like an overseas holiday to attribute shares of the benefit from the trip to particular aspects. Typically a trip will involve a wide range of tangible benefits from entertainment activities, eating out, socialising and so on, and less tangible benefits like being somewhere new or different, experiencing new situations and so on, and often the expected mix of benefits motivates the trip. Accordingly, the allocation of expenditure to the Cup applies in broad bands as follows:

- ◆ Those who stated that they visited wholly for the Cup – 100% of expenditure. This assumes they would not have come otherwise.
- ◆ Similarly those who visited mainly or partly for the Cup and who would not otherwise have come – 100% of expenditure
- ◆ Those who visited mainly for the Cup but would still have come had the event not been held – 75% of expenditure, reflecting that the Cup did not account for all their spending, but still the majority share.

- ◆ Those who visited partly for the Cup but would have come anyway had the event not been held – 20% of expenditure. This reflected that the Cup was only one among a number of reasons for their visit, and allowed for an average of five main motivations for leisure travel – simply, one fifth of the motivation.
- ◆ Those who stayed extra days because of the Cup when it had not originally been a reason for their visit – all expenditure for those extra days only, applying their average daily expenditure.

## 2.6 EXPENDITURE IN AUCKLAND AND REST OF NEW ZEALAND

It was important to identify the share of total expenditure in the Auckland economy, transfer effects within the national economy, and also to exclude expenditure directed overseas. The research sought specific information on the spread of expenditure between Auckland and other regions of New Zealand, especially from the the main spending organisations (syndicates, organisers, supporters, superyachts, hosts). The construction expenditure, on base upgrades and exhibition facilities, was all in Auckland, while the syndicates' and organisers' direct spend was predominantly in Auckland. Information about travel packages and travel patterns of sponsors' guests provided the basis for allocating expenditure to the rest of New Zealand.

The sector surveys and interviews (boating industry, accommodation, cruise operations) provided information to cross check the shares of spending by superyachts, syndicates and organisers which was attracted to Auckland.

The visitor surveys identified both time spent in Auckland by international and domestic visitors and average daily expenditure levels, so that shares of their total spend could be allocated. The calculations allowed for the same daily expenditure levels in Auckland as for the total visit, and from that perspective may be conservative since there are generally more spending opportunities in Auckland than in other destinations.

The outcome from the expenditure analysis produced:

- ◆ total net additional expenditure by spending group or entity, excluding transfers.
- ◆ distributed between Auckland and the rest of New Zealand.
- ◆ distributed between 2003 and the preceding 2001-02 period.
- ◆ distributed across sectors of the Auckland and national economies.

## 2.7 IMPACT MODELS

### ***Economic Impact Analysis***

The information from the various sources was collated and cross checked, to identify gross expenditure amounts, when spending occurred, the amount of transfers and interchange between Cup-related organisations, and the net additional expenditure.

This produced estimates of net additional expenditure for 2003 and in total for:

- ◆ each regatta participant, host and spectator group;
- ◆ the sector of the economy to which the spending was directed;
- ◆ whether the expenditure occurred in Auckland region or elsewhere in New Zealand.

These final net additional expenditure estimates were analysed using input-output models of the Auckland and New Zealand economies. These models produced key indicators for each sector to show:

- ◆ the direct value added associated with every additional dollar of expenditure (%);
- ◆ the additional value added (\$m) arising from spending by the sectors experiencing a direct increase in demand (the indirect effect) and spending by their employees (the induced effect). The direct, indirect and induced value added was summed to estimate the total economic impact;
- ◆ the amount of additional employment associated with the additional spending and its flow on effects.

These models and input-output tables are based on Statistics New Zealand's 1995-96 Inter-industry Study of New Zealand Economy, the latest available. This table has been updated to 2000-01 and "regionalised" to produce input-output tables for the Auckland region. The tables have been used to calculate the output, value added and employment multipliers necessary to analyse the direct, indirect and induced impacts associated with the additional expenditure arising from the America's Cup. The tables trace the flow of goods and services between industries, and provide detail on final demands (e.g. household consumption, government consumption, exports, capital formation and changes in stocks).

The input-output models also provide multipliers - the summary measures of the economic interdependence between industries and final demand. The contribution of an industry to an economy is not limited to the value it creates directly. Rather, an increase in final demand for an industry has repercussions throughout the whole economy, causing increases in output beyond the initial change in demand. This is known as the multiplier effect.

The size of the multipliers determines the calculation of the indirect and induced value added and employment effects, once the starting ratios (value added as a share of output and employment per \$m of output) have been applied. The multipliers used in this analysis were estimated for the national and regional economies for 2001-02 by Market Economics Ltd on the basis of the 1995-96 national inter-industry tables (StatisticsNZ) updated according to regional and national shifts in economic activity and shifts in prices, and applying GRIT methodology (see Appendix 8). These multipliers differ from those applied in the 2000 Impact study. See Appendix 9 for a detailed comparison of the 2000 and 2003 Impact studies.

Two types of multiplier are available:

- ◆ Type I Multiplier: Estimates the direct and indirect effects of demand by a particular sector. Indirect impacts result from an industry stimulating the creation of further demand through the purchases it makes.

- ◆ Type II Multiplier: Estimates the direct, indirect and induced effects of demand by a particular sector. Induced impacts arise from the increased demand for goods and services made by households who have received increased income as a result of the indirect effects.

For this study, Type II multipliers have been applied for value added and employment. These are most frequently used because they best represent the “true” value of the impact.

### **“Crowding Out” Effect**

One limitation of input output models is that they provide a static snapshot of the economy, and assume no dynamic effects occur as a result of additional expenditure – for example, on wage and exchange rates. Such a “crowding out” effect may occur where additional business activity generated by America’s Cup spending meant that other activity normally carried out by those businesses was not able to take place, because of lack of extra capacity, or higher costs. This may happen where entire sectors were operating at full capacity, and there was no opportunity to increase the labour or capital resource to handle the additional demand, or to divert it to other sectors, or other time periods in the 2002-03 year.

However, assessment of the Auckland regional and national economies indicates there was unlikely to have been any significant crowding out effect because:

- ◆ the Auckland and New Zealand economies are not operating at full capacity;
- ◆ the event was well anticipated, and most businesses had opportunity to plan for (and accommodate) the likely short term increases in their activity levels over the period;
- ◆ the sector interviews in both the 2000 and 2003 studies showed that a common business response was to utilise existing staff more (through working longer hours) when Cup-related demands arose. This meant a significant proportion of additional demand could be accommodated within existing capacity;
- ◆ some sectors - especially hospitality, accommodation, and some areas of the marine industry - were able to increase their labour force temporarily, effectively drawing from the available unemployed workforce (directly or indirectly);
- ◆ the scale of impact overall was equivalent to 0.9% of Auckland’s GDP in the 2002-03 year. A large share of the direct impact was experienced by a few sectors (marine, transport, accommodation, retail and hospitality), and the effect on other sectors occurred through the indirect or induced effects (which accounted for the majority of the total impact), and was shared widely. On average, additional demands would have required spare capacity of 0.3% to 0.5% in these other businesses – suggesting it would have been easily accommodated within existing resources;
- ◆ the main effects of the Cup occurred over a 5 month period, peaking in December 2002 - February 2003. There was opportunity for displacement effect to have been accommodated by delaying other business opportunity rather than missing it completely.

## 3 Economic Impacts

### 3.1 SYNDICATES

#### **Activity**

Nine overseas syndicates competed for the right to challenge Team New Zealand for the America's Cup in 2003. Three were funded out of the United States (compared with the five that challenged in 2000) – Oracle BMW Racing, One World and Team Dennis Connor (Stars and Stripes). Six syndicates came from Europe – Alinghi from Switzerland, Victory Sweden, GBR Racing from the UK, Le Defi from France, Prada and Mascalzone Latino from Italy.

Following the experiences from the 2000 campaign, several of the syndicates spent considerable time in Auckland in the two years leading up to the Louis Vuitton Cup and the Challenge itself. The level of sophistication, competition and organisation was a step up from the 2000 campaign – to the point where an initially challenging syndicate, Illbruck from Germany, decided to withdraw once they observed the level of organisation of other syndicates.

Syndicates based themselves in Auckland for the summers of 2001-2002 and 2002-2003, with some remaining through the winter of 2002 in order to prepare thoroughly for the regattas. Team New Zealand, following the departure of key members in 2000/01, developed and built their boats and sailing programme from 2001 onwards.

The significant majority of each syndicate's expenditure took place in their home countries – for yacht design, hull construction, sails, crew expenses, and project administration. However, the syndicates also spent extensively in New Zealand and particularly Auckland.

The syndicates were significant business operations, with demand for a wide range of good and services. Bases were leased and equipped, yacht lifting and other marine services were used, many purchased New Zealand made boats for work as tenders and leased motor vessels for crew and supporters. Once sailing began, there was expenditure on yacht maintenance and equipment and repairs for sails, spars and hulls.

There was also a strong syndicate 'community' presence in Auckland – there were some 930 syndicate team members in Auckland, up from 730 for the 2000 campaign. Together with spouses and families they established 9 mini-communities requiring accommodation, food, transport, entertainment, communication and other services.

#### **Expenditure**

In total, the challenger and defender syndicates contributed \$167m net additional spend in Auckland and \$171m in the New Zealand economies (Table 3.1). The majority of this spend revolved around the syndicates sailing and operational activity, however a significant portion was associated with the activity of syndicate sponsors bringing guests to New Zealand to view the races.

**Table 3.1: Economic Impact – Syndicates**

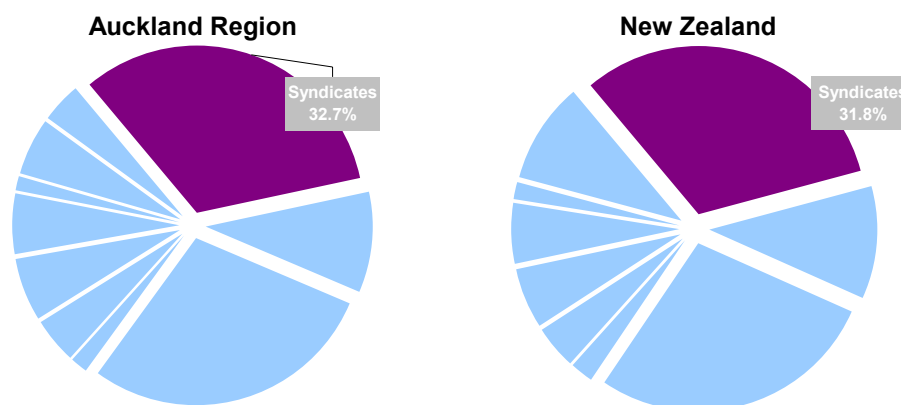
Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 167.4	\$ 170.6
Direct Value Added	\$ 64.1	\$ 65.6
Total Value Added	\$ 147.0	\$ 168.1
Employment Impacts (FTE Years)		
Direct Employment	1,390	1,400
Total Employment	2,540	2,820
<b>Impacts in 2000-02</b>		
Economic Impacts (\$m)		
Expenditure	\$ 100.0	\$ 100.9
Direct Value Added	\$ 38.0	\$ 38.5
Total Value Added	\$ 88.0	\$ 99.5
Employment Impacts (FTE years)		
Direct Employment	770	770
Total Employment	1,470	1,610

The major share of this spending - \$100m for Auckland, \$101m for New Zealand – occurred in the 2000-2002 period, in the build up to the regatta. In the 2003 year, approximately \$67m was spent in the Auckland economy and \$70m in New Zealand overall. The net additional expenditure by the syndicates accounted for the largest share (34%) of total expenditure in Auckland and 33% in New Zealand overall.

**Value Added Impact**

The direct value added component of syndicate expenditure was also very substantial, at \$64m for Auckland, and \$66m for New Zealand. Allowing for indirect and induced multiplier effects, total value added was \$147m for Auckland and \$168m for New Zealand. The higher multiplier effect for New Zealand is because there are outflows of activity and consumer spending from the Auckland economy into other regions, but much smaller net outflows from the national economy. The impact for Auckland in 2000-2002 was \$38m direct and \$88m in total. For New Zealand, it was \$39m direct, and \$100m in total. Figure 3.1 shows the share of total value added contributed by the syndicates in both the Auckland and New Zealand economies over the course of the event. Syndicates' spend accounted for nearly 33% of total value added in Auckland in 2003, and 32% nationally.

**Figure 3.1: Syndicate Contribution to America's Cup 2003 Value Added**





### **Employment Impact**

The total syndicate and related expenditure sustained significant downstream employment, including:

- ◆ 1,390 FTEs (full time equivalent jobs) sustained directly in Auckland
- ◆ 2,540 FTEs in total in Auckland
- ◆ 770 FTEs directly and 1,470 in total for Auckland in the 2000-02 period
- ◆ 1,400 FTEs sustained directly across New Zealand
- ◆ 2,820 FTEs in total nationally
- ◆ 770 FTEs directly and 1,610 in total for New Zealand in the 2000-02 period
- ◆ Syndicates' impact accounted for 31% of total additional employment in Auckland in 2003, and 30% nationally.

## **3.2 SYNDICATE COMMUNITIES**

### **Activity**

Syndicate Communities are made up by syndicate crew, their resident spouses and families, and visiting friends and relatives. This group generates economic impact through their daily spend on retail goods and services as well as on entertainment, transport and personal services such as childcare and school fees, in much the same manner as resident Auckland households. This group also generates spend in the manner of tourists by traveling to other parts of the country on holiday. In this way they distribute spend nationally rather than focus it on Auckland.

From in-depth interviews with the syndicates we have established that most crew undertook at least one holiday with their families to other locations within New Zealand. Those that were here for 2 years or more have been assumed to have undertaken one holiday each year. We have also assumed that visiting friends and relatives undertook holidays to other parts of the country. In doing so they spent in the manner of international tourists on domestic air travel, accommodation, restaurant meals, in retail outlets and on activities.

In total there were 1,020 resident family members and approximately 780 visiting friends and relatives during the course of the regattas.

### **Expenditure**

In total, the syndicate communities spent \$44m net additional spend in Auckland (excluding gst) and \$53m (excluding gst) in the New Zealand economies. The major share of this spending - \$23m for Auckland, \$28m for New Zealand - was in the 2002-2003 year, centered around the Cup regatta itself. The balance of \$22m (\$25m for NZ) was in previous years. This represents the timing of family and friends visiting which is more focused on the event itself rather than the build up (Table 3.2).

The net additional expenditure by the syndicate communities accounted for 9% of total America's Cup expenditure in Auckland in 2003 and nearly 10% of the national total.

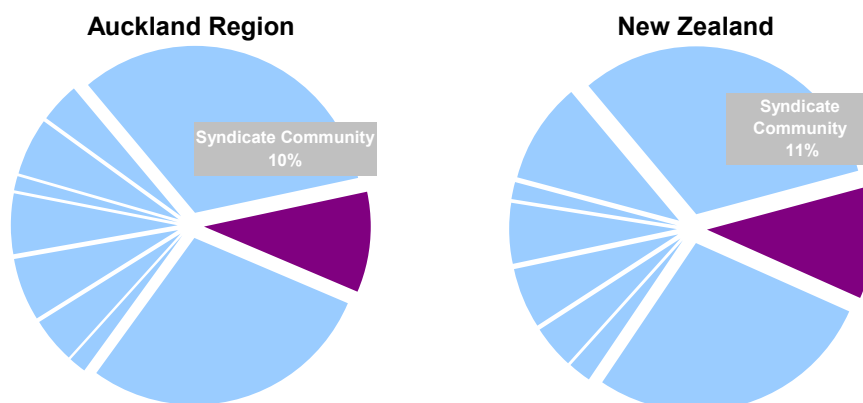
**Table 3.2: Economic Impact – Syndicate Communities**

Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 44.4	\$ 52.9
Direct Value Added	\$ 20.8	\$ 24.7
Total Value Added	\$ 43.8	\$ 58.6
Employment Impacts (FTE Years)		
Direct Employment	630	760
Total Employment	940	1,220
<b>Impacts in 2000-02</b>		
Economic Impacts (\$m)		
Expenditure	\$ 21.5	\$ 25.3
Direct Value Added	\$ 10.1	\$ 11.9
Total Value Added	\$ 21.3	\$ 28.1
Employment Impacts (FTE years)		
Direct Employment	310	370
Total Employment	460	590

**Value Added Impact**

The direct value added component of the syndicate community spend is \$21m for Auckland and \$25m for New Zealand. Allowing for indirect and induced multiplier effects, total value added was \$44m for Auckland and \$59m for New Zealand. The impact for Auckland in 2000-2002 was \$10m direct and \$21m in total. For New Zealand, it was \$12m direct, and \$28m in total. Syndicate Community spend accounted for nearly 10% of total value added in Auckland in 2003, and 11% nationally (Figure 3.2).

**Figure 3.2: Syndicate Community Contribution to America's Cup 2003 Value Added**



**Employment Impact**

The syndicate community expenditure also supported significant downstream employment, including:

- ◆ 630 FTEs sustained directly in Auckland
- ◆ 940 FTEs in total in Auckland
- ◆ Of which 310 FTEs directly and 460 in total for Auckland in the 2000-02 period
- ◆ 760 FTEs sustained directly across New Zealand
- ◆ 1,220 FTEs in total nationally

- ◆ Of which 370 FTEs directly and 590 in total for New Zealand were sustained in the 2000-02 period
- ◆ Syndicate communities' spend accounted for 12% of total additional employment in Auckland in 2003, and 13% nationally.

### 3.3 SUPERYACHTS & OTHER VISITING YACHTS

#### **Activity**

##### Superyachts

In 2000 the superyacht impact was dramatic, substantial and largely unexpected. During that campaign 80 superyachts (generally defined as yachts with length overall (LOA) of 25 metres or more) sailed into Auckland for some or all of the summer. This provided a considerable boost to the local marine refit sector as most combined a refit or repaint with viewing the America's Cup and participating in the Millenium Cup staged by MAREX and Industry New Zealand.

In 2002-2003 an estimated 104 superyachts visited New Zealand. This was a lower than expected turnout for a number of reasons including the events of September 11, 2001 (reducing American owners' willingness to travel long distances), and continued softness in the American economy (limiting the numbers of owners willing to spend significant sums on refits or commissioning new vessels). This meant fewer than expected numbers of larger vessels (50m or more) making the journey. Superyachts tend to congregate, and anecdotal evidence suggests that when some owners decided to keep their yachts in home territory, others followed suit. Nevertheless, the numbers comfortably exceeded those attracted for the 2000 campaign.

When a superyacht arrives in New Zealand it sets in train a substantial round of expenditure that has far reaching effects. Most arrived in the October – December period, staying until March. Most found berth space in and around the Viaduct Basin, with additional space available at Bayswater Marina, Gulf Harbour and at Orams marina in Westhaven. In addition, Breakwater Marina, a temporary extension on the outside of the Viaduct Harbour was constructed to accommodate any overflow, especially larger vessels. However, with the exception of Larry Ellison's, "*Katana*" and a couple of others, the lower than expected number of 50m-plus vessels meant this facility was under-utilised.

As well as being the more luxurious viewing platforms around the racing courses in the Gulf, many superyachts cruised around the coast, visiting other ports and spending time in other parts of New Zealand.

Superyachts are major investments, and they require considerable ongoing upkeep – provided of food, drink and fuel, berthage, routine maintenance, purchase of new equipment and gear, tenders, charts and the like. Most of this demand was directed to the Auckland marine industry, though some tenders and other marine equipment was sourced from other parts of the country. A high proportion of visiting yachts had routine maintenance while in Auckland and some superyachts took the opportunity to have more substantial refits and overhauls, primarily in Auckland facilities. The yacht crews also

hosted owners and guests, while provisioning and agency services organised accommodation, entertainment and travel.

The superyacht expenditure estimates are based on a variety of surveys and consultations, and the final figures used are those which the authors could reasonably verify. They do not include a number of anecdotal figures relating to high levels of personal spending by wealthy visiting owners and their guests, where these are not verifiable.

#### Other Visiting Yachts

In addition to the Superyacht visits associated with the America's Cup a large number of other visiting yachts arrived in New Zealand for the regattas. As a matter of course, New Zealand plays host to visiting yachts during the summer months as sailors avoid the cyclone season in the Pacific and explore New Zealand's cruising waters. In order to isolate those visiting as a result of the America's Cup from the general visit, a survey was conducted and respondents were asked whether the America's Cup was a reason for their visit. They were also asked to describe their stay in terms of days, ports visited, expenditure on daily living and any refit or maintenance expenditure.

In total 612 offshore boats visited Auckland during the America's Cup. Survey results indicate that 19% of these boats did so either solely because of the America's Cup or that it was the main reason for their visit. A further 56% stated that it was a reason for visiting while the remaining 25% said it did not influence their decision to visit New Zealand.

While these boats do not spend in the same manner as visiting superyachts they are usually here longer and due to their numbers their impact is significant.

#### **Expenditure**

In total, the superyachts and other visiting yachts spent some \$155m in the New Zealand economy and including \$149m in the Auckland economy. All of this spend has been counted in the 2002-2003 year, and all represents net additional spending in the economy. It is conceivable that visits by superyachts in other years occurred as a result of New Zealand holding the America's Cup but the assessment of this is beyond the scope of this investigation.

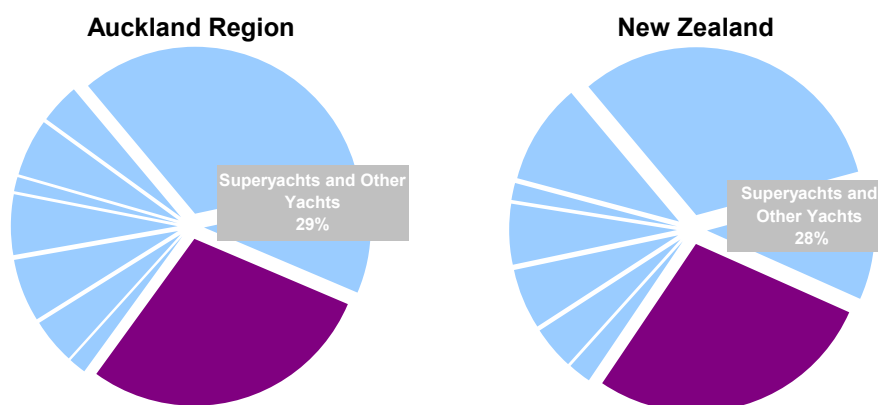
#### **Value Added Impact**

The direct value added impact was significant. The expenditure in Auckland equated with direct value added of \$55m and total value added of \$129m. Total expenditure in New Zealand resulted in direct value added of \$56m, and total value added of \$146m (Table 3.3). This spending accounted for nearly 29% of the total value added impact for Auckland, and 28% nationally in 2003.

**Table 3.3: Economic Impact – Superyachts and Other Visiting Yachts**

Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 149.3	\$ 154.6
Direct Value Added	\$ 55.0	\$ 56.3
Total Value Added	\$ 129.1	\$ 146.3
Employment Impacts (FTE Years)		
Direct Employment	1,320	1,320
Total Employment	2,340	2,550

**Figure 3.3: Superyacht and Other Visiting Yachts Contribution to America's Cup 2003 Value Added**



**Employment Impact**

The multiplier effects of both value added and employment are high because of the labour intensive nature of many goods and services required by the superyacht sector, with key impacts:

- ◆ 1,320 FTEs sustained directly in Auckland
- ◆ 2,340 FTEs in total in Auckland
- ◆ 1,320 FTEs sustained directly across New Zealand
- ◆ 2,550 FTEs in total nationally
- ◆ Superyacht and other cruising yacht impacts accounted for 29% of the employment effect in Auckland, 27% nationally.

While the employment effect all occurred in the 2002-2003 year, longer term job effects are also expected as businesses retain staff beyond the peak demand period, hoping to build on the momentum generated by the event. This is especially true in the Auckland marine sector, which has grown substantially since the winning of the Cup in 1995.

## 3.4 OTHER BOATS & SHIPS

### **Activity**

#### Amerigo Vespucci

Other boats and ships includes a range of vessels that visited Auckland in conjunction with the America's Cup. The Amerigo Vespucci was the most visible of other boats and had the longest stay. This Italian "Tall Ship" is a training vessel for navy recruits, and spent the better part of 4 months in New Zealand waters – primarily in Auckland, but also voyaging to Wellington and briefly to Gisborne for specific functions. In total 340 personnel arrived with the vessel however 160 of them returned to Italy within the first few days - leaving 180 resident for the majority of the time.

While in Auckland (and Wellington) the Amerigo Vespucci played host to a number of functions in association with the Italian consulate and various trade missions. In addition the Italian navy contributed to events surrounding the Cup such as providing the band to lead the parade of challengers on Queen St.

The vessel contributed economically to the Auckland region through providedoring spend, berthage, utilities, accommodation, and entertainment. Less tangibly, the presence of the vessel contributed to increased opportunities for New Zealand businesses to engage in business with Italian clients, thereby increasing export and import opportunities.

#### Cruise Ship Sector

The Cruise ship sector played a significant role in economic terms during this campaign. Luxury liner "The World" operates as a six star travelling apartment complex transporting well-heeled residents to points of interest all over the planet. During the defence, she was based in Auckland with the inherent flow on effects in terms of providedoring, berthage, bunkering as well as the retail, café and restaurant and entertainment spend of its passengers in Auckland. In addition, "The World" visited Tauranga and the Bay of Islands, generating expenditure in other ports around the North Island.

Over the duration of the Challenge, other cruise vessels visited Auckland - to a greater or lesser extent influenced by the presence of the America's Cup. On the first day of racing, 3 cruise ships were located near the course to view the matches. A proportion of their expenditure has been incorporated into the modelling process to reflect the degree to which the presence of the Cup influenced the decision to be in Auckland. By necessity this is an estimation based on previous years' visits and the vessels' presence on the race course.

#### Telecom Cable Boat

Finally in this section the Telecom cable boat has been included. This vessel was based in Auckland during the entire regatta in order to repair any damage inflicted on the Southern Cross Cable as a result of activities on the America's Cup courses. As the costs of this boat are split between the Southern Cross Cable partners only a portion of the total costs associated with the vessel's time in Auckland can be attributed to the America's Cup. In particular the premium cost of berthage they had to pay while berthed in Auckland.

**Expenditure**

In total, direct spend associated with these vessels amounted to \$8m in Auckland and \$11m in New Zealand. All of this spend occurred in the 2002-2003 year around the challenger and defence event races. This spending includes the daily retail, café and restaurant, entertainment and day excursion spend from the cruise ship passengers, and Amerigo Vespucci passengers, while in port, as well as transport accommodation and travel costs by crew – associated with their longer stay.

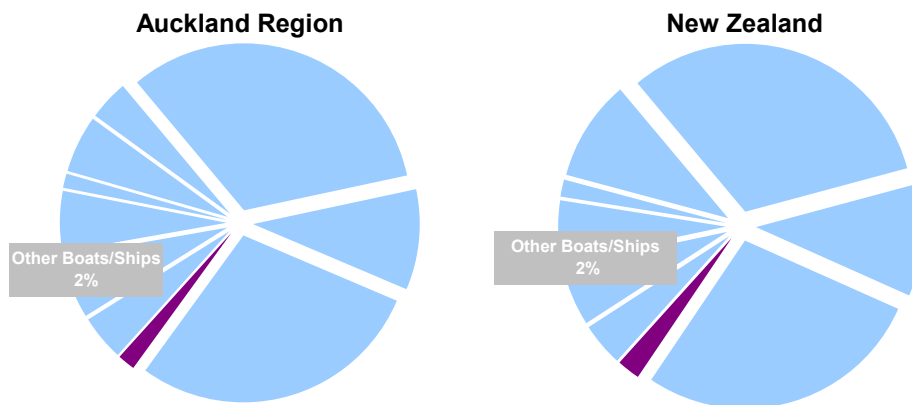
**Value Added Impact**

The direct value added impact that flowed from this spend added \$4m to the Auckland economy and \$6m nationally. In total the expenditure generated \$8m value added in the Auckland economy and \$12m nationally (Table 3.4). This spending accounted for 2% of the total value added impact for Auckland, and 2% nationally (Figure 3.4).

**Table 3.4: Economic Impact – Other Ships and Boats**

Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 7.9	\$ 10.8
Direct Value Added	\$ 4.1	\$ 5.6
Total Value Added	\$ 8.0	\$ 12.2
Employment Impacts (FTE Years)		
Direct Employment	90	130
Total Employment	150	220

**Figure 3.4: Other Ships and Boats Contribution to America's Cup 2003 Value Added**



**Employment Impact**

In total, the expenditure by the Amerigo Vespucci, cruise ships and other vessels directly sustained :

- ◆ 90 FTEs directly in Auckland
- ◆ 150 FTEs in total in Auckland
- ◆ 130 FTEs directly across New Zealand
- ◆ 220 FTEs in total nationally

### 3.5 REGATTA ORGANISERS & HOST INFRASTRUCTURE

#### **Activity**

The regatta required considerable effort and resources to organise the syndicates and provide the framework for 195 races. The three main organisations were CORM (Challenger of Record Management), AC2003 (the defender organisation) and Louis Vuitton as the major sponsoring body and organiser of the media centre and media coverage.

Their activity was widespread, with staff and bases set up primarily to organise the racing activity – purchase of buoys, umpire and patrol boats, communication equipment, leasing of support vessels, hosting and accommodating international umpires and jury, co-ordination of spectator control and safety, organisation of media coverage and the host broadcaster, liaison and communication, operation of the media centre, and directly related events. There was also considerable other indirectly related activity, including the Louis Vuitton ball and other social events, such as the Millenium Cup regatta for visiting superyachts.

#### **Expenditure**

Over the total event, the net additional expenditure from regatta organisers was \$29m, including \$28m in Auckland. Of this approximately \$3m occurred in the 2001-2002 year which included preliminary set up costs. However the majority of expenditure occurred once the regattas were underway (Table 3.5).

#### **Value Added Impact**

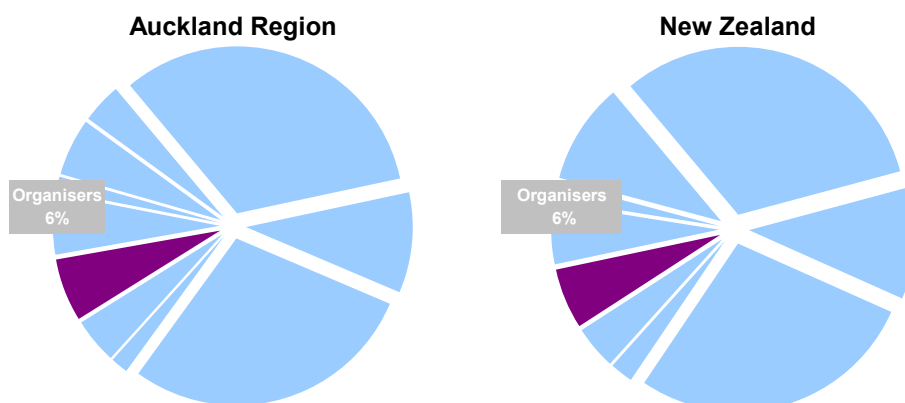
The direct value added impact for Auckland was \$12m, the total impact on the economy some \$27m (Table 3.5). The direct value added impact on the national economy was \$13m, the total value added effect was \$31m. This accounted for 6% of the total value added impact for Auckland (in 2003), and 6% nationally (Figure 3.5).

**Table 3.5: Economic Impacts – Regatta Organisers Activity**

Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 28.0	\$ 28.7
Direct Value Added	\$ 12.4	\$ 12.8
Total Value Added	\$ 27.0	\$ 30.9
Employment Impacts (FTE Years)		
Direct Employment	250	260
Total Employment	450	510
<b>Impacts in 2000-02</b>		
Economic Impacts (\$m)		
Expenditure	\$ 2.9	\$ 2.9
Direct Value Added	\$ 1.2	\$ 1.2
Total Value Added	\$ 2.8	\$ 3.2
Employment Impacts (FTE years)		
Direct Employment	20	20
Total Employment	50	50



**Figure 3.5: Regatta Organisers & Host Infrastructure Contribution to America's Cup 2003 Value Added**



### **Employment Impact**

Direct expenditure by regatta organisers sustained:

- ◆ 250 FTEs directly in Auckland
- ◆ 450 FTEs in total in Auckland
- ◆ Of which 20 were directly sustained in Auckland over the 2000-02 period and 50 in total
- ◆ 260 FTEs directly across New Zealand
- ◆ 510 FTEs in total nationally
- ◆ Of which 20 were directly sustained nationally in the 2000-02 period and 50 in total
- ◆ Organisers' spend accounted for 6% of total employment effect in Auckland in 2003, and 5% nationally.

## **3.6 GOVERNMENT & COMMUNITY SERVICES**

### **Activity**

The government sector made a significantly reduced contribution to the hosting of the Cup defence in 2003 – compared with 2000. This was because most of the built infrastructure around the Viaduct was established for the 2000 defence and did not require the substantial levels of investment that characterised the previous event.

Major contributors for the 2003 defence included Infrastructure Auckland, funding the operations of ACVL, Auckland City as well as central government. Other council funding was provided for tourism marketing and promotion, while councils also incurred resource costs in planning for the event, and operations such as harbour control. Central government expenditure included funding of additional activity by services such as police, customs, immigration and inland revenue.

### Expenditure

Public body expenditure has to be evaluated carefully because of possible transfer effects. Expenditure funded directly from rates, for example, would represent a transfer if the money would have been spent on some other area of council activity, or if the rates would otherwise have been reduced, allowing the ratepayers to spend elsewhere. This possibility was addressed in the previous defence where surveys indicated that councils specified America's Cup related expenditure was net additional, because it did not result in postponement of other council activity in the relevant years.

The total net additional expenditure by the government sector is \$8m, predominantly (\$6m) in Auckland. Much of this expenditure was on promotion and marketing type activities as opposed to the construction dominated spend from 2000 (Table 3.6).

### Value Added Impact

The direct spend generated direct value added of \$3m of which \$2.4m occurred in Auckland. The total value added impact was \$8m in New Zealand (\$2.6m in 2000-2002) and \$6m in Auckland (\$1.8m in 2000-2002). This accounted for 1.3% of the total value added impact for Auckland in 2003, and 1.5% nationally (Figure 3.6).

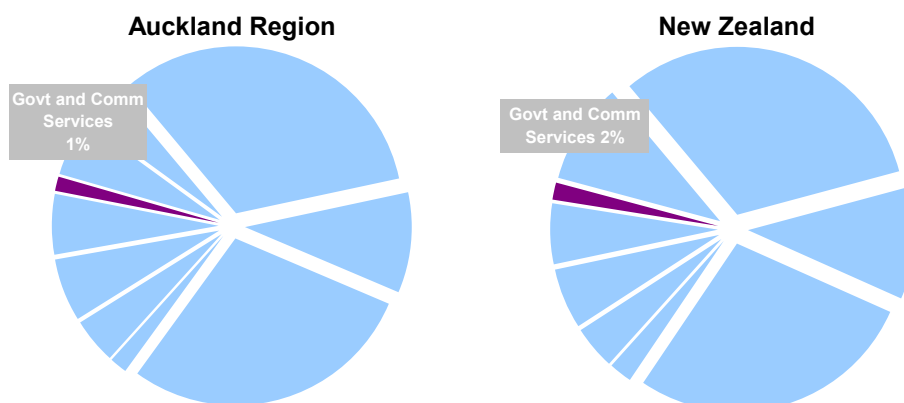
### Employment Impact

Direct expenditure by government and community services sustained:

- ◆ 60 FTEs directly in Auckland
- ◆ 110 FTEs in total in Auckland
- ◆ Of which 20 were sustained directly in Auckland during the 2000-02 period and 40 in total
- ◆ 70 FTEs directly across New Zealand
- ◆ 140 FTEs in total nationally
- ◆ Of which 20 were sustained directly nationally during the 2000-02 period and 50 in total
- ◆ Public sector expenditure accounted for 1.3% of the total employment effect in Auckland (2003), and 1.5% of the national effect.

**Table 3.6: Economic Impact: Government and Community Spend**

Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 6.1	\$ 7.6
Direct Value Added	\$ 2.4	\$ 3.0
Total Value Added	\$ 5.8	\$ 8.1
Employment Impacts (FTE Years)		
Direct Employment	60	70
Total Employment	110	140
<b>Impacts in 2000-02</b>		
Economic Impacts (\$m)		
Expenditure	\$ 1.9	\$ 2.5
Direct Value Added	\$ 0.7	\$ 1.0
Total Value Added	\$ 1.8	\$ 2.6
Employment Impacts (FTE years)		
Direct Employment	20	20
Total Employment	40	50

**Figure 3.6: Government and Community Contribution to America's Cup 2003 Value Added**

### 3.7 MEDIA

#### **Activity**

The Louis Vuitton Cup and the America's Cup Defence attracted a substantial media presence in Auckland, with international and national television, radio, internet, newspaper and magazine coverage. There were five major flows of expenditure sustained by the media – television rights produced funds for the organisers and syndicates, there was substantial expenditure on televised coverage and on the Virtual Spectator services on the internet, there was an extensive media presence in Auckland, and the operation of the Louis Vuitton Media Centre.

The purchase of coverage and broadcasting rights provided funds for the syndicates and event organisers, helping sustain their core activities (the impacts are counted elsewhere). The volume of television activity was very substantial. TWI was the host broadcaster, while Television New Zealand was contracted to produce the images of the event for international television services. Several other television services established in Auckland for the event, including stations from USA, France, Italy and Sweden. There was extensive coverage of sailing activity from land, sea and air, including on-board cameras on the yachts themselves, helicopters, planes and boats, studio facilities in the Viaduct Harbour (Base Club), technical support and broadcasting services on land, and co-ordination with the Virtual Spectator Service.

There was a large representation of international journalists and photographers. Some 1,297 media personnel were registered in Auckland with the Louis Vuitton Media Centre, including 855 from overseas, and another 995 registered on-line. The media surveys showed that many overseas journalists had extended stays in New Zealand – the average was 67 days – often making several visits and returning to their home countries in the times between racing, and/or over Christmas. These media people generated major expenditure, on accommodation, international air travel and local transport, food and other services, sea and air transport to view the races and on-water activity, and a range of on-shore computer, film processing and communications services to meet their professional requirements.

Many of the visiting media brought family and friends to New Zealand for their campaign coverage because of the extended nature of the event, and traveled to other parts of New Zealand during their stay.

### **Expenditure**

Total net additional expenditure by visiting media, television services and internet operations was \$28m, excluding costs of broadcast rights (counted elsewhere). The bulk of this expenditure was in Auckland, with some \$1.1m spent by visiting journalists and the family/friends travelling in other parts of the country (Table 3.7).

### **Value Added Impact**

The direct value added impact was \$12m in Auckland, \$13m nationally. This gave rise to total value added impacts of \$26m and \$31m respectively. This spending accounted for 6% of the total value added impact for Auckland, and 6% nationally in 2003 (Figure 3.7).

**Table 3.7: Economic Impact – Media**

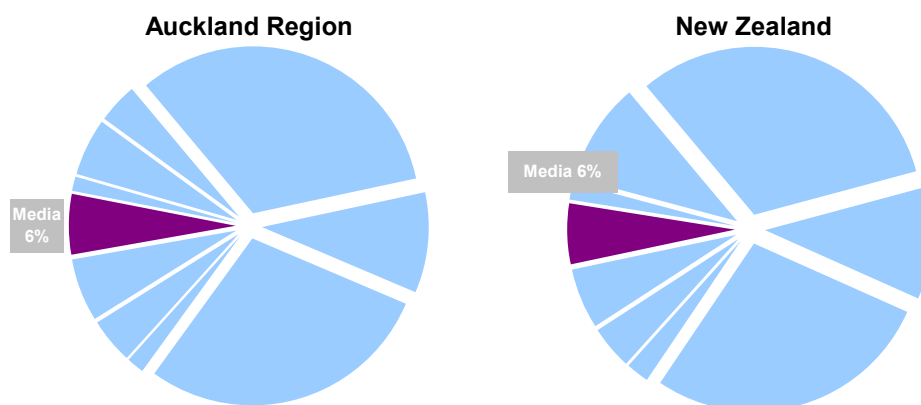
Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 27.0	\$ 28.1
Direct Value Added	\$ 12.1	\$ 12.8
Total Value Added	\$ 26.2	\$ 30.5
Employment Impacts (FTE Years)		
Direct Employment	290	300
Total Employment	480	550
<b>Impacts in 2000-02</b>		
Economic Impacts (\$m)		
Expenditure	\$ 0.8	\$ 0.9
Direct Value Added	\$ 0.4	\$ 0.4
Total Value Added	\$ 0.8	\$ 0.9
Employment Impacts (FTE years)		
Direct Employment	10	10
Total Employment	20	20

### **Employment Impact**

Direct expenditure by the media sector sustained:

- ◆ 290 FTEs directly in Auckland
- ◆ 480 FTEs in total in Auckland
- ◆ Of which 10 were sustained directly in Auckland during the 2000-02 period and 20 in total
- ◆ 300 FTEs directly across New Zealand
- ◆ 550 FTEs in total nationally
- ◆ Of which 10 were sustained directly nationally during the 2000-02 period and 20 in total
- ◆ Media expenditure accounted for 6% of the total employment effect in Auckland, and 7% of the national effect.

**Figure 3.7: Media Contribution to America's Cup 2003 Value Added**



### 3.8 INTERNATIONAL VISITORS

#### **Activity**

The International Visitor Survey identified some 29,200 international visitors to New Zealand who came wholly, mainly or partly for the event (Appendix 3). This included spectators and members of supporters groups and other travellers, though it excludes participants and members of the syndicate communities (whose impact is counted elsewhere).

Among these visitors, some 2,900 stated they came only for the America's Cup event, 4,200 stated they came mainly for the event, and 22,100 cited the Cup as one reason for their visit. In common with most other international visitors, they travelled throughout New Zealand, with Rotorua, Christchurch, Wellington and Queenstown their main other destinations during their trips.

The Intercept Survey results show that international visitors participated widely in America's Cup activities. Most visited the Viaduct Harbour precinct, viewed races from the water, and participated in other Cup-related activities. In addition, they spent on accommodation, transport, eating out, entertainment and shopping, as well as international air fares.

#### **Expenditure**

The total expenditure in Auckland was \$55m by international visitors whose visit was in some degree attracted by the event, with around \$51m spent in other destinations. The total expenditure attributable to the Cup is estimated at \$49.4m, including \$27.4m in Auckland (Table 3.8). All of this spend has been allocated to the 2002-03 year.

#### **Value Added Impact**

The direct value added impact was \$13m in Auckland, \$23m nationally. This gave rise to total value added impacts of \$25m and \$52m respectively. This spending accounted for 6% of the total value added impact for Auckland, and 10% nationally in 2003 (Figure 3.8).

**Table 3.8: Economic Impact - International Visitors**

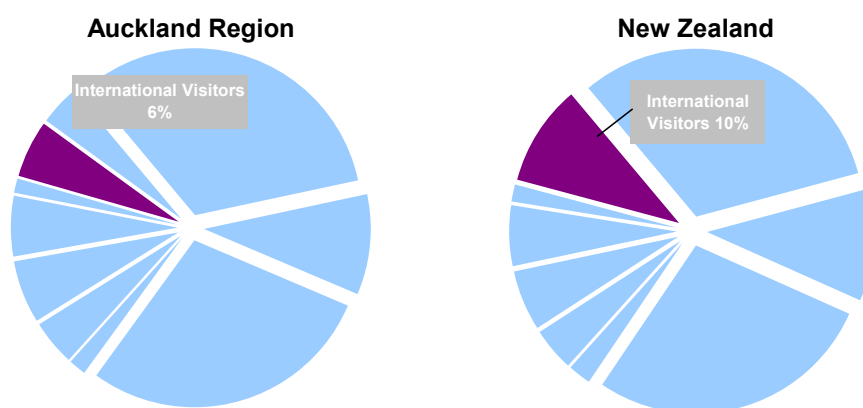
Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 27.4	\$ 49.4
Direct Value Added	\$ 12.5	\$ 22.6
Total Value Added	\$ 25.3	\$ 51.8
Employment Impacts (FTE Years)		
Direct Employment	310	590
Total Employment	480	990

**Employment Impact**

Direct expenditure by international visitors sustained:

- ◆ 310 FTEs directly in Auckland
- ◆ 480 FTEs in total in Auckland
- ◆ 590 FTEs directly across New Zealand
- ◆ 990 FTEs in total nationally
- ◆ International visitor expenditure accounted for 6% of the total employment effect in Auckland, and 11% of the national effect.

**Figure 3.8: International Visitors' Contribution to America's Cup 2003 Value Added**



**3.9 DOMESTIC VISITORS**

**Activity**

The Domestic Visitor Survey identified 134,000 overnight domestic visitors and 68,000 day visitors to Auckland from other parts of New Zealand who came wholly, mainly or partly for the event (Appendix 4).

These visitors travelled from throughout New Zealand, although the majority came from the closer regions - Northland, Waikato, and Bay of Plenty. These visitors participated widely in America's Cup activities, predominantly visiting the Cup Village, viewing races from the water either in commercial

spectator boats, or friends and relatives private boats, and participating in other Cup-related activities – especially those based in the Viaduct Harbour.

On top of this, they spent as tourists normally do – on accommodation, food, eating out, transport, entertainment and shopping. The total expenditure in Auckland was \$39m by overnight visitors, and \$7m by day visitors, a total of nearly \$47m.

As with the international visitors who travelled for several reasons, not all of these domestic visitors' expenditure can be reasonably attributed to the America's Cup. The survey responses showed that some 10,600 overnight visitors and 18,700 day trippers came only for the Cup, while a further 25,300 overnight visitors and 17,400 day trippers came mainly for the event.

The Auckland Visitor Intercept Survey undertaken in the Viaduct Harbour gathered information from 324 non Auckland domestic visitors. The AMEX visitor count statistics together with detail on visit frequency and spending by the respondents, indicates that 213,000 domestic visitors (7.8% of total domestic visitors to Auckland in the period) went to the Viaduct Harbour. Of these, 61% came to Auckland partly or wholly for the Cup. The implied activity and expenditure from the Intercept Survey is higher than that shown in the DTS figures. For this assessment, the impacts have been calculated using the DTS information, for consistency with earlier studies, and other data sources (including the IVS). The implications of the higher estimates from the Intercept Survey are considered in Section 5.

### **Expenditure**

The total domestic visitor expenditure attributed to the Cup is \$14.8m by overnight visitors from outside of Auckland, and \$3.7m by day visitors, for a total of \$18.5m. This represents a transfer within the New Zealand economy, a net gain to Auckland balanced by net reduction in spending across the rest of the country, all in the 2002-2003 years. While it is possible that additional domestic tourists visited Auckland or stayed longer in Auckland in previous years because of the activity surrounding the build up to the America's Cup, it has not been allowed for in this assessment.

### **Value Added Impact**

The direct expenditure of \$18.5m translates to \$8.5m of direct value added in Auckland and \$17.7m in total value added (Table 3.9). This equates to 4% of the total impact in the Auckland region. Note that domestic visitors do not contribute at the national level, as the spend is assumed to be a transfer within the economy.

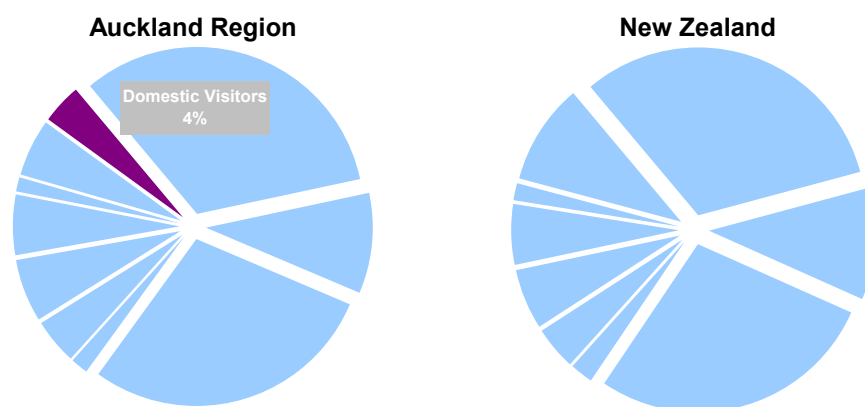
**Table 3.9: Economic Impact - Domestic Visitors**

Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 18.5	\$ -
Direct Value Added	\$ 8.5	\$ -
Total Value Added	\$ 17.7	\$ -
Employment Impacts (FTE Years)		
Direct Employment	250	-
Total Employment	370	-

### Employment Impact

This additional expenditure directly sustained 250 FTE jobs, and 370 FTEs in total in the region (Table 3.9). Domestic tourism accounted for 5% of the total additional employment for Auckland in 2003.

**Figure 3.9: Domestic Visitors' Contribution to America's Cup 2003 Value Added**



## 3.10 SPONSORS & OTHER BUSINESSES

### Activity

Finally, there was expenditure by Auckland based and other businesses who hosted clients, staff and other guests on spectator cruises and at on-shore social events. Sponsors used America's Cup based hosting of clients to generate brand leverage thereby ensuring they received value for their sponsorship dollar. Sponsors and other businesses used hosting as incentives for staff and to entertain both Auckland and non Auckland and international staff and clients. This included such activities as end of year staff and client functions based around viewing the racing.

### Expenditure

Reconciliation of sponsor surveys, with consultation among both cruise operators and the hospitality sector identified total spend of some \$21m. This was predominantly by Auckland businesses, although those in other regions also participated (Table 3.10).

### Value Added Impact

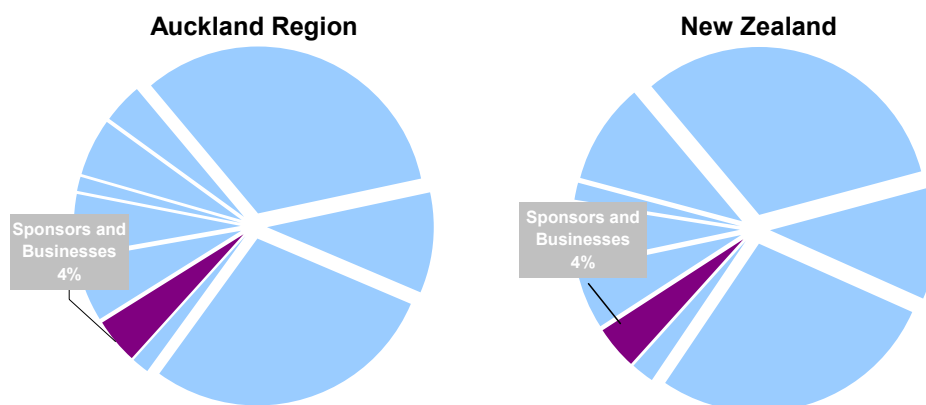
The whole event direct value added impact was \$9m for Auckland and New Zealand. The total value added impact was \$20m for Auckland, and \$22m for New Zealand. The majority of impacts was in 2002-2003 as sponsors sought to maximise exposure during the actual event. However, \$3m of spend occurred in 2001-2002 year generating \$3m in value added in Auckland and New Zealand as a whole. In total this spend accounted for 4.4% of the total Auckland value added impact, and 4.2% nationally (Figure 3.10).



**Table 3.10: Economic Impact – Spending by Sponsors and Businesses**

Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 20.7	\$ 20.7
Direct Value Added	\$ 9.1	\$ 9.2
Total Value Added	\$ 19.9	\$ 22.2
Employment Impacts (FTE Years)		
Direct Employment	180	180
Total Employment	330	360
<b>Impacts in 2000-02</b>		
Economic Impacts (\$m)		
Expenditure	\$ 3.1	\$ 3.1
Direct Value Added	\$ 1.4	\$ 1.4
Total Value Added	\$ 2.9	\$ 3.1
Employment Impacts (FTE years)		
Direct Employment	20	20
Total Employment	40	40

**Figure 3.10: Sponsor and Business Contribution to America's Cup 2003 Value Added**



**Employment Impact**

Direct expenditure by sponsor and businesses activity sustained:

- ◆ 180 FTEs directly in Auckland
- ◆ 330 FTEs in total in Auckland
- ◆ Of which 20 were sustained directly in Auckland during the 2000-01 period and 40 in total
- ◆ 180 FTEs directly across New Zealand
- ◆ 360 FTEs in total nationally
- ◆ Of which 20 were sustained directly nationally during the 2000-01 period and 40 in total
- ◆ This expenditure accounted for 4% of the total employment effect in Auckland, and 4% of the national effect.

### 3.11 TOTAL IMPACTS

#### **Expenditure**

The net additional spend by America's Cup participants, hosts and spectators was substantial, and widespread. The total expenditure directly into the Auckland economy was \$497m, including \$130m in the 2000-2002 period. Total additional expenditure into the New Zealand economy was \$523m (this is reduced from the gross total by transfers from the rest of New Zealand to Auckland), including \$136m in the 2000-2002 period. This is shown in Table 3.11.

#### **Value Added Impact**

The whole event direct value added impact was \$201m for Auckland, and the total impact was \$450m. This equates to 1.1% of the total value added in the Auckland economy in 2003. This is a very substantial impact for a single event. Auckland is by far New Zealand's largest regional economy, with extensive linkages throughout the national economy. The effective growth of the economy by this amount in a relatively short time frame constitutes a major impetus to regional and national activity.

The whole event direct value added impact was \$213m for New Zealand, and the total impact was \$529m in value added terms. This is equivalent to 0.4% of total value added in the New Zealand economy in 2003.

#### **Employment Impact**

For Auckland, the direct employment impact from the total event 4,770 FTEs, and the total impact 8,180 FTEs. For New Zealand, the direct employment impact was 5,010 FTEs, and the total impact was 9,360 FTEs. During the 2000-02 period economic activity sustained 1,150 FTE's directly in Auckland and 2,060 in total and 1,210 FTE's directly nationally and 2,350 in total

**Table 3.11: Total Economic Impact – All Participant, Spectators, Sponsors and Organisers**

Category	Auckland Region	New Zealand
<b>Total Event Impacts</b>		
Economic Impacts (\$m)		
Expenditure	\$ 496.8	\$ 523.4
Direct Value Added	\$ 201.0	\$ 212.7
Total Value Added	\$ 449.8	\$ 528.6
Employment Impacts (FTE Years)		
Direct Employment	4,770	5,010
Total Employment	8,180	9,360
<b>Impacts in 2000-02</b>		
Economic Impacts (\$m)		
Expenditure	\$ 130.2	\$ 135.6
Direct Value Added	\$ 51.8	\$ 54.4
Total Value Added	\$ 117.5	\$ 137.4
Employment Impacts (FTE years)		
Direct Employment	1,150	1,210
Total Employment	2,060	2,350

## 4 The Distribution of Impacts

### 4.1 NEW ZEALAND IMPACTS BY SECTOR

The effects of the 2003 America's Cup have also been assessed to identify those sectors in the economy receiving the greatest direct impacts, through additional sales revenue arising from purchases by participants, hosts and spectators. Drawing from information provided by respondents to the various surveys and interviews, total spending has been distributed across the main economic sectors. Table 4.1 shows the net additional output for each sector, and the direct value added and employment sustained in each sector over the event period. It also shows the total value added and employment impacts, although the flow-on effects occur across all sectors of the economy.

**Table 4.1: Distribution of Total Impacts Among Key National Sectors**

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
<b>TOTAL</b>	<b>523.4</b>	<b>212.7</b>	<b>5,010</b>	<b>528.6</b>	<b>9,360</b>

The Transport manufacturing equipment sector, covering boat-building and the supply and installation of marine equipment, received the largest sales impact, with additional output of \$129m, some 25% of the total. Note that this is the net additional output. Total output (sales) associated with the America's Cup was higher than this net amount, but included transfers from other sectors (including domestic sales activity, and portions of sales to syndicates and others sustained by funding which represented transfers within the economy).

The flow on effects from the marine sector activity sustained \$100m in value added (slightly lower than that achieved by the retail sector), with direct employment at 480 equivalent years and total employment of 1,440. As also noted, this does not equate with 480 additional jobs being created, but denotes the volume of work sustained by a combination of additional work by existing employees and extra positions in the short term.

The retail sector generated the second highest volume of direct spend (\$101m nationally), however this translated into the highest total value added (\$115m nationally). Much of this is generated by the sectors that produce goods for final retail consumption rather than the retail sector itself. It is the conduit for much national economic activity. The retail sector benefits in a wide range of ways, the presence of syndicates with large resident teams and families for significant periods over the past 3 years saw significant direct spend flow into the Auckland market. In addition, tourists, superyacht

owners, guests and crew, sponsors and their guests, all spent significant sums in Auckland and around the holiday destinations nationally.

The accommodation and hospitality sector, covering all accommodation, catering and café and restaurant trade, also experienced a major net increase in output from the event, in the order of \$92m, with corresponding direct value added of nearly \$37m and total value added of \$98m (Table 4.1). Collectively the sectors catering for final demand – retail, accommodation and hospitality and entertainment and leisure accounted for \$224m in increased output, \$99m in direct value added and \$246m in total value added, nationally.

Business services, including legal and accounting services as well as marketing and promotional services generated \$44m in additional output. The direct value added component of this equated to \$20m sustaining 420 full time equivalent jobs for a year. In total \$51m of value added was created in this sector and the equivalent of 860 full time jobs for a year.

The property and construction sectors also experienced additional activity, however this was significantly reduced from the previous campaign due to the limited construction effect. Between them they added \$44m to national gross output compared with \$66m for construction alone over the period of the 2000 event. This expenditure generated \$22m in direct value added and \$47m in total value added. Approximately 250 full time jobs were directly sustained by this activity and 590 once flow on effects are accounted for.

The large “Other” sector contains mainly manufacturing activities outside the marine sector as well as water transport and services such as education, health and personal services. The remaining sectors – air transport, domestic road transport and clothing and textile manufacture - generated \$50m of additional gross output, \$25m of direct value added and \$50m of total value added. Collectively they sustained 250 full time jobs directly and 570 once the flow on effects are included.

Overall, the direct effects of increased demand are quite widely spread through the economy. Because of this, and because the national economy is reasonably integrated and diverse, the indirect and induced effects would be widely felt across all sectors, even those not immediately related to the event.

## 4.2 AUCKLAND IMPACTS BY SECTOR

The distribution of direct impacts is similar across the Auckland economy. Of the \$497m net additional spend in Auckland, 25% went to the transport equipment manufacturing sector (marine equipment), 20% to retail, 16% to accommodation and hospitality. Business services added \$43m locally or 9% of the total followed by entertainment and leisure services adding \$26m or 5%. Property services and construction generated around \$21m - \$23m each or around 4% each of the total, while air services accounted for \$30m (6%). The remaining sectors added \$48m to the regional economy or 10% of the total. (Table 4.2).

**Table 4.2: The Distribution of Total Economic Impacts Among Key Auckland Sectors**

Economic Sector	Net Additional Expenditure (\$m)	Direct Value Added (\$m)	Direct Employment (FTEs)	Total Value Added (\$m)	Total Employment (FTEs)
Retail trade	100.0	49.8	1,426	104.2	2,140
Transport equipment manufacturing	125.7	31.3	536	90.2	1,380
Accommodation, restaurants and bars	80.8	31.7	1,562	71.3	2,100
Business services	42.8	18.6	404	45.2	780
Air transport, services to transport and storage	29.5	15.0	105	25.8	240
Cultural and recreational services	26.0	9.6	176	24.5	390
Real estate	23.2	15.7	87	23.7	190
Construction	21.0	6.6	173	19.0	360
Road transport	8.7	5.3	72	9.6	130
Communication services	6.6	4.0	30	6.2	60
<i>Other</i>	32.5	13.2	194	30.1	410
<b>TOTAL</b>	<b>496.8</b>	<b>201.0</b>	<b>4,765</b>	<b>449.8</b>	<b>8,180</b>

In total \$450m of value added was generated in the regional economy. Like the national situation the largest contributor is the retail sector which generates \$104m of total value added – almost a quarter of the total.

The regional and national effects are not directly comparable - domestic visitors do not contribute to national effects, for example, whereas they do contribute to regional effects, and inter-regional imports are significant for the regional accounts and do not exist in the national accounts. Nevertheless, it is useful to consider the relationship between Auckland and other parts of the national economy. The Auckland economy received a large share of the direct value added, simply reflecting the large share of spend directed to Auckland based organisations.

However, the flow-on (indirect and induced) effects are greater in the national economy than for Auckland. This is because a share of the expenditure into Auckland then “leaks” out of that region, as Auckland businesses purchase goods and services from suppliers in other regions. The greater the degree of leakage, then the greater the difference between regional and national multiplier effects.

What is evident for Auckland is that the differences are limited, and a relatively high share of the flow on effects also accrued to the Auckland economy. This reflects in part the nature of much of the expenditure, which was directed towards final demand goods – which tend to be located at the point of sale (such as shops, restaurants, hotels, sightseeing tours) - or else sectors like the marine industry with a high level of service and capacity located in Auckland. It also reflects the comprehensive and integrated nature of the Auckland economy, where many of the goods and services are able to be sourced locally.

## 5 Sensitivity Analysis

Sensitivity analysis is relevant where the expenditure effects are based on estimates or interpretation of survey results. The information on major expenditure, by syndicates, organisers and media is based predominantly on detailed figures provided to the study team, while information on superyachts' expenditure also reconciles between spending and selling sources.

Nevertheless, two aspects have been covered in the sensitivity analysis, in cases where the expenditure estimates depend on key assumptions, and there are different figures from alternative sources. The first is to attribute a lower level of international visitor spend to the America's Cup. The second is to allow for a higher impact from domestic spend, by relaxing the assumption that all domestic spend is a transfer, and applying the expenditure levels implied by the visitor Intercept Survey.

### 5.1 INTERNATIONAL VISITOR SPEND

For the base analysis, international visitor expenditure was counted for all those who came only for the Cup, 75% of spend for all who came mainly for the Cup, and 20% for those who came partly for the Cup. For the sensitivity analysis, the share of expenditure was reduced to count only 50% for those coming mainly for the Cup, and 10% for those who came partly for the Cup, and would have come in any case.

The effect of these reduced shares of international spend would be limited. Direct expenditure in Auckland by international visitors would reduce from \$27.4m to \$15.5m. The total value added effect would be a reduction of \$10.9m for Auckland, from \$25.3m to \$14.4m. The effect for New Zealand would be a reduction in total value added of \$22.5m, from \$51.8m to \$29.3m.

Overall, the difference of \$22.5m at the national level implies an impact 4.3% lower than the base case. The difference for Auckland, of \$14.4m, implies a regional impact some 3.2% below the base case. Similar percentage reductions in employment are also implied.

In the context of the total impacts estimated, the differences are minor. This means that the overall results are not highly sensitive to the key assumptions made for the allocation of international visitor spend.

### 5.2 DOMESTIC VISITOR SPEND

The impact for Auckland from domestic visitor spend is relatively low, at \$17.7m in total value added, and 370 FTEs. This is based on the estimates from the DTS. As noted, the results of the Intercept Survey for domestic visitors to Auckland, in terms of numbers visiting and daily expenditure, indicate a higher level of spend, at \$32.4m overall.

In addition, the base case analysis assumes that all the domestic visitor spend in Auckland is a transfer from other regions, and represents a net nil effect at the national level. However, if some of the spend in Auckland would not otherwise have been spent in New Zealand – and would have gone

instead to overseas travel, purchase of imported goods, or contributions to savings rather than consumption – then the corresponding spend in Auckland would have been a net increase at the national level. To test this, it is assumed that 20% of the money spent by domestic visitors to Auckland would not have otherwise been spent in New Zealand.

The effect of these changes assumptions would, however, be limited. Direct expenditure in Auckland by domestic visitors would be higher, at \$32.4m rather than \$18.5m. The total value added effect would be an increase of \$13.3m for Auckland, taking the total impact from \$450m to \$463m. The effect for New Zealand would be an increase in total value added of just \$6.8m, to \$535m.

Overall, this difference at the national level implies an impact 1.3% higher than the base case. The difference for Auckland implies a regional impact some 3.0% higher than the base case. Similar percentage increases in employment are also implied.

In the context of the total impacts estimated, the differences are again minor. This means that the overall results are not highly sensitive to either the selection of the more conservative DTS expenditure figures, or the key assumption that there is no net effect from domestic travel at the national level.

## APPENDIX 1: TOTAL EXPENDITURE BY SOURCE TO KEY SECTORS

Table A1.1: Net Additional Expenditure by Source to Summary Sectors 2000-2003 (\$m)

Spend (\$m)	Accommodation & Hospitality	Retail	Entertainment & Leisure	Transport	Construction	Marine Sector	Media & Communication	Business & Household Services	Other	Total
<b>New Zealand</b>										
Syndicates	28.4	9.4	1.8	8.0	13.5	65.1	3.2	22.1	19.1	170.6
Syndicate Community	16.5	24.9	5.3	4.9	0.0	0.1	0.0	1.2	0.0	52.9
Superyachts & Other Yachts	11.7	49.9	9.0	1.8	0.0	76.4	0.0	0.0	5.8	154.6
Other Boats/Ships	2.8	2.1	0.1	4.7	0.1	0.0	0.0	0.8	0.1	10.8
Sponsors & Businesses	2.9	0.2	0.5	2.4	1.6	0.3	2.5	7.5	2.8	20.7
Organisers	3.7	2.0	2.1	3.8	3.7	0.8	1.0	9.1	2.5	28.7
Media	6.0	5.0	4.0	4.4	0.0	0.0	0.5	5.5	2.7	28.1
Govt & Comm. Services	0.7	0.1	1.9	0.8	2.1	0.1	0.0	1.6	0.1	7.6
International Visitors	19.1	6.8	6.8	16.7	0.0	0.0	0.0	0.0	0.0	49.4
Domestic Visitors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total New Zealand</b>	<b>91.7</b>	<b>100.5</b>	<b>31.5</b>	<b>47.5</b>	<b>21.0</b>	<b>142.7</b>	<b>7.3</b>	<b>48.0</b>	<b>33.3</b>	<b>523.4</b>
<b>Auckland</b>										
Syndicates	26.8	8.6	1.2	7.8	13.5	65.0	3.2	22.1	19.1	167.4
Syndicate Community	12.2	23.0	3.8	3.9	0.0	0.1	0.0	1.2	0.0	44.4
Superyachts & Other Yachts	10.9	49.5	8.8	1.0	0.0	73.3	0.0	0.0	5.8	149.3
Other Boats/Ships	2.3	1.2	0.0	3.7	0.1	0.0	0.0	0.4	0.1	7.9
Sponsors & Businesses	2.9	0.2	0.5	2.4	1.6	0.3	2.5	7.5	2.8	20.7
Organisers	3.6	2.0	2.1	3.8	3.7	0.8	1.0	8.6	2.5	28.0
Media	5.6	4.8	3.8	4.1	0.0	0.0	0.5	5.5	2.7	27.0
Govt & Comm. Services	0.6	0.1	1.1	0.4	2.1	0.1	0.0	1.5	0.1	6.1
International Visitors	9.5	3.4	3.4	11.1	0.0	0.0	0.0	0.0	0.0	27.4
Domestic Visitors	6.4	7.1	1.2	3.9	0.0	0.0	0.0	0.0	0.0	18.5
<b>Total Auckland</b>	<b>80.8</b>	<b>100.0</b>	<b>26.0</b>	<b>42.1</b>	<b>21.0</b>	<b>139.5</b>	<b>7.3</b>	<b>46.9</b>	<b>33.3</b>	<b>496.8</b>



## APPENDIX 2: 2003 EXPENDITURE BY SOURCE TO KEY SECTORS

Table A2.1: Net Additional Expenditure by Source to Summary Sectors YE June 2003 (\$m)

Spend (\$m)	Accommodation & Hospitality	Retail	Entertainment & Leisure	Transport	Construction	Marine Sector	Media & Communication	Business & Household Services	Other	Total
<b>New Zealand</b>										
Syndicates	16.6	4.1	1.1	3.9	1.6	25.2	1.5	9.4	6.2	69.6
Syndicate Community	8.7	12.5	2.9	2.8	0.0	0.1	0.0	0.7	0.0	27.6
Superyachts & Other Yachts	11.7	49.9	9.0	1.8	0.0	76.4	0.0	0.0	5.8	154.6
Other Boats/Ships	2.8	2.1	0.1	4.7	0.1	0.0	0.0	0.8	0.1	10.8
Sponsors & Businesses	2.9	0.2	0.0	2.4	1.6	0.3	1.0	7.5	1.8	17.6
Organisers	3.6	2.0	2.1	3.6	2.2	0.7	0.9	8.3	2.3	25.8
Media	5.7	4.8	3.9	4.3	0.0	0.0	0.5	5.3	2.7	27.3
Govt & Comm. Services	0.1	0.0	1.8	0.3	1.6	0.0	0.0	1.2	0.0	5.1
International Visitors	19.1	6.8	6.8	16.7	0.0	0.0	0.0	0.0	0.0	49.4
Domestic Visitors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total New Zealand</b>	<b>71.3</b>	<b>82.6</b>	<b>27.5</b>	<b>40.5</b>	<b>7.1</b>	<b>102.7</b>	<b>3.9</b>	<b>33.2</b>	<b>19.0</b>	<b>387.8</b>
<b>Auckland</b>										
Syndicates	15.6	3.6	0.7	3.8	1.6	25.1	1.5	9.4	6.2	67.4
Syndicate Community	6.3	11.5	2.0	2.3	0.0	0.1	0.0	0.7	0.0	22.9
Superyachts & Other Yachts	10.9	49.5	8.8	1.0	0.0	73.3	0.0	0.0	5.8	149.3
Other Boats/Ships	2.3	1.2	0.0	3.7	0.1	0.0	0.0	0.4	0.1	7.9
Sponsors & Businesses	2.9	0.2	0.0	2.4	1.6	0.3	1.0	7.5	1.8	17.6
Organisers	3.6	1.9	2.0	3.6	2.2	0.7	0.9	7.7	2.3	25.1
Media	5.4	4.6	3.7	4.0	0.0	0.0	0.5	5.4	2.7	26.3
Govt & Comm. Services	0.1	0.0	1.0	0.3	1.6	0.0	0.0	1.1	0.0	4.2
International Visitors	9.5	3.4	3.4	11.1	0.0	0.0	0.0	0.0	0.0	27.4
Domestic Visitors	6.4	7.1	1.2	3.9	0.0	0.0	0.0	0.0	0.0	18.5
<b>Total Auckland</b>	<b>63.0</b>	<b>83.1</b>	<b>22.9</b>	<b>35.9</b>	<b>7.1</b>	<b>99.5</b>	<b>3.9</b>	<b>32.1</b>	<b>19.0</b>	<b>366.6</b>

## APPENDIX 3: INTERNATIONAL VISITOR ACTIVITY

This analysis is based on the International Visitor Survey data provided by Tourism NZ. It covers international visitors who came wholly, mainly or partly to see the Americas Cup, and those who did not come for the event but ended up staying longer because of it. Total expenditure by these visitors is estimated at \$48m. These figures do not include those identified by the IVS as being directly related to the event (racing and shore syndicate team members, media, and crew friends and relatives) whose expenditure is included elsewhere. Note that the expenditure figures in these tables include GST and exclude international airfares. GST has been removed for the analysis in the main report.

**Table A3.1: Visitor Numbers, Nights and Total Expenditure**

	Spectators	Supporters	Others	Total
Visitors	103,524	2,311	696,920	802,755
Nights (000)	3,144	136	17,284	20,565
Mean Length of Stay	33	17	40	39
Expenditure (\$m)	\$ 404	\$ 6	\$ 2,405	\$ 2,816

**Table A3.2: Distribution of Visitors by Purpose of Travel**

Step 1. Influence of America's Cup	Spectators	Supporters	Others	Total
Only Reason	2.2%	13.5%	0.0%	0.4%
Main reason	3.6%	10.9%	0.0%	0.5%
One Reason	17.3%	40.2%	0.5%	2.8%
SUB-TOTAL	23.1%	64.6%	0.6%	3.6%
Not a Reason	76.9%	35.4%	99.4%	96.4%
TOTAL	100.0%	100.0%	100.0%	100.0%

Step 2. Visitors Attracted by America's Cup	Spectators	Supporters	Others	Total
Only Reason	2,290	310	280	2,880
Main reason	3,700	250	250	4,200
One Reason	17,890	930	3,320	22,140
SUB-TOTAL	23,880	1,490	3,850	29,220
Not a Reason	79,640	820	693,070	773,530
TOTAL	103,520	2,310	696,920	802,750

**Table A3.3: Allocation of Expenditure to America's Cup**

Step 3. Expenditure Associated with America's Cup (\$m)	Spectators	Supporters	Others	Total
Only Reason	\$ 8.9	\$ 0.9	\$ 1.0	\$ 10.8
Main reason	\$ 14.5	\$ 0.7	\$ 0.9	\$ 16.0
One Reason	\$ 69.9	\$ 2.6	\$ 11.5	\$ 83.9
<b>SUB-TOTAL</b>	<b>\$ 93.3</b>	<b>\$ 4.2</b>	<b>\$ 13.3</b>	<b>\$ 110.8</b>
Not a Reason	\$ 311.0	\$ 2.3	\$ 2,392.2	\$ 2,705.4
<b>TOTAL</b>	<b>\$ 404.3</b>	<b>\$ 6.5</b>	<b>\$ 2,405.4</b>	<b>\$ 2,816.2</b>

Step 4. Expenditure Attributable to America's Cup (\$m)	Spectators	Supporters	Others	Total
Only Reason	\$ 8.9	\$ 0.9	\$ 1.0	\$ 10.8
Main reason	\$ 10.8	\$ 0.5	\$ 0.7	\$ 12.0
One Reason	\$ 21.0	\$ 0.8	\$ 3.4	\$ 25.2
<b>TOTAL</b>	<b>\$ 40.8</b>	<b>\$ 2.2</b>	<b>\$ 5.0</b>	<b>\$ 48.0</b>

Regional Expenditure	Spectators	Supporters	Others	Total
Auckland	\$ 21.2	\$ 1.2	\$ 1.7	\$ 24.0
Other New Zealand	\$ 19.6	\$ 1.0	\$ 3.4	\$ 24.0
<b>TOTAL</b>	<b>\$ 40.8</b>	<b>\$ 2.2</b>	<b>\$ 5.0</b>	<b>\$ 48.0</b>

## APPENDIX 4: DOMESTIC VISITOR ACTIVITY

The tables below are based on analysis of the Domestic Visitor Survey (DVS) figures, which identified travel to Auckland from other parts of New Zealand, associated with the Americas Cup. The method for estimating the shares of expenditure and activity attributable to the Cup are the same as those applied to International Visitors, according to reason for travel, and allowance for the Americas Cup as a contributing factor in those travel decisions and behaviour. Note that the expenditure figures in these tables include GST. This has been removed for the analysis in the main report.

**Table A4.1: Allocation of Spend to America's Cup by Domestic Overnight Visitors**

Overnight Visitors	Only Reason	Main Reason	One Reason	Total
<b>TOTAL</b>				
Visitors	10,610	31,960	119,400	161,970
Nights	29,590	70,750	301,680	402,020
Mean Length of Stay	2.79	2.21	2.53	2.48
Expenditure (\$m)	\$ 5.5	\$ 8.0	\$ 34.4	\$ 47.9
Spend (\$/day)	\$ 186	\$ 113	\$ 114	\$ 119
Spend per Visitor (\$)	\$ 518	\$ 251	\$ 288	\$ 1,057
<b>AUCKLAND</b>				
Visitors	0	6,650	20,920	27,570
Nights	0	14,730	52,860	67,590
Mean Length of Stay	0.00	2.21	2.53	2.45
Expenditure (\$m)	\$ -	\$ 2.2	\$ 7.1	\$ 9.3
Spend (\$/day)	\$ -	\$ 151	\$ 135	\$ 138
Spend per Visitor (\$)	\$ -	\$ 333	\$ 340	\$ 674
<b>OTHER NEW ZEALAND</b>				
Visitors	10,610	25,300	98,480	134,390
Nights	29,590	56,020	248,820	334,430
Mean Length of Stay	2.79	2.21	2.53	2.49
Expenditure (\$m)	\$ 5.5	\$ 5.8	\$ 27.3	\$ 38.6
Spend (\$/day)	\$ 186	\$ 104	\$ 110	\$ 115
Spend per Visitor (\$)	\$ 518	\$ 230	\$ 277	\$ 1,024

**Table A4.2: Allocation of Spend to the America's Cup from Domestic Day Visitors**

Day Visitors	Only Reason	Main Reason	One Reason	Total
<b>TOTAL</b>				
Visitors	80,150	139,650	126,540	346,340
Expenditure (\$m)	\$ 7.0	\$ 13.3	\$ 12.4	\$ 32.6
Spend \$/day	\$ 87	\$ 95	\$ 98	\$ 94
<b>AUCKLAND</b>				
Visitors	61,500	122,230	94,240	277,970
Expenditure (\$m)	\$ 5.2	\$ 10.2	\$ 8.6	\$ 24.1
Spend \$/day	\$ 85	\$ 84	\$ 92	\$ 87
<b>OTHER NEW ZEALAND</b>				
Visitors	18,650	17,420	32,300	68,370
Expenditure (\$m)	\$ 1.5	\$ 2.5	\$ 3.3	\$ 7.3
Spend \$/day	\$ 80	\$ 143	\$ 102	\$ 107

**Table A4.3: Total Domestic Spend Attributable to America's Cup**

America's Cup Spend (\$m)	Only Reason	Main Reason	One Reason	Total
Overnight Visits	\$ 5.5	\$ 4.4	\$ 6.8	\$ 16.7
Day Visits	\$ 1.5	\$ 1.9	\$ 0.8	\$ 4.2
<b>TOTAL</b>	<b>\$ 7.0</b>	<b>\$ 6.2</b>	<b>\$ 7.7</b>	<b>\$ 20.9</b>

**Table A4.4: Domestic Overnight Spend Distribution by Sector**

Overnight Spend (\$m)	Only Reason	Main Reason	One Reason	Total
Transport	\$ 2.8	\$ 0.8	\$ 2.2	\$ 5.8
Food	\$ 0.9	\$ 1.2	\$ 1.6	\$ 3.7
Alcohol	\$ 0.3	\$ 0.3	\$ 0.5	\$ 1.1
Recreation	\$ 0.2	\$ 0.3	\$ 0.4	\$ 0.8
Lottery	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.1
Gifts	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.4
Other Shopping	\$ 0.5	\$ 0.5	\$ 0.9	\$ 1.9
Accommodation	\$ 0.7	\$ 1.0	\$ 1.2	\$ 2.9
<b>TOTAL</b>	<b>\$ 5.5</b>	<b>\$ 4.4</b>	<b>\$ 6.8</b>	<b>\$ 16.7</b>

**Table A4.5: Distribution of Domestic Day Trip Spend by Sector**

Day Trip Spend (\$m)	Only Reason	Main Reason	One Reason	Total
Transport	\$ 0.6	\$ 0.7	\$ 0.2	\$ 1.5
Food	\$ 0.3	\$ 0.5	\$ 0.3	\$ 1.1
Alcohol	\$ 0.1	\$ 0.1	\$ 0.0	\$ 0.2
Recreation	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.3
Lottery	\$ 0.0	\$ 0.1	\$ 0.0	\$ 0.2
Gifts	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Other Shopping	\$ 0.3	\$ 0.4	\$ 0.2	\$ 1.0
Accommodation	\$ -	\$ -	\$ -	\$ -
<b>TOTAL</b>	<b>\$ 1.5</b>	<b>\$ 1.9</b>	<b>\$ 0.8</b>	<b>\$ 4.2</b>

Table 6 below shows the place of residence (by region) of those New Zealanders who visited Auckland for the Americas Cup, as identified in the DTS. As expected, the bulk of day visitors (94%) came either from Auckland or adjacent regions (Northland, Waikato, Bay of Plenty), as did 62% of the overnight visitors. Nevertheless, there were considerable numbers from further afield, especially on overnight trips, notably Wellington (12%), Canterbury (5%) and Otago (5%).

**Table A4.6: Origin of Domestic Visitors to Auckland for The America's Cup**

Region	Overnight Trips	Share of Total	Day Trips	Share of Total
Northland	12,740	9.4%	8,260	2.4%
Auckland	27,580	20.3%	277,970	80.3%
Waikato	23,290	17.1%	27,460	7.9%
Bay of Plenty	21,030	15.5%	13,940	4.0%
Gisborne	-	0.0%	0	0.0%
Hawkes Bay	4,140	3.0%	0	0.0%
Taranaki	2,870	2.1%	0	0.0%
Manuwatu	6,280	4.6%	0	0.0%
Wellington	15,600	11.5%	10,400	3.0%
Marlborough	3,200	2.4%	0	0.0%
Nelson	3,220	2.4%	0	0.0%
Tasman	-	0.0%	0	0.0%
Canterbury	7,050	5.2%	8,320	2.4%
West Coast	-	0.0%	0	0.0%
Otago	6,720	4.9%	0	0.0%
Southland	2,180	1.6%	0	0.0%
<b>Total</b>	<b>135,900</b>	<b>100.0%</b>	<b>346,350</b>	<b>100.0%</b>

## APPENDIX 5: MEDIA ACTIVITY

The tables below are based on analysis of Louis Vuitton Media Centre data, and interviews with media personnel. The analysis covers print and electronic media, but excludes the main television broadcasting activity, since the expenditure on that activity is included in the expenditure estimates for other groups, notably the regatta organisers. The focus is on the volume of media activity, and expenditure by the many journalists who came for the event, and their accompanying family and supporters. Note that the expenditure figures in these tables include GST. This has been removed for the analysis in the main report.

**Table A5.1: Summary of Media Accreditations for the America's Cup 2003**

	Louis Vuitton Cup	America's Cup	Total
Accreditation in Auckland	1,035	262	1,297
Online Accreditation	845	150	995
<b>TOTAL</b>	<b>1,880</b>	<b>412</b>	<b>2,292</b>

**Table A5.2: Summary of In Auckland Media Accreditations by Type of Media**

Type	Number	Share of Total
TV - National	316	24.4%
TV - Production	166	12.8%
Lifestyle/Fashion	127	9.8%
Marine Media	109	8.4%
Newspaper National	103	7.9%
Photographer	102	7.9%
Newspaper Regional	92	7.1%
Freelance media	66	5.1%
Radio - National	59	4.5%
News Agency	51	3.9%
Internet	51	3.9%
Photo Agency	21	1.6%
Business/Finance	13	1.0%
Outdoor/Sports	11	0.8%
Radio - Regional	10	0.8%
<b>TOTAL IN AUCKLAND</b>	<b>1,297</b>	<b>100.0%</b>

**Table A5.3: Media Accreditations by Country of Origin, America's Cup 2003**

	Online	In Auckland	Total
New Zealand	142	442	584
USA	191	145	336
Italy	146	111	257
United Kingdom	93	82	175
France	68	96	164
Switzerland	28	105	133
Germany	52	36	88
Australia	25	55	80
Japan	15	63	78
Sweden	18	24	42
Other Europe	132	63	195
Other Asia	24	49	73
Other Rest of World	61	26	87
<b>TOTAL</b>	<b>995</b>	<b>1,297</b>	<b>2,292</b>

**Table A5.4: Total Media Expenditure by Sector, America's Cup 2003**

Sector	Expenditure (\$m)
Accommodation, Restaurants and Bars	\$ 6.0
Retail Trade	\$ 5.0
Business Services	\$ 5.0
Cultural and Recreational Services	\$ 4.0
Air Transport and Services	\$ 2.4
Machinery and Equipment	\$ 2.3
Water and Rail transport	\$ 1.6
Communication Services	\$ 0.5
Other Sectors	\$ 1.2
<b>TOTAL</b>	<b>\$ 28.1</b>



## APPENDIX 6: SUPERYACHT ACTIVITY

The tables below are based on analysis of data from a variety of sources, including interviews with the marine sector, superyacht skippers, statistics on yacht stays and days, and the survey of members of the Marine Industry Association and MAREX. The analysis involved reconciliation of the data from different sources to provide a summary of activity.

**Table A6.1: Superyacht Activity During Build up and America's Cup 2003**

Activity	Count
Number of Superyachts	104
Average Stay (Days)	118
Total Superyacht Days	12,273

**Table A6.2: Superyacht Expenditure During Build up and America's Cup 2003 (\$m)**

Sector	Auckland	Rest of New Zealand	Total
Ship and Boat Building	\$ 73.3	\$ 3.1	\$ 76.4
Retail trade	\$ 49.5	\$ 0.4	\$ 49.9
Accommodation and Hospitality	\$ 10.9	\$ 0.7	\$ 11.7
Road passenger transport	\$ 0.6	\$ 0.3	\$ 0.9
Air transport, services to transport and storage	\$ 0.1	\$ 0.4	\$ 0.5
Commercial property operators	\$ 5.8	\$ -	\$ 5.8
Other sport and recreational services	\$ 8.8	\$ 0.1	\$ 9.0
Other Spend	\$ 0.3	\$ 0.1	\$ 0.4
<b>TOTAL</b>	<b>\$ 149.3</b>	<b>\$ 5.3</b>	<b>\$ 154.6</b>

**Table A6.3: Superyacht Average Daily Expenditure 2003 (\$)**

Sector	Daily Expenditure
Yacht Refit and Maintenance	\$ 6,230
Other Expenditure	\$ 6,370
<b>TOTAL</b>	<b>\$ 12,600</b>

## APPENDIX 7: AMERICAS CUP VILLAGE ACTIVITY

The tables below provide summary statistics of the people activity in and around the Americas Cup Village area in Auckland's Viaduct Basin over the event period. The tables have been compiled from several sources, including American Express statistics on visitor numbers from electronic and manual counts, and the Intercept Survey and visitor origin counts undertaken by Gravitas Research and Strategy Ltd.

The figure below shows the gradual build up in numbers over late 2002 and into early 2003, as the round robin series finished, and the challenger semi-finals proceeded. Then, with the actual Cup Defence, numbers soared in late February, before dropping away dramatically in March 2003.

**Figure A7.1: Visit Numbers to the America's Cup Village Oct 2002-Mar 2003**

*Source: AMEX Electronic Viaduct Harbour Counts*

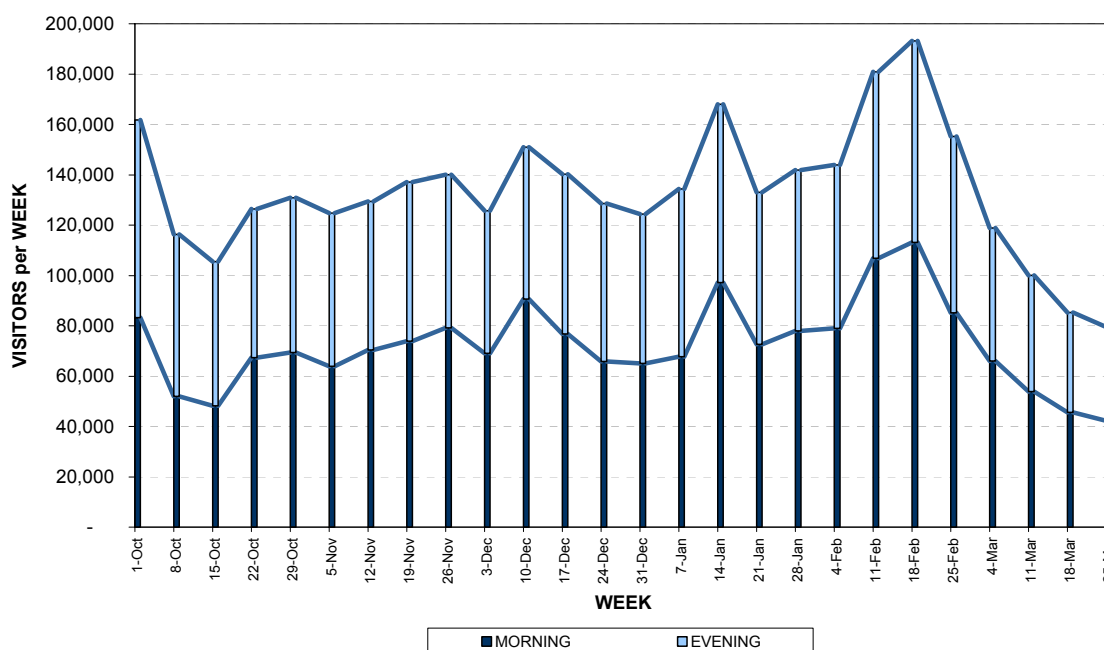


Table 2 shows the composition of visitors to the Village, with numbers dominated by Aucklanders (51.3%) who made an average of 6.2 trips to the Viaduct, but also with strong representation from international visitors (31.6%) and other New Zealanders (17.1%). There was an average daily total of 19,100 visits to the Viaduct Harbour over the event period, with the number of visits peaking in the weekends (Table 1). Most domestic visitors (ie, excluding Auckland) originated from the adjacent regions of Waikato and Bay of Plenty. The large population base in both Wellington and Canterbury regions also translated into strong shares of visits.

**Table A7.1: Distribution of Village Visitors by Day of Week Oct 2002-Mar 2003**

	Average 24hrs	Share %	Total
Monday	16,230	12%	421,900
Tuesday	16,700	12%	434,200
Wednesday	16,740	13%	435,200
Thursday	17,770	13%	462,100
Friday	18,240	14%	474,200
Saturday	22,420	17%	582,800
Sunday	25,650	19%	666,800
Average Weekly Total	133,750	100%	3,477,200
Average Daily Total	19,107		

Source: AMEX Viaduct Harbour Electronic Counts

**Table A7.2: Mean Number of Visits to the Village by Origin of Visitor Oct 2002-Mar 2003**

	Visits	Share of Visits	Mean No. Visits	Visitors
Aucklanders	1,784,239	51.3%	6.2	287,781
Other Domestic	595,342	17.1%	2.4	248,059
International	1,097,718	31.6%	3.5	313,634
TOTAL	3,477,300	100.0%	na	849,474

Source: Intercept Survey - Gravitas, and AMEX Viaduct Harbour Counts

**Table A7.3: Origin of Other Domestic Visits by Region of Residence Oct 2002-Mar 2003**

Region	Visits	Share %
Northland	63,069	10.6%
Waikato	128,910	21.7%
Bay of Plenty	110,890	18.6%
Gisborne	6,931	1.2%
Hawke's Bay	35,346	5.9%
Taranaki	29,109	4.9%
Manawatu-Wanganui	13,861	2.3%
Wellington	70,693	11.9%
Nelson/Tasman/Marlborough	16,634	2.8%
Canterbury	76,237	12.8%
West Coast	693	0.1%
Otago	31,188	5.2%
Southland	9,703	1.6%
Other/Not Specified	2,079	0.3%
TOTAL	595,342	100.0%

Source: Intercept Survey - Gravitas, and AMEX Viaduct Harbour Counts

## APPENDIX 8: ECONOMIC MODELS & MULTIPLIER ANALYSIS

### INTRODUCTION

This technical appendix describes the derivation of regional input-output models, and multipliers developed for impact analysis. It outlines the fundamentals of input-output modelling, including definitions and structures, and the methodology that generates sub-national economic accounts through a series of mechanical steps. Finally, the key aspects of multiplier analysis are described.

### INPUT-OUTPUT MODELLING

The origins of input-output modelling may be traced back to the Physiocrats of the 18th Century. Francois Quesnay's *Tableau Economique* of 1758 traced successive rounds of wealth generated by agricultural expenditure. While the *Tableau Economique* investigated the concepts of circular flow and general equilibrium, it was not until another Frenchman, Leon Walrus in his *Elements d'Economie Politique Pure* of 1874, that a detailed theoretical framework for analysing economic interdependence was created. Contemporary input-output economics is attributed to Wassily Leontief, a Noble prize winning American economist, who in 1936 published an input-output table for the American economy. Leontief simplified the Walrus model to develop a theory of production based on the general equilibrium concept of economic interdependence.

### THE INPUT-OUTPUT TABLE

An input-output table describes inter-industry linkages in an economy for a given period. Information on such linkages is normally obtained from national economic accounts, which are, in turn, derived from a national census of production. Information on final demand consumption and expenditure on primary inputs is also included. Input-output tables share an intimate relationship with the national accounts and as such allow the derivation of standard economic indicators such as Balance of Trade, Gross Domestic Product (GDP), contribution to GNP by sector, and gross output by sector.

Conventionally, an input-output table is presented in a matrix format, with each industry assigned a row and column. The element  $x_{ij}$  in row  $i$  column  $j$  indicates the volume of goods flowing from industry  $i$  to be used as inputs in industry  $j$ . In other words, each row indicates the flow from each industry to all other industries and to final demand, while each column indicates the purchasing pattern of each industry.

An input-output table may be divided vertically into two parts: the part on the left represents the inputs into the production process of the productive industries, while the part on the right represents the sales to the final disposal sectors. Each part may further be subdivided horizontally into two sections so as to distinguish between intermediate inputs and primary inputs. The resulting input-output table consists of four quadrants (labelled I to IV) (Table 1).

**Table A8.1: An Input-Output Table**

	Industry 1	Industry ... j ...	Industry n	Sub Total	House -holds	Govt. Expen- diture	Other Final Demands	Exports	Sub Total	Total Gross Output
Industry 1	Quadrant I $x_{ij}$				Quadrant III					$X_i$
Industry ... i ...										
Industry n										
Sub Total										
Labour Value Added	Quadrant II				Quadrant IV					
Other Primary Inputs										
Imports										
Sub Total										
Total Gross Input	$X_j$									

Quadrant I, known as the processing or intermediate demand quadrant, represents the flows of transactions between industries used in the intermediate stages of production. A key characteristic of the intermediate demand quadrant is that there must be the same number of rows as columns. Furthermore, the total value of output of each intermediate industry must always equal to its total expenditure on inputs.

Quadrant II displays the sales by each sector to final demand, ie. the part of an industry's output not used by another industry as an input. This quadrant describes the consumer behaviour of a number of important markets including household consumption, government consumption, increases in stock, capital formation, and exports.

Quadrant III describes the primary inputs used in each industry. These inputs are described as 'primary' because they do not form part of the output of intermediate production as defined by the rows forming quadrants I and II. The following primary input categories are typically included: subsidies<sup>1</sup>, indirect taxes, depreciation, wages and salaries, gross operating surplus and imports. The total of the primary inputs for each industry less imports represents the value added to commodities consumed in the production process ie. the contribution made by that sector to GDP.

Quadrant IV displays the primary inputs that are directly used by final demand sectors. This includes non-market transfers such as benefits and pensions as well as imports of commodities for consumption by households and investors.

Input-output tables are often converted into technical coefficient format that more clearly represents the purchasing patterns of industries. This is undertaken by dividing column elements by their respective column totals. Such coefficients represent the first round inputs from each row industry i

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<sup>1</sup> Subsidies are entered with a negative sign as they represent receipts, not expenses.

following a unit increase in output of any row industry *i* per unit of output produced by column industry *j*.

### **ASSUMPTIONS OF INPUT-OUTPUT MODELLING**

Four major assumptions make the derivation of input-output tables feasible:

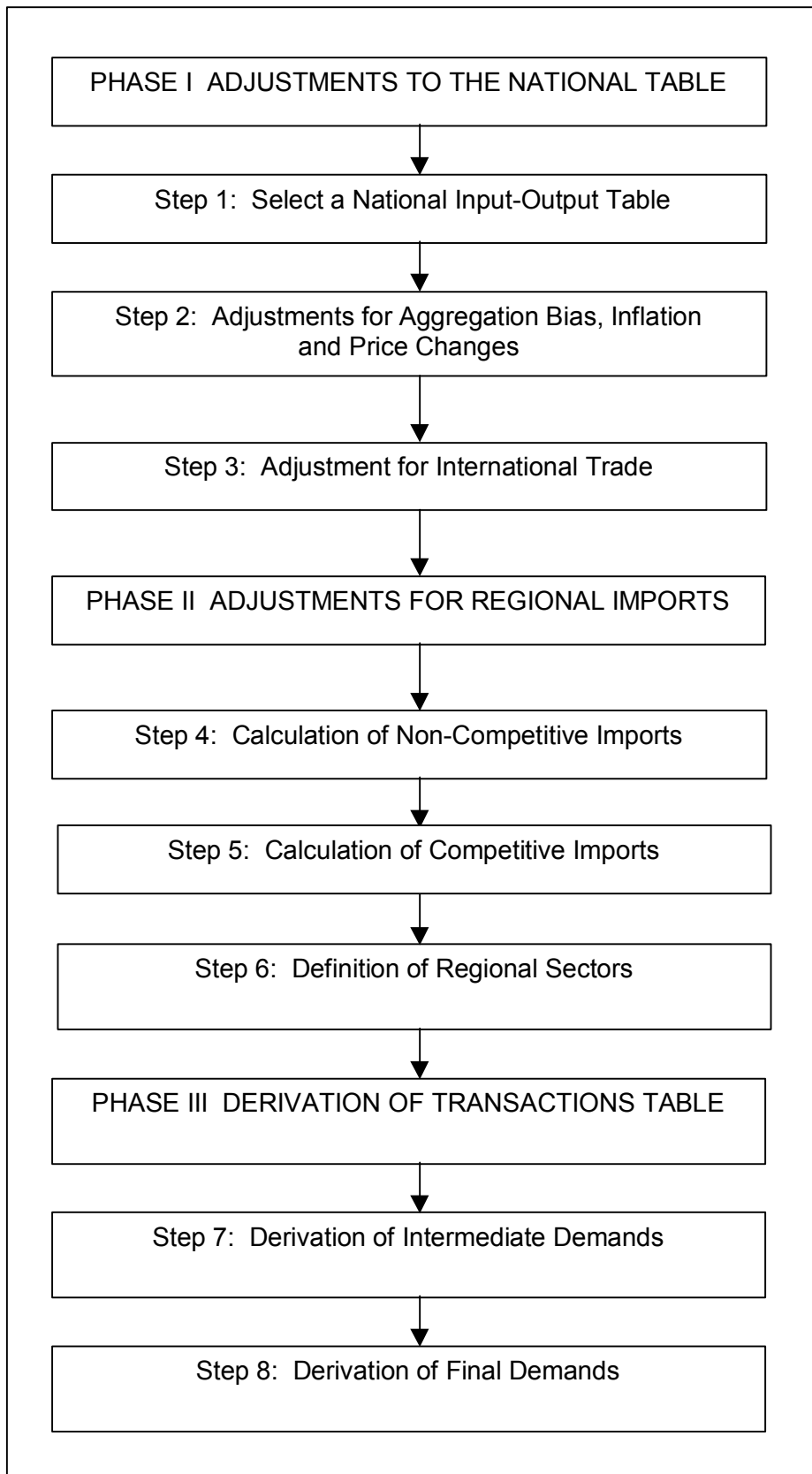
- ◆ Homogeneity. This states that each industry in an input-output table produces only one output. Implicit in this assumption is the notion that all businesses that constitute an industry use the same product mix in production of this one output.
- ◆ Additivity. This states that the total effect of carrying out several types of production is the sum of the separate effects. This implies the absence of any synergistic effects and external economies (or diseconomies) of scale.
- ◆ Linearity. This presumes that the ratio of inputs to outputs decreases and increases in a linear nature. This also infers that there are no external economies (or diseconomies) of scale.
- ◆ Fixed coefficients of production. This states that inputs are required in fixed proportions to outputs in each industry. Inherently this assumes that there are constant returns to scale in production and that the elasticity of substitution between inputs is zero.

### **REGIONALISATION METHODOLOGY**

The various approaches available for generating regional input-output tables are usually categorised as 'survey' or 'non-survey'. In survey methods, the elements which make up the transactions table are generated from primary data gathered through the use of various survey techniques and are often considered the most attractive in theoretical terms. In non-survey methods, transactions table elements are derived from other tables by various adjustment techniques. These methods are employed when data is unavailable and/or time and cost constraints exist.

The economic accounts used for this study have been derived using a non-survey approach. This approach employs a series of mechanical steps to reduce national coefficients to regional equivalents, but also provides opportunities for insertion of superior data. The economic account construction methodology is shown in Figure 2.

**Figure A8.1: The Economic Account Methodology**



## **PHASE I: ADJUSTMENTS TO THE NATIONAL TABLE**

In this phase an appropriate national input-output table is chosen and adjustments for aggregation bias, inflation and price changes, and international trade are made.

### Step 1: Select a National Input-Output Table

The economic accounts for both 2000-01 and 2001-02 were generated from the 1995-96 Inter-Industry Study of the New Zealand Economy published by Statistics New Zealand (SNZ). This study covered 126 sectors, with 9 primary input and 7 final demand categories. All sector definitions are compatible with the New Zealand Standard Industrial Classification (NZSIC) system.

### Step 2: Adjustment for Aggregation Bias, Inflation and Price Changes

Reduction of national coefficients to form regional equivalents almost always results in aggregation bias. This occurs because the constituent businesses that form a sector do not have homogenous output, even though they are classified in the same sector. Thus the more aggregated an industry the greater the over-estimation of self-sufficiency. While aggregation bias cannot be eliminated, it may be partially overcome by sector disaggregation.

This adjustment was undertaken using SNZ's 1995-96 Inter-Industry Study of the New Zealand Economy, which allowed for a 126 sector breakdown. Specifically:

- ◆ The 126 sectors for 1995-96 were aggregated to form 123 sectors that, in turn, could be uniquely aggregated to form the 48 sectors for 2001-02.

To obtain a national input-output table by 123 industries for 2001-02 the following simple extrapolation method was used:

- ◆ Productivity estimates (output per full-time equivalent (FTE) employee) were calculated for the years 1995-96, 1997-98, 2000-01 and 2001-02.
- ◆ For each of these years the Producers' Price Index (PPI) was used to convert sector output, at the 123 sector level, into constant dollars. This allowed for changes in inflation and prices.

These output estimates were then aggregated and compared with Statistics New Zealand's SNA figures, and adjustments were made where deemed appropriate.

Final demand and primary input totals for 2001-02 were obtained from Statistics New Zealand. Components of final demand for aggregated sectors were applied to the 123 sectors, assuming equal splits across like sectors, to determine estimates of primary inputs for each sector.

### Step 3: Adjustment for International Trade

Adjustments are made for international trade using Statistics New Zealand's Harmonised System, which disaggregates physical imports and exports into 10,000 commodities. As exports are coded by sector it is possible to obtain an exact match with the 123 sectors used at the national level. Matrix manipulations allow categorisation of the imports as sector inputs.



## **PHASE II: ADJUSTMENT FOR REGIONAL IMPORTS**

In this phase approximations of regional coefficients were produced through the calculation of non-competitive and competitive imports.

### Step 4: Calculation of Non-Competitive Imports

Where production in sector i does not occur within a region then any inputs from sector i into sector j are treated as regional imports. Therefore the regional technical coefficient is set to zero, and its value in the national table is added to imports.

### Step 5: Calculation of Competitive Imports

Following the calculation of non-competitive imports, it is necessary to adjust the national coefficients for sectors known to exist in each region. This is accomplished by determining the component of the national coefficients allocated to competitive imports. The Simple Location Quotient (SLQ) may be used to achieve this.

The SLQ is a measure which compares the relative importance of output or employment of a sector in a region to its relative importance in the nation. Mathematically, this may be modelled as,

$$SLQ_j = (X^r_j/X^r)/(X^n_j/X^n)$$

Where X represents employment and the superscripts r and n respectively the region and nation, and j row sector. Operationally, the regional coefficients for row sector j are estimated by multiplying the national coefficient by SLQ<sub>j</sub>, and apportioning the difference to imports, that is,

$$r_{ij} = a_{ij}SLQ_j \text{ where } SLQ_j \leq 1$$

This means that the region produces less than its share of national output in industry j and imports are therefore required. If the SLQ for an industry exceeds 1 then the size of the regional industry is greater in relative terms, than its national equivalent and is assumed to be capable of satisfying local demand. The SLQ technique assumes that national and regional technologies are identical, and that there are no product or sector mix problems. The SLQ technique allow national coefficients only to be revised downwards but not upwards.

The SLQs for Auckland were calculated using 2001 FTEs from Statistics New Zealand Business Directory.

### Step 6: Definitions of Regional Sectors

A total of 48 sectors were used to represent economic transactions in the model. Inputs into production not covered by the 48 sectors were described by the following primary input categories: compensation of employees, operating surplus, indirect taxes, subsidies, consumption of fixed capital, imports and import duties and other primary inputs. Similarly, consumption of commodities not covered by the 48 sectors was described by the following final demand categories: household consumption, local and central government consumption, and other final demands (exports, net increases in stocks and capital formation).

### **PHASE III: DERIVATION OF TRANSACTIONS TABLES**

In this phase transactions tables were derived for the region. Two functions were required: (1) the derivation of the intermediate demand transactions, and (2) the completion of the final demand quadrants.

#### Step 7 Derivation of Intermediate Demands

This involved the conversion of regional coefficients to transactions by multiplying the elements of each column sector by estimates of that sectors' share of total gross output. Shares were derived by calculating the regional (or TLA) share of national employment. This resulted in the intermediate demand and primary input quadrants of the regional transactions table.

#### Step 8 Derivation of Final Demands

This involved the generation of estimates for the final demand quadrants of the transactions table. Household consumption is particularly important as it is necessary for the calculation of multipliers. Local and central government consumption were also calculated. Other final demands were calculated as the residual achieving the necessary row and column consistencies.

Household consumption along with local and central government consumption were estimated by applying a population index (for example):

Population of region	404,200
Population of New Zealand	3,454,900
Population index : $404,200/3,454,900 = 0.1170$ (4 d.p.)	

In turn, estimates of household consumption for each regional sector were obtained by multiplying the population index by the national output for each sector. For example, if the national household consumption for the other farming sector was \$241 million, then for the region this was estimated as:

$$\text{Other farming: } 241 * 0.1170 = \$28.20 \text{ million}$$

## **MULTIPLIER ANALYSIS**

### **INTRODUCTION**

A major extension of the input-output model is the derivation of multipliers. Multipliers are a summary measure of the economic interdependence produced as a result of secondary benefits. Specifically, an increase in final demand for any sector has repercussions throughout the whole economy, causing increases in output beyond the initial change in demand. This is known as the multiplier effect.

### **MULTIPLIER DEFINITIONS**

In general, multipliers are capable of measuring output, income, value added and employment generated from economy activity within a region. Three types of multiplier are conventionally used:

- ◆ Output Multipliers. These show the relationship between an additional unit of spending and changes in the level of output.
- ◆ Employment Multipliers. These show the relationship between an additional unit of spending and changes in the level of employment.
- ◆ Value Added Multipliers. These show the relationship between an additional unit of spending and changes in the level of value added.

There are two different types of output, employment and value added multiplier commonly used:

- ◆ Type I Multiplier. This multiplier attempts to explain indirect effects initiated from second and subsequent round effects as successive waves of necessary output increases occur in the economy. It is expressed as the ratio of the direct and indirect change to direct change.
- ◆ Type II Multiplier. This multiplier explains induced effects initiated through consumer expenditure i.e. this includes the effect of household expenditure generated by wages and salaries resulting from variations in demand in a given sector. It is expressed as the ratio of direct, indirect and induced change to direct change.

### **MULTIPLIER DERIVATION**

The transactions table may be converted into a table of technical coefficients. These are calculated by dividing the elements of the columns of the transactions table by the respective column total. These coefficients are often termed 'direct', 'input-output', or 'technical' coefficients, they are usually noted as  $A_{ij}$ . They represent the first round inputs from each sector  $i$  (row) following a unit increase in output of any sector  $j$  (column) i.e.  $a_{ij} = X_{ij}/X_j$ . However, this only shows the direct purchases from a sector  $i$  per unit of output produced by sector  $j$ .

To account for indirect effects, and to calculate Type I multipliers, it is necessary to subtract the quadrant I matrix from an identity matrix  $((I - A)$ , or Leontief matrix) and to invert the result, resulting in the Leontief inverse matrix, or  $(I - A)^{-1}$ . Mathematically, this may be expressed in matrix terms as:

$$X = AX + Y$$

By transposition,

$$X(I - A) = Y$$

By solving the above system we derive the general solution:

$$X = (I - A)^{-1}Y$$

$(I - A)$  is termed the Leontief matrix

$(I - A)^{-1}$  is termed the Leontief inverse matrix

where:-  $A = (n \times n)$  matrix of quadrant I technical coefficients

$X = (n \times 1)$  matrix of gross inputs

$Y = (n \times 1)$  matrix of final demand

$I = (n \times n)$  identity matrix

To account for direct, indirect and induced effects, and to calculate Type II multipliers, it is necessary to expand the quadrant I matrix to include the households coefficients ( $A^*$ ) then to subtract this matrix from the identity matrix ( $(I - A^*)$ , Leontief\* matrix) and to invert the result, resulting in the Leontief\* inverse matrix, or  $(I - A^*)^{-1}$ . This treats household inputs and household consumption as sectors, producing income and requiring inputs from other sectors.

The indirect effect for any sector can be calculated simply as technical coefficient element minus corresponding Leontief inverse matrix element. The induced effect for any sector can be calculated simply as Leontief inverse matrix element minus the corresponding Leontief\* inverse element.

## APPENDIX 9: COMPARISON OF 2000 AND 2003 ECONOMIC IMPACT STUDIES

### 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.

## 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.

### 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 A9.1).

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 A9.11).

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 A9.1: 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

## 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 A9.2).

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 A9.2).

**Table A9.2: 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

## 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.

## 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.