

**ESTIMATED ECONOMIC IMPACT  
OF THE  
2011 RUGBY WORLD CUP**

**EXECUTIVE SUMMARY REPORT**

**JUNE 2006**

**PREPARED BY**

 **Horwath Asia Pacific Limited**

**IN CONJUNCTION WITH**

**● market economics**

## KEY ESTIMATES

It is estimated that the Rugby World Cup 2011 will result in total economic activity amounting to approximately \$1.15 billion. This Total Gross Output<sup>1</sup> figure represents the broadest measure of economic activity and captures the full value of goods transacted regardless of where they are produced.

The 2011 Rugby World Cup has the potential to have a significant economic impact on the New Zealand economy. The key estimates from our analysis are that RWC 2011 will:

- i) result in \$476 million of total direct additional expenditure within New Zealand
- ii) result in \$262 million of total direct additional expenditure within Auckland
- iii) contribute \$507 million in additional Gross Domestic Product in the New Zealand economy
- iv) contribute \$240 million in additional Gross Domestic Product in the Auckland economy
- v) provide the New Zealand Government an additional \$112 million in tax revenue.

## INTRODUCTION

Horwath Asia Pacific Limited was engaged, in conjunction with Market Economics Limited, to update their economic impact estimate of the 2011 Rugby World Cup for the Rugby World Cup 2011 Establishment Board.

The initial analysis, undertaken in May 2005, sought to identify the potential economic impact that could arise if New Zealand was successful in its bid to host the tournament. Now that the hosting rights have been secured, the economic impact estimate has been updated to reflect:

1. changes contained within the updated tournament budget
2. the increased capacity of Eden Park from 55,000 seats to 60,000 seats
3. learnings from the 2005 DHL Lions tour, particularly in relation to supporters' travelling patterns
4. updated assumptions on international visitor numbers, reflecting feedback received from the IRB during the bid process.

The analysis has been undertaken both at a national level and in relation to the Auckland economy.

Comparisons between the outcomes of the original analysis and the updated analysis are summarised in the Table below.

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<sup>1</sup> It is important to note that this does not represent the economic impact of RWC 2011. The best measure of the economic impact of Rugby World Cup 2011 is its contribution to GDP.

**Summary of Economic Impact Estimates**

	<b>Updated Analysis June 2006</b>	<b>Original Analysis May 2005</b>	<b>Variance</b>
<b>National Level</b>			
- Total Direct Additional Expenditure	\$476m	\$383m	+24%
- Contribution to GDP	\$507m	\$408m	+24%
<b>Auckland</b>			
- Total Direct Additional Expenditure	\$262m	\$216m	+21%
- Contribution to GDP	\$240m	\$198m	+21%
<b>Additional Tax Revenue</b>			
- GST	\$71m	\$58m	+22%
- PAYE	\$20m	\$16m	+25%
- Company Tax	\$21m	\$17m	+24%
- Total	\$112m	\$91m	+23%

Other national benefits, which could arise as a result of hosting Rugby World Cup 2011, including general profile, tourism, and sport participation benefits, have also been identified.

**POTENTIAL SCALE OF THE EVENT**

The International Rugby Board (“IRB”) promotes the Rugby World Cup as the third largest global sporting event behind the Olympics and the FIFA World Cup, based on the global television audience.

The 2011 tournament is proposed to follow the same structure as the 2003 and 2007 tournaments with 20 teams participating. The tournament will involve 48 matches over a six week period. Matches will be held at eleven venues in 10 regions around New Zealand.

Based on precedents set at the 2003 Rugby World Cup in Australia and allowing for growth over time, we have assumed that the 2011 event could attract approximately 66,000 international supporters, 2,500 international media, and 2,500 corporate / VIP guests.

**TOURNAMENT COMMERCIAL STRUCTURE**

The commercial structure of the Tournament is of significant importance to the economic impact assessment because it dictates the flow of revenue and expenditure directly associated with the tournament.

The commercial structure for the Tournament, as developed by the IRB, limits the Host Union’s revenue stream to ticket sales. The rights to all other revenue streams, including sponsorship, hospitality, merchandise, broadcasting rights, etc, are retained by Rugby World Cup Limited (“RWCL”).

All costs associated with the staging of the Tournament are the responsibility of the Host Union. In addition, the Host Union is required to make significant payments (including guaranteed payments) to RWCL before it is able to access any Tournament profits.

## **NATIONAL LEVEL ECONOMIC IMPACT**

It is estimated that the RWC 2011 will result in \$476 million of total direct expenditure within NZ, which will generate:

- \$204 million in direct value added or direct contribution to GDP. Thus, some 42.9% of direct expenditure represents value added;
- \$180 million in indirect value added, from the flow-on increase in business activity;
- \$122 million in induced value added, from the spending of the extra household income generated by the additional business activity.

The economic impact will be primarily generated through the general expenditure of international visitors during their stay in New Zealand. The balance of the impact will be derived through the net reduction in overseas spending by New Zealanders due to the hosting of the Rugby World Cup in New Zealand rather than overseas.

The revenues and expenses associated with the organisation of the tournament itself are projected to have no material net impact on the New Zealand economy. In essence, the event acts as a catalyst for significant tourist activity, which drives economic impact.

## **AUCKLAND LEVEL ECONOMIC IMPACT**

RWC 2011 is estimated to have a significant impact on the Auckland economy.

It is estimated that the RWC 2011 will result in \$262 million of total direct expenditure within the Auckland Region, which will generate:

- \$110 million in direct value added;
- \$79 million in indirect value added;
- \$52 million in induced value added.

The significant impact on Auckland arises because:

- i) the tournament headquarters (including officials, staff, and media) are to be based in Auckland
- ii) there will be a strong focus on the Auckland region during the knock-out phase of the tournament attracting significant numbers of international and domestic visitors to the region
- iii) two of the proposed match venues are located within the Auckland region.

## TAXATION IMPACTS

The total additional tax revenue generated as a result of RWC 2011 is estimated to be \$111.6 million, as detailed in the Table below.

### Total Taxation Effect

	\$m
GST	\$ 70.7
PAYE	\$ 19.5
Company Tax	\$ 21.4
<b>TOTAL</b>	<b>\$ 111.6</b>

(Source: Market Economics, Horwath Asia Pacific)

## OTHER NATIONAL BENEFITS

As well as the significant economic impacts that will arise as a result of staging the 2011 Rugby World Cup, there is the potential for a range of other impacts to be realised. These include:

- i) increased national profile on the world stage as a result of significant media coverage over the six week period of the tournament
- ii) spread of benefits throughout the regions of New Zealand as a result of the 48 matches being spread across ten different regions from Auckland in the north to Southland
- iii) potential for trade benefits to be realised with increased awareness of rugby and other sport-related products created in New Zealand
- iv) potential for Tourism New Zealand to assist in realising significant equivalent advertising value benefits through the extensive media coverage to the benefit of the wider New Zealand tourism industry
- v) potential for significant positive word of mouth benefits for New Zealand tourism as a result of the 71,000 international visitors projected to attend the tournament
- vi) potential to lift awareness of the 100% Pure New Zealand brand in countries where New Zealand is well recognised as a strong rugby playing nation but not fully appreciated for the tourism opportunities that it offers
- vii) the profile benefits of the tournament have the potential to act as a catalyst for increased participation in sport, particularly rugby, and there is the ability to realise this potential through the NZRU's existing rugby in communities programme
- viii) a successful staging of the tournament has the potential to contribute to national pride and social cohesion, particularly given the extent to which many New Zealanders identify with the sport of rugby
- ix) the likely need for investment in infrastructure will potentially better position New Zealand to readily take advantage of future event opportunities to the social, cultural, and economic advantage of the country.