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**EDEN PARK REDEVELOPMENT
ECONOMIC IMPACT ASSESSMENT**

“THE LEGACY FACTOR”



Prepared for

EDEN PARK TRUST BOARD

OCTOBER 2006

Prepared by

 **Horwath Asia Pacific Limited**

**CONSULTANTS TO THE HOTEL, TOURISM & LEISURE INDUSTRIES
A member of Horwath International**

Abbreviations

EPTB	Eden Park Trust Board
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GST	Goods and Services Tax
HAPL	Horwath Asia Pacific Limited
MEL	Market Economics Limited
NZC	New Zealand Cricket
NZRU	New Zealand Rugby Union
ODI	One Day International
RWC	Rugby World Cup

Contents

1. INTRODUCTION & EXECUTIVE SUMMARY	4
1.1. Background	4
1.2. Scope of Work	4
1.3. Disclaimers	5
1.4. Key Findings	6
2. OVERVIEW	8
3. METHODOLOGY.....	9
4. BASELINE.....	12
4.1. Baseline Event Schedule	12
4.2. Baseline Event Attendance.....	13
4.3. Direct Event Related Expenditure.....	15
4.4. Other Incremental Expenditure	19
4.5. Total Incremental Expenditure	23
5. REDEVELOPMENT SCENARIO IMPACTS.....	25
5.1. Redevelopment Scenario Event Schedule	25
5.2. Redevelopment Scenario Event Attendance	25
5.3. Direct Event Related Expenditure.....	28
5.4. Other Incremental Expenditure	32
5.5. Total Incremental Expenditure	36
6. ECONOMIC IMPACT ASSESSMENT	38
6.1. Methodology	38
6.2. Estimating Annual Average Direct Expenditure	39
6.3. Expenditure Patterns Across the Economy	40
6.4. Estimating Economic Impacts.....	41
6.5. Deriving Net Economic Impacts.....	42
6.6. Summary	43
Appendix 1: Economic Impact Assessment of Construction	44
Appendix 2: Assessing Economic Impacts	48

- determined the incremental aspects of the projected activity (ie: that activity which would not occur without the redevelopment) and met with EPTB and NZRU to confirm these assumptions
- met with stakeholders and industry representatives (eg: travel agents, hoteliers) to gather information in relation to non-Auckland visitor numbers, spending profiles, travel patterns, etc.
- developed an incremental expenditure model based on the information gathered above to reflect activity of an “average” operating year in the six year period from the year ending March 2013 (ie: the first year after RWC 2011) to the year ending March 2018
- calculated estimates of net incremental expenditure and contribution to GDP within the Auckland Region
- liaised with EPTB and WT Partnership in relation to construction details
- reviewed the Economic Impact of the 2005 DHL Lions Series on New Zealand undertaken by Covec in order to adopt consistent visitor and expenditure assumptions for the Lions tour component of our analysis
- prepared a brief report on the legacy aspects detailing assumptions, methodology, and assessment outcomes as well as the construction effect, which is attached to this report as Appendix 1.

1.3. Disclaimers

This report has been prepared by Horwath Asia Pacific Limited, with assistance from Market Economics Limited, for the Eden Park Trust Board and is intended for your internal use. The report is based on estimates, assumptions and other information available to us, the sources of which are stated in the appropriate sections of the report. We did not carry out an audit or verification of the information supplied to us during the engagement, except to the extent stated in this report.

Some assumptions inevitably will not materialise, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the period covered by our analysis may vary from those described in our report (including forward looking statements and projections) and the variations may be material. We did not carry out an audit or verification of the information and comments supplied to us during the engagement, except to the extent stated in this report.

Horwath Asia Pacific Ltd and Market Economics Limited assume no responsibility whatsoever, except to Eden Park Trust Board, in respect to, or arising out of, or in connection with the contents of our report or work undertaken for you. If any other parties choose to rely in any way on any

advice provided by Horwath Asia Pacific Ltd and Market Economics Limited to you, they do so entirely at their own risk.

1.4. Key Findings

The key findings from our analysis are that, based on proposed events in the period from the Year Ended March 2013 to the Year Ended March 2018:

1. after hosting the Rugby World Cup (“RWC”) in 2011 the annual sports events hosted at the **redeveloped Eden Park** will result in:
 - a. \$50.1 million per annum of direct gross expenditure within Auckland
 - b. \$48.4 million per annum in contribution to Gross Domestic Product in the Auckland economy
 - c. supporting approximately 930 Full Time Equivalents (“FTEs”) in employment in the Auckland economy.
2. if the **proposed redevelopment does not occur**, the annual sports events hosted at Eden Park after 2011 will result in:
 - a. \$32.5 million per annum of direct gross expenditure within Auckland
 - b. \$31.9 million per annum in contribution to Gross Domestic Product in the Auckland economy
 - c. supporting approximately 609 FTEs in the Auckland economy.
3. the **net effect of the proposed redevelopment of Eden Park** is that after the hosting of the Rugby World Cup, the annual sports events at the venue will result in:
 - a. direct gross expenditure in the Auckland economy increasing by \$17.6 million per annum
 - b. the contribution to Gross Domestic Product increasing by \$16.5 million per annum
 - c. the employment of an additional 321 FTEs per year in the Auckland economy.

The key drivers of this incremental impact are:

1. one additional international rugby match per annum
2. two Lion’s tests under the redevelopment scenario, rather than one test and one provincial match
3. one additional “other event”
4. increased average attendances at rugby internationals, Super 14 matches, and Air New Zealand Cup matches due to the increased capacity and improved spectator environment
5. increased average ticket prices, which flow through to increased revenues to Auckland Rugby
6. increased food and beverage expenditure due to improved accessibility

7. increased numbers of Lions supporters due to the increased capacity at Eden Park (assumed to be assisted by increased capacity at Jade Stadium which will enable the sale of additional packages into the UK market)
8. increased attendance by Australian spectators at Bledisloe matches with the increased venue capacity providing the NZRU to improve ticketing arrangements in Australia
9. the retention of Auckland based spectators and media in Auckland due to the additional sport activity at Eden Park.

The construction of the proposed redevelopment will result in a contribution to GDP in the Auckland Region economy of \$80.5 million. The redevelopment will support approximately 243 FTEs per year over the six year construction period.

2. OVERVIEW

The EPTB is proposing to redevelop Eden Park in order to provide a 60,000 seat venue that meets the NZRU's specification contained with the successful RWC 2011 bid documentation. Eden Park will be a focal point of the RWC, hosting the opening game, a number of pool and play-off games, and the final.

At present Eden Park has seating for approximately 47,000 people. The redevelopment will provide seating for 60,000 for rugby and 50,000 for cricket. The number of covered seats will increase by 15,000 to 38,000, which means that almost two thirds of spectators will be undercover when attending matches at Eden Park.

The scheme includes more comprehensive transport initiatives, replacement of the Eden Park terraces, and an internal concourse around the ground. It is expected that a mixture of public and private sector sources will fund the project.

Total redevelopment costs are currently estimated at \$320 million.

Key features of the design include:

- a new three-tier South Stand, with a capacity of 24,000 to replace the existing South and South West Stands
- a new three-tier East Stand to replace the Terraces
- improved appearance
- Number 1 oval expanded to meet ICC specifications
- retractable seating closer to the side lines
- "front door" for Eden Park off Sandringham Road
- transport hub with pedestrian bridge to Kingsland station
- internal concourse around the stadium
- sports practice area and community green
- food and beverage outlets, toilets and corporate areas in the new South and East Stands.

Overall the improvements to Eden Park will result in less sound and light spilling into neighbourhood streets, better transport and parking solutions, better integration of the stadium with the community, and a better 'visual look' for the stadium.

The redevelopment is scheduled to begin in December 2006 and be completed in 2010.

3. METHODOLOGY

Our analysis is focused on estimating the average annual impact of events hosted at a redeveloped Eden Park after the hosting of RWC 2011. This analysis complements previous work undertaken for the NZRU which addressed the potential economic impact for Auckland from hosting RWC 2011.

Because our analysis is concerned with impacts after the hosting of RWC 2011, we have focused on the six year period from the Y/E March 2013 to Y/E March 2018. These are the last six years contained in the EPTB Business Plan, prepared by PricewaterhouseCoopers.

In order to estimate the incremental impact attributable to the redevelopment, it is also necessary to project potential activity levels if the redevelopment was not to occur. This provides the base line level of economic impact. The difference between this base line level and the level of economic impact attributable to the redeveloped venue represents the incremental economic impact. This incremental impact is, in effect, the “legacy impact” that could be realised each year (on average) as a result of redeveloping Eden Park to meet the requirements for RWC 2011.

As part of our analysis we have sought information and input from:

- EPTB
- PricewaterhouseCoopers
- New Zealand Rugby Union
- New Zealand Cricket
- Williment Travel.

In undertaking the analysis we have focused on sport events as drivers of economic impact. Our analysis specifically excludes non-sporting events such as day meeting and evening functions, which are unlikely to have significant number of non-Aucklanders and are unlikely to materially affect the level of economic impact attributable to Eden Park.

Our analysis has first focussed on the likely “average year” events calendar in the six year period if the proposed redevelopment was not to occur. Based on this base line level of activity we have estimated the potential expenditure in the Auckland economy. This expenditure is attributable to:

- domestic visitors to Auckland
- international spectators
- non-Auckland media

- non-Auckland based event organisers
- non-Auckland based teams.

Impacts on the Auckland economy arise because of direct event-related expenditure at Eden Park (eg: venue rental, food and beverage) and because of expenditure in the wider Auckland economy by organisers, teams and spectators (eg: accommodation, transport, food and beverage and retail).

The analysis also takes into account expenditure outflows from the Auckland economy attributable to the proportion of Auckland spectators' expenditure on tickets that is earned by event organisers based outside the Auckland Region.

The projection period includes the next Lions Tour to New Zealand, which is scheduled to occur in 2017. Our analysis assumes that if Eden Park did not exist then, for commercial reasons, the Lions Tour would not occur. On the basis of this assumption we have assumed that all additional revenue from the Lions Tour in the Auckland region is attributable to Eden Park. Covec's research indicated that the 2005 Lions Tour resulted in \$53 million of additional revenue in the Auckland economy. We have adjusted this figure for inflation and adopted this as the assumed additional revenue for Auckland in 2017 if Eden Park is not redeveloped. This figure has then been averaged over the six years of our analysis period to provide an "average annual figure".

This analysis provides a baseline position for the potential incremental expenditure in the Auckland economy as a result of Eden Park's current facilities.

The EPTB has, with assistance from PricewaterhouseCoopers, prepared a business plan up until the year ended March 2018. We have utilised the information from the six year period after the hosting of RWC 2011 (ie: Y/E March 2013 – 2018) as the basis for our analysis of the redevelopment scenario. The incremental activity contained within the Business Plan effectively arises through a combination of the following effects:

- an increase in the number of matches per annum
- an increase in the average ticket price
- an increase in the average attendance due to the increased capacity.

The sources of the incremental expenditure in the redevelopment scenario are identical to those in the baseline analysis, including:

- domestic visitors to Auckland
- international spectators
- non-Auckland media
- non-Auckland based event organisers
- non-Auckland based teams

- Auckland residents and media who would otherwise travel outside Auckland if the additional events were not hosted at Eden Park.

The redevelopment scenario analysis also takes into account expenditure outflows from Auckland economy attributable to the proportion of Auckland spectators' expenditure on tickets that is earned by event organisers based outside the Auckland Region.

The redevelopment scenario assumed that the expanded Eden Park (in conjunction with a possible expansion of Jade Stadium) would provide the opportunity for additional packages to be sold into the UK market.

4. BASELINE

4.1. Baseline Event Schedule

If the proposed redevelopment was not to proceed, it is estimated that there would be an average of 16.25 matches per annum hosted at Eden Park in the six years from 2013 to 2018. These matches, by event type, are summarised in Table 4.1.

Table 4.1 Average Number of Sporting Matches Per Year

Sporting Match	Average Per Year
Bledisloe Cup	0.50
Other International Rugby	0.50
Lions Test Match	0.17
Lions Provincial Match	0.17
Super 14	5.25
Air NZ Cup	5.00
International Test Cricket	1.00
One Day International (ODI) Cricket	2.00
ODI World Cup	1.17
Other	0.50
TOTAL	16.25

(Source: HAPL, EPTB Business Plan, NZRU)

The NZRU has historically allocated one test match per year to Eden Park. This has tended to alternate between a Bledisloe Cup match against Australia and a test against another touring side. Eden Park is hosting two international matches in 2006 in anticipation of the redevelopment. NZRU has stated that if the redevelopment does not proceed, it will revert to allocating one test match per year to Eden Park. We have therefore assumed the base line activity will include one test match per year alternating between a Bledisloe Cup match and another international match.

New Zealand is scheduled to host the Lions in 2017. In 2005 Eden Park hosted one test match and one provincial match as part of the tour. If Eden Park is not redeveloped, it is assumed that Eden Park will again host two matches as part of the 2017 tour. Over the six year period of analysis, this provides an annual average of 0.17 Lions tests and 0.17 Lions provincial matches.

The number of Super 14 and Air NZ Cup matches held at Eden Park is influenced by the performance of the teams and whether they qualify for home finals matches. The redevelopment of Eden Park will not influence the number of matches. We have therefore used the projected number of Super 14 and Air NZ Cup matches in Eden Park's Redevelopment Business Plan for the base line activity.

Eden Park has historically held one test cricket match per year and we have assumed this would continue under the base line scenario.

In recent years Eden Park has hosted two ODI matches. It is assumed that this level of activity would continue under the base line scenario.

New Zealand Cricket has also won the right to jointly host the Cricket World Cup in 2015. Details in relation to the allocation of matches are yet to be released. Based on discussion with EPTB, we have assumed that Eden Park will host six round robin matches and one semi-final match. Over the six year period of analysis, this provides an annual average of 1.17 matches.

Eden Park has also averaged 0.5 other matches each year such as Auckland versus Lions and the All Blacks' trial match. Under the baseline scenario it is assumed that these other matches will continue at the same frequency through the projection period.

4.2. Baseline Event Attendance

We have used the projected event attendance levels contained in the EPTB Business Plan for the period prior to the redevelopment for the base line scenarios. The following table indicates the total average number of spectators projected to attend each type of event.

Table 4.2 Projected Average Spectator Numbers per Sporting Match

Sporting Match	Average Spectators Per Match
Bledisloe Cup ¹	47,839
Other International Rugby ¹	47,839
Lions Test Match ¹	47,839
Lions Provincial Match ¹	47,839
Super 14	21,485
Air NZ Cup	14,702
International Test Cricket ²	25,711
ODI Cricket	25,999
ODI World Cup	35,700
Other	23,297

(Source: HAPL, EPTB Business Plan)

(Note: 1 The current capacity of Eden Park is 47,839.

2 The average number of spectators is for the whole 5 day period including multiple day attendances, it is not a per day attendance figure)

Table 4.3 summarises our estimates as to the origin of spectators at each type of sports event. These estimates are based on discussions with EPTB, Williment Travel, and other relevant stakeholders, as well as our analysis of Covec's DHL Lions tour research.

Table 4.3 Projected Mix of Spectators by Origin

Sporting Match	Auckland	Other NZ	International
Bledisloe Cup	65.0%	27.0%	8.0%
Other International Rugby	75.0%	22.5%	2.5%
Lions Test Match	40.0%	20.0%	40.0%
Lions Provincial Match	55.0%	10.0%	35.0%
Super 14	76.5%	23.0%	0.5%
Air NZ Cup	85.0%	15.0%	0.0%
International Test Cricket	73.0%	24.0%	3.0%
ODI Cricket	74.0%	24.0%	2.0%
ODI World Cup	61.0%	30.0%	9.0%
Other	80.0%	20.0%	0.0%

(Source: HAPL, EPTB)

Based on the projected attendance levels and the assumed origin of spectators, Table 4.4 summarises the projected number of spectators by origin.

Table 4.4 Projected Number of Spectators Per Match by Origin

Sporting Match	Auckland	Other NZ	International	Total
Bledisloe Cup	31,095	12,917	3,827	47,839
Other International Rugby	35,879	10,764	1,196	47,839
Lions Test Match	19,136	9,568	19,136	47,839
Lions Provincial Match	26,311	4,784	16,744	47,839
Super 14	16,436	4,942	107	21,485
Air NZ Cup	12,497	2,205	-	14,702
International Test Cricket	18,769	6,171	771	25,711
ODI Cricket	19,239	6,240	520	25,999
ODI World Cup	21,777	10,710	3,213	35,700
Other	18,638	4,659	-	23,297

(Source: HAPL, EPTB)

Table 4.5 indicates the projected average number of spectators per year by origin per sporting match. This data takes into account the assumed frequency of events.

Table 4.5 Projected Number of Spectators by Origin per Year

Sporting Match	Auckland	Other NZ	International	Total
Bledisloe Cup	15,548	6,458	1,914	23,920
Other International Rugby	17,940	5,382	598	23,920
Lions Test Match	3,189	1,595	3,189	7,973
Lions Provincial Match	4,385	797	2,791	7,973
Super 14	86,289	25,943	564	112,796
Air NZ Cup	62,484	11,027	-	73,511
International Test Cricket	18,769	6,171	771	25,711
ODI Cricket	38,479	12,480	1,040	51,998
ODI World Cup	25,407	12,495	3,749	41,650
Other	9,319	2,330	-	11,649
TOTAL	281,808	84,677	14,615	381,100
<i>% of Total</i>	<i>73.9%</i>	<i>22.2%</i>	<i>3.8%</i>	<i>100.0%</i>

(Source: HAPL, EPTB)

It is projected that Eden Park will host an average of 381,100 spectators per year in the period from 2013 to 2018. Of these spectators, approximately 74% are projected to be from Auckland.

4.3. Direct Event Related Expenditure

The direct event related expenditure that results in inflows to the Auckland economy include:

- venue rental expenditure by non-Auckland hirers
- event food expenditure by non-Auckland attendees
- event beverage expenditure by non-Auckland attendees
- match hospitality (corporate box and casual corporate sales) by non-Auckland attendees
- floodlight rental expenditure by non-Auckland hirers
- other non-Auckland event organiser expenses.

These inflows are off-set by outflows from the Auckland economy due to expenditure by Auckland spectators on match tickets in relation to matches organised by non-Auckland based organisations (eg: New Zealand Rugby Union, New Zealand Cricket).

4.3.1 Venue Rental

Venue rental expenditure by non-Auckland based hirers represents an in-flow to the Auckland economy. The amount charged for venue hire per match is based on the EPTB Business Plan.

Table 4.6 Venue Rental Expenditure Per Annum

Sports Event	Expenditure
International Rugby Matches	\$54,000
International Cricket Tests & ODIs	\$345,000
Other	\$6,000
TOTAL	\$404,000

(Source: HAPL, EPTB)

Based on the assumed number of matches, it is projected that approximately \$404,000 per annum will be paid by non-Auckland based hirers (ie: NZC and NZRU) in relation to venue hire at Eden Park.

4.3.2 Floodlight Rental

As with venue rental, floodlight rental by non-Auckland based hirers represents an inflow to the Auckland economy. The amount charged for hire per match and the event frequencies are based on the EPTB Business Plan. Table 4.7 summarises the international rugby and cricket and other sports events expenditure in relation to floodlight hire per annum.

Table 4.7 Floodlight Rental Expenditure Per Annum

Sports Event	Expenditure
International Rugby Matches	\$6,000
International Cricket Tests & ODIs	\$23,000
Other	-
TOTAL	\$30,000

(Source: HAPL, EPTB)

It is projected that non-Auckland based hirers will spend approximately \$30,000 per annum on floodlight rental at Eden Park.

4.3.3. Other Event Organiser Expenses

Event Organisers incur a wide range of direct match related expenditure in addition to the venue rental and floodlight rental summarised in sections 4.3.1 and 4.3.2. This expenditure includes:

- i) administration fees
- ii) venue hire fees paid to the Auckland Rugby Union
- iii) media / advertising
- iv) security
- v) ticketing
- vi) temporary seating
- vii) replay screen
- viii) match enhancement
- ix) KPI payments.

Expenditure on these items by non-Auckland based hirers represents an inflow to the Auckland economy.

We have been provided confidential expenditure information by the NZRU and NZC. Total expenditure by these organisations, based on the baseline level of activity, is estimated to be approximately \$2.86 million. This equates to approximately \$520,000 per match.

4.3.4. Event Food & Beverage

The expenditure on event food and beverage by non-Auckland spectators represents an inflow to the Auckland economy. The average spend per person differs depending on the event type and we have utilised the actual year to date food and beverage spend figures provided by EPTB.

Table 4.8 Event Food and Beverage Expenditure Per Annum

	Other NZ Spectators	International Spectators	Total
Total Spectators	84,677	14,615	99,292
Ave Spend / Person	\$18.70	\$20.50	\$19.00
Total Spend	\$1,586,000	\$300,000	\$1,886,000

(Source: HAPL, EPTB)

Based on the average food and beverage spend assumptions provided by EPTB and the assumed number of matches, it is projected that approximately \$1,886,000 will be spent by non-Auckland spectators on food and beverage at Eden Park.

4.3.5. Match Hospitality

Match hospitality expenditure, in the form of corporate box rental and casual corporate sales, by non-Auckland spectators also represents an inflow to the Auckland economy.

We have assumed that 7.5% of the corporate box expenditure projected in the EPTB Business Plan for the pre-development period will be made by either non-Auckland entities or from the national marketing budgets of national corporates (ie: it is expenditure that otherwise would not have occurred in the Auckland economy). Based on the level of corporate box revenue projected in the EPTB Business Plan, we estimate approximately \$632,000 per annum is an inflow to the Auckland economy.

The EPTB Business Plan projects total casual corporate sales of approximately \$360,000 per annum prior to the redevelopments with differing levels of sales depending on the event type.

We have assumed that the profile of spectators contributing to casual corporate sales is identical to the breakdown of the overall spectator attendance as detailed in Table 4.3.

Table 4.9 indicates the projected casual corporate sales per annum by non-Auckland attendees.

Table 4.9 Casual Corporate Sales Revenue Per Annum

	Other NZ Spectators	International Spectators	Total
Casual Corporate Sales	\$92,000	\$43,000	\$135,000

(Source: HAPL, EPTB)

It is projected that non-Auckland attendees will contribute approximately \$767,000 per annum in expenditure in the Auckland economy in relation to corporate boxes and casual corporate rentals at Eden Park.

4.3.6 Ticket Expenditure by Auckland Spectators

The incremental expenditure in Auckland by non-Auckland based hirers is funded in part by the sale of match tickets. The in-flow from this expenditure by non-Auckland based hirers has been included in Sections 4.3.1 and 4.3.2. However, it is also important to consider the out-flow from the Auckland economy which occurs as a result of Aucklanders purchasing match tickets.

Table 4.10 summarises the projected level of match ticket expenditure by Auckland spectators on events organised by non-Auckland based organisations. It is estimated, based on the projected base line activity, that Aucklanders will spend approximately \$6.35 million per annum on tickets for these events.

These national organisations do make distributions back to provincial organisations and we have made adjustments to the projected ticket revenue outflow to reflect these redistributions. For the purpose of the assessment, we have assumed 15% of the rugby ticket revenue will be returned to Auckland by way of distributions and 16% of the cricket ticket revenue will be returned. The net effect of these adjustments results in a net outflow from the Auckland economy of approximately \$5.37 million.

Table 4.10 Auckland Spectator Ticket Expenditure

Sport Events	Auckland Spectators	Average Ticket Price	Auckland Ticket Revenue (000s)	Net Outflow (000s)
International Rugby	33,487	\$81.00	\$2,708	\$2,302
Lions Matches	7,575	\$133.00	\$1,010	\$859
International Cricket	82,654	\$30.00	\$2,633	\$2,212
Total	123,716	\$51.00	\$6,351	\$5,372

(Source: HAPL, EPTB)

4.4. Other Incremental Expenditure

In addition to direct match related expenditure, there is a wide range of other expenditure by non-Aucklanders that represents inflows to the Auckland economy. This includes expenditure on:

- accommodation
- local transport
- domestic flights
- international flights
- food and beverage (non-match)
- retail
- other general expenditure.

This expenditure is attributable to:

- domestic visitors to Auckland
- international spectators
- non-Auckland media
- event organisers
- teams.

4.4.1. Domestic & International Spectators

Expenditure by domestic and international spectators includes expenses relating to accommodation, local transport, domestic and international flights, other food and beverage (non-event), retail and other expenses. We have developed estimates of average daily expenditure by visitor type based on:

- i) a review of package prices marketed by travel agents for events at Eden Park
- ii) surveyed average daily expenditure for visitors to Auckland during the Lions Tour in 2005
- iii) our prior research and general knowledge of daily expenditure levels at a range of major events.

Our daily expenditure estimates reflect the fact that there will be a mix of group tour and Free Independent Travellers (“FIT”) with some visitors staying in private accommodation and others not even staying overnight in Auckland.

Our daily expenditure estimates also reflect the fact that not all expenditure by visitors will flow into the Auckland economy. As such, we have allowed for

50% of expenditure on domestic air transport and 25% of expenditure on international air transport being incremental to Auckland.

Our average daily spend per person estimates are summarised in Table 4.11.

Table 4.11 Average Daily Spend per Person

	Domestic Spectators	International Spectators
Rugby Tests	\$207	\$330
Lions Matches	\$207	\$442
Domestic Rugby	\$160	\$264
ODI Cricket	\$186	\$253
ODI World Cup	\$207	\$396
Test Cricket	\$185	\$238

(Source: HAPL, EPTB)

Based on the baseline event activity and the average lengths of stay summarised in Table 4.12 we estimate that domestic and international spectators will spend approximately \$3.04 million per annum in the Auckland economy on non-match related items as a result of attending events at Eden Park.

Table 4.12 Average Length of Stay by Sports Event per Annum

	Domestic Spectators	International Spectators
Rugby Tests	1.50	2.25
Lions Matches	1.10	3.20
Domestic Rugby	1.00	2.00
ODI Cricket	1.25	2.25
ODI World Cup	1.25	3.20
Test Cricket	1.25	1.25

(Source: HAPL, EPTB)

Approximately 60% of this expenditure relates to domestic spectators.

Table 4.13 Total Expenditure by Sports Event per Annum ('000s)

	Domestic Spectators	International Spectators	TOTAL
Rugby Tests	\$3,676	\$1,863	\$5,539
Lions Matches	\$545	\$8,448	\$8,993
Domestic Rugby	\$5,906	\$298	\$6,204
ODI Cricket	\$2,898	\$592	\$3,490
ODI World Cup	\$3,230	1,316	\$4,547
Test Cricket	\$1,427	\$229	\$1,656
TOTAL	\$17,682	\$12,746	\$30,428

(Source: HAPL, EPTB)

As shown in Table 4.14, we estimate that 31% of the expenditure relates to food and beverage with a further 29% on accommodation.

Table 4.14 Total Expenditure by Type of Expenditure per Annum (000's)

	Domestic Spectators	International Spectators	TOTAL
Accommodation	\$5,547	\$3,373	\$8,920
Local Transport	\$1,755	\$1,210	\$2,966
Domestic Flights	\$1,558	\$312	\$1,870
International Flights	-	\$2,435	\$2,435
Other F&B	\$6,113	\$3,449	\$9,561
Retail	\$1,625	\$1,062	\$2,687
Other	\$1,083	\$906	\$1,989
TOTAL	\$17,682	\$12,746	\$30,428

(Source: HAPL, EPTB)

4.4.2. Media

Other media expenditure includes accommodation, international, domestic and local travel, food and beverage, retail and other expenses incurred by non-Auckland based media.

The total number of non-Auckland media personnel projected to attend sports events at Eden Park is based on information provided by NZRU and New Zealand Cricket. Table 4.15 shows the estimated number of non-Auckland media personnel that attend each type of sports event held at Eden Park.

Table 4.15 Average Number of Media by Sports Event per Annum

Sports Event	Number of Media Personnel
International Rugby	80
Lions Matches	200
Domestic Rugby	20
ODI Cricket	20
Test Cricket	20

(Source: HAPL, NZRU, NZC)

We estimate non-Auckland media spend approximately \$436,000 in the Auckland economy as a result of covering events held at Eden Park.

Table 4.16 Total Media Expenditure by Sports Event per Annum (000's)

Sports Event	Total Expenditure
International Rugby	\$75
Lions Matches	\$119
Domestic Rugby	\$154
ODI Cricket	\$37
Test Cricket	\$51
Total	\$436

(Source: HAPL, NZRU, NZC)

As shown in Table 4.17, we estimated that almost 30% of the expenditure relates to accommodation with a further 20% relating to domestic travel.

Table 4.17 Total Media Expenditure by Type of Expenditure per Annum (000's)

	Total Expenditure
Accommodation	\$132
International Travel	\$14
Domestic Travel	\$86
Local Travel	\$41
F&B	\$79
Retail	\$19
Other	\$65
Total	\$436

(Source: HAPL, NZRU, NZC)

4.4.3. Event Organisers

Event organisers' (eg: NZRU and New Zealand Cricket) other expenditure relates to accommodation, international, domestic and local travel, food and beverage, and other expenses in relation to staff, teams, and officials.

Based on the projected baseline level of activity, the total expenditure by event organisers on these other expenses is projected to be approximately \$930,000 per annum. This equates to approximately \$169,000 per match.

The confidential nature of the information provided by NZRU and New Zealand Cricket means we are unable to provide a further breakdown of this expenditure.

4.4.4. Sports Teams

Sports teams' expenditure relates to accommodation, international, domestic and local travel, food and beverage, retail and other expenses. In international sporting matches the event organisers will pay for the teams' expenses and therefore this expenditure is included in Section 4.4.3. The expenditure included in this section includes Super 14 and Air NZ Cup teams only. The following tables summarise the sports teams' estimated expenditure per match and per annum.

Table 4.18 Super 14 Teams' Expenditure

	Expenditure / Match	Expenditure / Year
Accommodation	\$5,625	\$29,531
Local Transport	\$1,625	\$8,531
Domestic Flights	\$1,125	\$5,906
International Flights	\$4,385	\$23,020
Other F&B	\$7,500	\$39,375
Retail	\$1,125	\$5,906
Other	\$563	\$2,953
Total	\$21,947	\$115,223

(Source: HAPL, NZRU)

Table 4.19 Air NZ Cup Teams' Expenditure

	Expenditure / Match	Expenditure / Year
Accommodation	\$2,813	\$14,063
Local Transport	\$825	\$4,125
Domestic Flights	\$4,200	\$21,000
International Flights	-	-
Other F&B	\$3,938	\$19,688
Retail	\$263	\$1,313
Other	\$263	\$1,313
Total	\$12,300	\$61,500

(Source: HAPL, NZRU)

We estimate that Super 14 and Air NZ Cup teams spend approximately \$176,700 per annum in the Auckland economy as a result of participating in matches at Eden Park.

4.5. Total Incremental Expenditure

If Eden Park is not redeveloped, sports events at the venue will result in average annual incremental expenditure of approximately \$32.5 million in the Auckland economy between 2013 and 2018.

As shown in Table 4.20, this incremental expenditure is significantly influenced by expenditure on items not directly related to the event (eg: accommodation, food and beverage, etc). Expenditure on these items is estimated to be approximately \$32.0 million per annum. Direct event related expenditure is estimated to be approximately \$0.6 million per annum.

Table 4.20 Total Incremental Expenditure in the Auckland Economy (\$000s)

Direct Event Related Expenditure	Total Incremental Expenditure
Venue Rental	404
Event Food & Beverage	1,886
Corporate Box Revenue	632
Casual Corporate Sales	124
Floodlight Rental	30
Other Event Organiser Expenses	2,856
Ticket Expenditure	-5,372
Total Direct Event Related Expenditure	560
Other Incremental Expenditure	
Accommodation	9,392
Local Transport	3,075
Domestic Transport	2,081
International Transport	2,503
Other F&B	10,046
Retail	2,714
Other	2,160
Total Other Incremental Expenditure	31,971
Total Incremental Expenditure	32,531

(Source: HAPL)

The expenditure flows by source are summarised in Table 4.21.

Table 4.21 Total Incremental Expenditure by Segment in the Auckland Economy (\$000s)

	Total Incremental Expenditure
Auckland Spectators	-5,372
Domestic Spectators	19,985
International Spectators	13,085
Media	436
Event Organiser / Teams	4,397
Total	32,531

(Source: HAPL)

5. REDEVELOPMENT SCENARIO IMPACTS

5.1. Redevelopment Scenario Event Schedule

If the proposed redevelopment occurs, the estimated average annual number of matches at Eden Park would increase from 16.25 to 18.58. The number of matches, by event type, is summarised in Table 5.1.

Table 5.1 Average Number of Sporting Matches Per Year

Sporting Match	Average Per Year
Bledisloe Cup	1.00
Other International Rugby	0.83
Lions Test	0.33
Lions Provincial Match	0.00
Super 14	5.25
Air NZ Cup	5.00
International Test Cricket	1.00
ODI Cricket	2.00
ODI World Cup	1.17
"Other Event"	1.00
Other	1.00
TOTAL	18.58

(Source: HAPL, EPTB, NZRU)

The increase in activity is attributable to an undertaking by NZRU that it will commit two international matches per year to Eden Park post redevelopment, rather than one per year. An allowance has also been made for Eden Park to host one significant "Other Event" (eg: Military Tattoo) post redevelopment. The EPTB Business Plan has also allowed for other matches to increase from one every second year to one per year.

The NZRU has indicated that the redevelopment of Eden Park would likely result in two Lions Tests being allocated to Eden Park in 2017, rather than one test and a provincial match.

The redevelopment of Eden Park will not result in any additional Super 14, Air NZ Cup, International Test Cricket or ODI Cricket matches.

5.2. Redevelopment Scenario Event Attendance

Our redevelopment scenario event attendees are based on the projected event attendance levels in the EPTB Business Plan. Table 5.2 indicates the average number of spectators projected to attend each type of event under both the redevelopment and baseline scenarios.

Table 5.2 Projected Average Spectator Numbers per Sporting Match

Sporting Match	Average Spectators Per Year	Baseline
Bledisloe Cup	60,000	47,839
Other International Rugby	55,000	47,839
Lions Test	60,000	47,839
Lions Provincial Match	55,000	47,839
Super 14	25,986	21,485
Air NZ Cup	21,055	14,702
International Test Cricket	25,711	25,711
ODI Cricket	34,000	25,999
ODI World Cup	42,500	35,700
Other Event	55,000	-
Other	23,297	23,297

(Source: HAPL, EPTB)

It is assumed that the redevelopment will have no impact on average attendance levels at test cricket matches and “other” matches. An increase has been factored in for ODI cricket reflecting an assumption that the additional capacity will be utilised during the Cricket World Cup and that the redevelopment will assist in attracting additional spectators to regular ODI matches.

Consistent with the EPTB Business Plan, it is assumed that capacity crowds will be achieved for Bledisloe Cup and Lions Test rugby matches and that increases will be achieved in attendances for Other International Rugby, Super 14 and Air NZ Cup matches due to the increased spectator appeal of the redeveloped facilities.

Table 5.3 summarises our assumptions as to the origin of the spectators at each type of sports event. These estimates, and the changes in origin compared to the baseline scenario, are based on consultations with EPTB, Williment Travel, NZRU, and other relevant stakeholders.

Table 5.3 Projected Mix of Spectators by Origin

Sporting Match	Auckland	Other NZ	International
Bledisloe Cup	63.0%	26.0%	11.0%
Other International Rugby	72.8%	25.0%	2.3%
Lions Test	42.5%	18.5%	39.0%
Lions Provincial Match	50.0%	15.0%	35.0%
Super 14	77.3%	22.3%	0.4%
Air NZ Cup	87.3%	12.7%	0.0%
International Test Cricket	73.0%	24.0%	3.0%
ODI Cricket	73.0%	24.0%	3.0%
ODI World Cup	65.0%	28.0%	7.0%
Other Event	75.0%	25.0%	0.0%
Other	80.0%	20.0%	0.0%

(Source: HAPL)

The proportion of international spectators at Bledisloe Cup matches is projected to increase markedly from the baseline situation. This increase occurs because NZRU has committed to optimise the opportunity presented

by the additional capacity to improve ticketing arrangements in Australia. The NZRU has expressed confidence that these changes could result in excess of 5,000 Australians travelling to attend Bledisloe matches per annum.

It is also assumed that the redevelopment (together with the proposed expansion of Jade Stadium) will provide the opportunity to market a greater number of travel packages into the UK market for the 2017 Lions Tour.

Based on the projected attendance levels and the assumed origin of spectators, Table 5.4 summarises the projected number of spectators by origin.

Table 5.4 Projected Total Number of Spectators by Origin

Sporting Match	Auckland	Other NZ	International	Total
Bledisloe Cup	37,800	15,600	6,600	60,000
Other International Rugby	40,013	13,750	1,238	55,000
Lions Test	25,500	11,100	23,400	60,000
Lions Provincial Match	-	-	-	-
Super 14	20,084	5,790	112	25,986
Air NZ Cup	18,388	2,668	-	21,055
International Test Cricket	18,769	6,171	771	25,711
ODI Cricket	24,820	8,160	1,020	34,000
ODI World Cup	27,625	11,900	2,975	42,500
Other Event	41,250	13,750	-	55,000
Other	18,638	4,659	-	23,297

(Source: HAPL)

Table 5.5 indicates the projected average number of spectators per year by origin per sporting match. This data takes into account the assumed frequency of events.

Table 5.5 Projected Average Total Number of Spectators by Origin per Year

Sporting Match	Auckland	Other NZ	International	Total
Bledisloe Cup	31,500	13,000	5,500	50,000
Other International Rugby	40,013	13,750	1,238	55,000
Lions Test	8,500	3,700	7,800	20,000
Lions Provincial Match	-	-	-	-
Super 14	105,442	30,395	587	136,424
Air NZ Cup	91,939	13,339	-	105,277
International Test Cricket	18,769	6,171	771	25,711
ODI Cricket	49,640	16,630	2,040	68,000
ODI World Cup	32,229	13,883	3,471	49,583
Other Event	41,250	13,750	-	55,000
Other	18,638	4,659	-	23,297
TOTAL	437,919	128,967	21,406	588,293
<i>% of Total</i>	<i>74.4%</i>	<i>21.9%</i>	<i>3.0%</i>	<i>100.0%</i>

(Source: HAPL)

It is projected that Eden Park will host an average of 588,293 spectators per year, which is an increase of approximately 54.0% from the baseline situation. This increase reflects the increased capacity of 60,000, the additional other event, and NZRU's commitment to hosting extra rugby matches at Eden Park.

5.3. Direct Event Related Expenditure

All of the drivers of direct event related expenditure under the baseline scenario (identified in section 4.3) are relevant under the redevelopment scenario. In addition to these, under the redevelopment scenario, consideration also needs to be given to expenditure by Aucklanders that is retained in Auckland as a result of the additional matches held at Eden Park. Also, it is proposed that under the redevelopment scenario a ticket levy will be imposed on all test match tickets to assist in funding of the redevelopment.

5.3.1. Venue Rental

The projected venue rental expenditure by non-Auckland hirers is summarised in Table 5.6.

Table 5.6 Venue Rental Expenditure Per Annum

Sports Event	Redevelopment	Baseline
International Rugby	\$99,000	\$54,000
Lions Matches ¹	\$0	\$0
International Cricket	\$387,000	\$345,000
Other	\$13,000	\$6,000
TOTAL	\$498,000	\$404,000

(Source: HAPL, EPTB)

Note: The EPTB Business Plan assumes that there will be not net venue hire revenue from the Lions matches.

Based on the projected numbers of matches, it is projected that approximately \$498,000 per annum will be paid by non-Auckland based hirers in relation to venue hire at Eden Park. This is a 23% increase on baseline levels. The minimal level of increase is due to EPTB's decision to hold venue rental constant at current levels in their business plan modelling. The increase shown above reflects the projected increase in activity levels and an assumption that venue rental for the ODI World Cup would be 33% higher than under the baseline scenario.

5.3.2. Floodlight Rental

A minor increase is projected in floodlight rental by non-Auckland based hirers as a result of the increased number of international rugby matches.

Table 5.7 Floodlight Rental Expenditure Per Annum

Sports Event	Redevelopment	Baseline
International Rugby Matches	\$11,000	\$6,000
International Cricket	\$23,000	\$23,000
Other	-	-
TOTAL	\$34,000	\$29,000

(Source: HAPL, EPTB)

It is projected that non-Auckland based hirers will spend approximately \$34,000 per annum on floodlight rental at Eden Park. This is a 17% increase on baseline levels.

5.3.3. Other Event Organiser Expenses

Under the redevelopment scenario, expenditure by non-Auckland based event organisers is projected to increase significantly to \$6.0 million per annum. This equates to approximately \$955,000 per match. This expenditure relates to a broad range of items including:

- i) administration fees
- ii) venue hire fees paid to the local union
- iii) media / advertising
- iv) security
- v) ticketing
- vi) temporary seating
- vii) replay screen
- viii) match enhancement
- ix) KPI payments.

The strong lift in expenditure is attributable to the increase in rugby internationals (which have higher costs) and the projected strong increase in venue hire and profit share paid to the Auckland Rugby Union.

Table 5.8 Other Event Organiser Expenditure

	Redevelopment Scenario	Baseline Scenario	Percentage Change
Total Expenditure	6,042,000	2,856,000	112%
Spend Per Match	955,000	519,000	84%

(Source: HAPL, EPTB)

5.3.4. Event Food & Beverage

Consistent with the EPTB Business Plan, we have assumed that average food and beverage expenditure per person for each event type will increase by an average of 10% due to improved accessibility to outlets. The total level of expenditure by non-Auckland attendees is projected to increase by 62% in the redevelopment scenario. This is because of increased average attendance and increased event numbers.

Table 5.9 shows that under the redevelopment scenario we anticipate total annual food and beverage expenditure by non-Auckland attendees of

\$3,049,000. Approximately 93% of this expenditure is projected to be by domestic spectators.

Table 5.9 Event Food & Beverage Expenditure per Annum

	Other NZ Spectators	International Spectators	Total
Total Spectators	128,967	21,406	150,373
Ave Spend / Person	\$20.00	\$21.90	\$20.30
Total Food Spend	\$2,581,000	\$468,000	\$3,049,000

(Source: HAPL, EPTB)

5.3.5. Match Hospitality

Under the redevelopment scenario we have assumed that the proportion of the expenditure on corporate boxes that is incremental to Auckland will remain constant at 7.5%, despite the increase in the number of corporate boxes. This is based on an assumption that Eden Park's status as New Zealand's premier sports venue will be enhanced by the redevelopment resulting in national corporates committing an increased proportion of their hospitality and marketing budgets to corporate boxes at Eden Park.

Based on the projected corporate box revenue in the EPTB Business Plan post redevelopment, we have projected incremental expenditure to Auckland of approximately \$863,000 per annum. This represents an increase of 37% on baseline levels.

The increased number of non-Auckland spectators under the redevelopment scenario will result in casual corporate sales. As shown in Table 5.10, we project total sales of \$206,000 to non-Auckland spectators. This is a 66% increase on baseline levels.

Table 5.10 Casual Corporate Sales Revenue Per Annum

	Other NZ Spectators	International Spectators	Total
Casual Corporate Sales	\$155,000	\$51,000	\$206,000

(Source: HAPL, EPTB)

5.3.6. Ticket Levy

It is proposed that a ticket levy of \$2.50 will be imposed on all test match tickets to assist in funding the redevelopment of Eden Park. We have projected the funding that will be raised from non-Auckland attendees based on our attendee profile summarised in Table 5.5.

The annual revenue that will accrue to the Auckland economy from expenditure by non-Aucklanders on the ticket levy is summarised in Table 5.11 below.

Table 5.11 Ticket Levy Expenditure Per Annum

	Other NZ Spectators	International Spectators	Total
Spectators	30,450	14,538	44,988
Levy per Ticket	\$2.50	\$2.50	\$2.50
Ticket Levy Expenditure	\$76,125	\$36,345	\$112,470

(Source: HAPL, EPTB)

As is shown in Table 5.11, we project that the ticket levy will result in average annual expenditure of \$112,000 in the Auckland economy by non-Auckland attendees.

5.3.7. Retained Auckland Spectator Expenditure

It is projected that the redevelopment will result in the number of Aucklanders attending matches at Eden Park increasing from approximately 282,000 to approximately 438,000 per year. It is likely that this increase in attendance, and the transfer of one international rugby match from elsewhere in New Zealand to Eden Park, will result in a reduction in the number of Aucklanders travelling to sports events outside Auckland. This reduction will assist in retaining expenditure within the Auckland economy.

For the purpose of our analysis we have assumed that the extent of this reduction will be the equivalent of 3.6% of the increased number of Auckland spectators, or 5,699 people. Based on average expenditure on tickets and event food and beverage, as detailed in Table 5.12, this retention of people will result in \$606,000 of retained match related expenditure in the Auckland economy.

Table 5.12 Retained Auckland Spectator Expenditure Per Annum

Expenditure	Spend per Person	Total Retained Expenditure
Event Ticket	\$86.98	\$496,000
Event Food & Beverage	\$19.29	\$110,000
TOTAL	\$106.26	\$606,000

(Source: HAPL, EPTB)

5.3.8. Ticket Expenditure by Auckland Spectators

Under the redevelopment scenario the EPTB Business Plan assumes a strong lift in average ticket price. Together with the increase in the number of Auckland spectators, this will result in a significant increase in ticket expenditure by Aucklanders.

Our analysis indicates Aucklanders will spend approximately \$15.1 million on tickets for events organised by non-Auckland based organisations.

Table 5.13 Auckland Spectator Ticket Expenditure

Sport Events	Auckland Spectators	Average Ticket Price	Auckland Ticket Revenue	Net Outflow
International Rugby	71,513	\$124.50	\$8,904	\$7,568
Lions Matches	8,500	\$293.00	\$2,493	\$2,119
International Cricket	100,638	\$36.50	\$3,674	\$3,086
Total	180,651	\$83.40	\$15,071	\$12,775

(Source: HAPL, EPTB)

After allowing for redistributions by these national organisations back to Auckland, we anticipate a net outflow from the Auckland economy of approximately \$12.8 million. This is a 138% increase on the level of ticket expenditure outflow in the baseline scenario.

5.4. Other Incremental Expenditure

As with the baseline scenario, in addition to direct match related expenditure there is a wide range of other expenditure by non-Aucklanders that represents inflows to the Auckland economy.

This includes expenditure on:

- accommodation
- local transport
- domestic flights
- international flights
- food and beverage (non-match)
- retail
- other general expenditure.

This expenditure is attributable to:

- domestic visitor to Auckland
- international spectators
- non-Auckland media
- event organisers
- teams.

Under the redevelopment scenario there are also impacts attributable to the retention of Auckland spectators and media that need to be considered.

5.4.1. Domestic & International Spectators

Expenditure by domestic and international spectators includes expenses relating to accommodation, local transport, domestic and international flights, other food and beverage (non-event), retail and other expenses.

The average daily spend and length of stay assumptions are the same as for the baseline scenario with the exception of international spectators attending rugby tests. For these visitors, the assumed average daily spend has been increased from \$330 to \$350 to reflect increased pre- and post-event hospitality expenditure.

Under the redevelopment scenario, we estimate that domestic and international spectators will spend approximately \$47.6 million per annum on non-match related expenditure as a result of attending events at Eden Park. This is a 57% increase over the baseline scenario.

Table 5.14 Total Expenditure by Sports Event per Annum ('000s)

	Domestic Spectators	International Spectators	TOTAL
Rugby Tests	\$8,306	\$5,301	\$13,607
Lions Matches	\$842	\$11,020	\$11,862
Domestic Rugby	\$6,986	\$310	\$7,296
ODI Cricket	\$3,789	\$1,161	\$4,951
ODI World Cup	\$4,224	\$2,582	6,806
Test Cricket	\$1,427	\$229	\$1,656
Other Event	\$1,466	-	\$1,466
TOTAL	\$27,042	\$20,603	\$47,645

(Source: HAPL, EPTB)

As shown in Table 5.15, the two largest areas of expenditure are food and beverage and accommodation.

Table 5.15 Total Expenditure by Type of Expenditure per Annum (000's)

	Domestic Spectators	International Spectators	TOTAL
Accommodation	\$8,559	\$5,438	\$13,996
Local Transport	\$2,682	\$1,949	\$4,631
Domestic Flights	\$2,323	\$424	\$2,747
International Flights	-	\$3,847	\$3,847
Other F&B	\$9,340	\$5,759	\$15,100
Retail	\$2,482	\$1,724	\$4,206
Other	\$1,655	\$1,463	\$3,118
TOTAL	\$27,042	\$20,603	\$47,645

(Source: HAPL, EPTB)

5.4.2. Media

Average expenditure per event for non-Auckland media is assumed to be the same as for the baseline scenario. The only increase in overall expenditure is due to the additional international rugby match.

Allowing for this additional match we have projected media expenditure will be approximately \$510,000 per annum, which is a 17% increase on the baseline scenario.

Table 5.16 Total Media Expenditure by Sports Event per Annum (000's)

Sports Event	Redevelopment	Baseline
International Rugby	\$137	\$75
Lions Matches	\$131	\$120
Domestic Rugby	\$154	\$154
ODI Cricket	\$37	\$37
Test Cricket	\$51	\$51
Total	\$510	\$436

(Source: HAPL, NZRU, NZC)

As shown in Table 5.17, we estimate that almost 30% of the expenditure relates to accommodation, with a further 20% relating to domestic travel.

Table 5.17 Total Media Expenditure by Type of Expenditure per Annum (000's)

Sports Event	Total Expenditure
Accommodation	\$155
International Travel	\$17
Domestic Travel	\$100
Local Travel	\$48
F&B	\$92
Retail	\$22
Other	\$76
Total	\$510

(Source: HAPL, NZRU, NZC)

5.4.3. Event Organisers

Other expenditure by event organisers increases under the redevelopment scenario because of the additional international rugby match. This additional match results in other expenditure by event organisers increasing 33% from the baseline level to \$1.2 million.

5.4.4. Sport Teams

Under the redevelopment scenario there is no alteration in the projected number of domestic rugby matches. For this reason there is no change in the projected level of expenditure by visiting Super 14 and Air New Zealand Cup teams in Auckland under the redevelopment scenario.

Therefore, expenditure by Super 14 teams is assumed to be \$115,000 per annum, with Air New Zealand Cup teams spending a total of \$61,500 per annum.

5.4.5. Retained Auckland Spectator Expenditure

As noted in Section 5.3.7, the redevelopment of Eden Park is projected to result in 5,699 Aucklanders no longer choosing to travel to a match outside Auckland. Their expenditure on accommodation, transport, food and beverage and other items will therefore be retained in Auckland.

Based on the expenditure profile of domestic visitors to Auckland (as summarised in Section 4.4.1), we estimate \$1.8 million will be retained in Auckland as a result of these Aucklanders not travelling to matches outside Auckland.

Table 5.18 Retained Auckland Spectator Expenditure Per Annum

Expenditure	Spend per Person	Total Retained Expenditure
Accommodation	\$107.25	\$611,000
Local Transport	\$29.25	\$167,000
Domestic Transport	\$27.00	\$154,000
Other F&B	\$102.00	\$581,000
Retail	\$27.00	\$154,000
Other	\$18.00	\$103,000
TOTAL	\$310.50	\$1,769,000

(Source: HAPL, EPTB)

5.4.6 Retained Auckland Media Expenditure

Under the redevelopment scenario, one international rugby match will be transferred to Eden Park from elsewhere in New Zealand. This will result in Auckland based media retaining expenditure within Auckland that they would otherwise have been incurred in attending this match outside Auckland.

We estimate there are approximately 165 Auckland based media personnel at international rugby matches. By retaining this expenditure in Auckland there is an estimated retention of expenditure in the Auckland economy of approximately \$128,000, as detailed in Table 5.19.

Table 5.19 Retained Auckland Media Expenditure Per Annum

Expenditure	Total Retained Expenditure
Accommodation	\$40,000
Local Transport	\$12,000
Domestic Transport	\$28,000
Other F&B	\$22,000
Retail	\$6,000
Other	\$20,000
TOTAL	\$128,000

(Source: HAPL, NZRU)

5.5. Total Incremental Expenditure

Assuming Eden Park is redeveloped as proposed, sports events at the venue will result in average annual incremental expenditure of approximately \$50.1 million in the Auckland economy between 2013 and 2018. This is \$17.6 million, or 54%, more than under the baseline scenario.

As shown in Table 5.20, this incremental expenditure is significantly influenced by expenditure on items not directly related to the event (eg: accommodation, food and beverage, etc). Expenditure on these items is estimated to be approximately \$52.1 million per annum. This expenditure is offset by a \$2.0 million outflow from the economy attributable to direct event related expenditure.

Table 5.20 Total Incremental Expenditure in the Auckland Economy (\$000s)

Direct Event Related Expenditure	Total Incremental Expenditure
Venue Rental	498
Event Food & Beverage	3,049
Corporate Box Revenue	863
Casual Corporate Sales	206
Floodlight Rental	35
Ticket Levy	112
Other Event Organiser Expenses	6,042
Ticket Expenditure	-12,775
Total Direct Event Related Expenditure	-1,970
Other Incremental Expenditure	
Accommodation	14,576
Local Transport	4,774
Domestic Transport	2,998
International Transport	3,921
Other F&B	15,701
Retail	4,237
Retained Auckland Spectator Expenditure	2,375
Retained Auckland Media Expenditure	128
Other	3,363
Total Other Incremental Expenditure	52,075
Total Incremental Expenditure	50,105

(Source: HAPL)

The expenditure flows by source are summarised in Table 5.21.

Table 5.21 Total Incremental Expenditure by Segment in the Auckland Economy (\$000s)

	Redevelopment Scenario	Baseline Scenario	Incremental Expenditure
Auckland Spectators	-10,399	-5,372	-5,027
Domestic Spectators	30,717	19,985	10,732
International Spectators	21,159	13,085	8,074
Media	639	436	203
Event Organiser / Teams	7,990	4,397	3,593
Total	50,105	32,531	17,575

(Source: HAPL)

6. ECONOMIC IMPACT ASSESSMENT

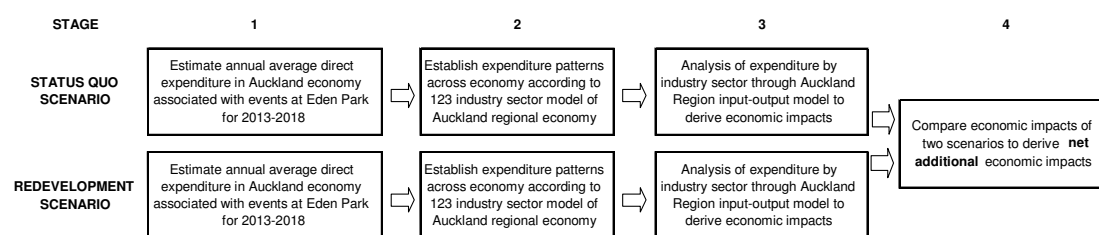
6.1. Methodology

Assessing the economic impacts of the redevelopment of Eden Park on the Auckland Regional economy has involved four key stages. These are:

1. estimation of the annual average direct expenditure that would occur in the Auckland Region as a result of events at Eden Park over the period 2013-2018 under the assumptions that:
 - a) no redevelopment takes place (Baseline scenario); and
 - b) redevelopment proceeds as planned (Redevelopment scenario)
2. establishing expenditure patterns across the economy through categorisation of the expenditure estimates under each scenario according to a 123 industry sector model of the Auckland economy
3. analysis of the annual average direct expenditure in the Auckland economy by industry sector under each scenario through an Input-Output model of the Auckland Region economy, to assess the economic impacts in terms of direct and total output, value added and employment
4. comparison of the economic impacts under each scenario to identify the **net impacts** resulting from the redevelopment of Eden Park.

This process is summarised below in Figure 6.1.

Figure 6.1: Economic Impact Assessment Methodology



This section describes each of these stages in more detail, including presentation of the final economic impact results.

6.2. Estimating Annual Average Direct Expenditure

The methodology used to derive estimates of the annual average expenditure in the Auckland economy associated with events at Eden Park over the period 2013-2016, under both the Baseline and Redevelopment scenarios have been outlined in detail in Sections 3 - 5 of this report.

The estimated expenditures under both the Baseline and Redevelopment scenarios, detailed in Sections 4 and 5, are summarised below in Table 6.1.

Table 6.1. Total Expenditure in the Auckland Region Economy by Group (\$000s)

	Baseline Scenario (\$000s)	Redevelopment Scenario (\$000s)	Difference (\$000s)	Difference (%)
Other NZ Spectators	\$ 19,985	\$ 30,717	\$ 10,732	54%
Event Promoters/Teams	\$ 4,397	\$ 7,990	\$ 3,593	82%
International Spectators	\$ 13,085	\$ 21,159	\$ 8,074	62%
Media	\$ 436	\$ 639	\$ 203	46%
Auckland Spectators	-\$ 5,372	-\$ 10,399	-\$ 5,027	94%
Total	\$ 32,531	\$ 50,105	\$ 17,575	54%

(Source: HAPL)

It is clear that spectators coming from other regions within New Zealand contribute the largest share of net additional expenditure to the Auckland Region economy. Under the Baseline scenario, this contribution is estimated at \$20.0 million, rising 54% to \$30.7 million under the Redevelopment scenario. International spectators, followed by event promoters / teams, are the next largest contributors of expenditure to the Auckland Region economy.

In terms of increased expenditure as a result of redevelopment, other New Zealand spectators contribute the largest increase, at \$10.7 million. This primarily reflects the increase in the number of rugby internationals held at the redeveloped stadium and the increased capacity of the new stadium, giving non-Aucklanders more opportunity to travel to (and stay in) Auckland to attend games. It is also of note however that these same factors, in combination with higher average ticket prices also result in a significant increase in the outflow from the Auckland economy (-\$5.0 million) because of the ticket expenditure of more Auckland spectators attending more games at a higher average cost.

The expenditure of international spectators and event promoters / teams also increases significantly as a result of redevelopment (\$8.1 million and \$3.6 million respectively). In both cases this is primarily a result of the increase in international rugby matches held at the stadium per annum.

In total, it is estimated that under the Baseline scenario, net additional annual average expenditure in the Auckland Region associated with events at Eden Park over the 2013-2018 period will be \$32.5 million. Under the Redevelopment scenario this increases by 54% to \$50.1 million per annum.

It is estimated that the redevelopment of Eden Park will inject a net additional total direct spend of \$17.6 million per annum into the Auckland Region economy.

6.3 Expenditure Patterns Across the Economy

The total expenditure or gross output estimates associated with the scenarios have been categorised into appropriate sectors based on a 123 industry sector model of the Auckland Region economy. This represents expenditure patterns across the economy. This process is undertaken recognises the different nature of sectors, particularly with relation to their multiplier and flow-on impacts through the economy.

Industry sector categorisation is largely a straightforward process. For example, expenditure by international spectators on hotels and motels is channelled through the Accommodation sector and expenditure by the NZRU on advertising is attributed to the Marketing and Advertising sector.

However, particular care must be taken when dealing with expenditure categorised as either retail, other or retained expenditure. The treatment of each of these categories of expenditure is as follows:

- a. In the case of retail expenditure, only the retail margin is attributed to the Retail sector while the remaining components are attributed to their originating manufacturing, production or import sectors. The spread of expenditure is undertaken in proportion to household expenditure across these sectors.
- b. Expenditure categorised as 'other' is spread across sectors deemed most discretionary that are not covered elsewhere (eg: not food, transport, accommodation, etc) on the basis of typical household expenditure patterns.
- c. Retained expenditure (or expenditure that might otherwise have been spent attending events outside Auckland) is split into two components. In the first instance, it is assumed that if Aucklanders would travel outside Auckland to attend an event, they will also attend that event if it is held in Auckland. Thus direct event related expenditure (tickets, event food and beverage) is retained in the sectors relevant to spend of this type. Second, the remainder of retained expenditure (that would otherwise have been spent on accommodation, transport, etc, to attend an event outside Auckland) is weighted toward sectors where a higher proportion of household expenditure can be considered discretionary (e.g. discretionary retail, personal services, or recreational services). This is based on the assumption that people will not, for example, reduce mortgage payments in order to attend an event outside Auckland.

In the case of retained Auckland based media expenditure, this has been distributed according to the expenditure patterns of the Motion Picture, TV and Radio Services and the Publishing and Recorded Media Manufacturing Services sectors. This assumes that if Auckland based media companies do not have to spend money outside Auckland to cover events (ie: they can cover them in Auckland instead), they will spend the money retained according to everyday patterns.

Table 6.2 shows the resulting patterns of expenditure across the economy, by sector under each scenario

Table 6.2. Patterns of Expenditure Across Auckland Economy by Sector

	Baseline Scenario	Redevelopment Scenario	Difference (\$)	Difference (%)
Bars, clubs, cafes and restaurants	\$ 11,985	\$ 19,019	\$ 7,033	59%
Accommodation	\$ 9,392	\$ 14,592	\$ 5,200	55%
Air transport, services to transport and storage	\$ 4,584	\$ 6,966	\$ 2,382	52%
Road passenger transport	\$ 3,075	\$ 4,783	\$ 1,709	56%
Personal and other community services	\$ 744	\$ 1,227	\$ 483	65%
Retail trade	\$ 581	\$ 1,188	\$ 607	104%
Wholesale trade	\$ 515	\$ 1,055	\$ 540	105%
Lotteries, casinos and other gambling	\$ 465	\$ 766	\$ 301	65%
Other business services	\$ 352	\$ 405	\$ 53	15%
Motion picture, radio and TV services	\$ 241	\$ 297	\$ 56	23%
Other	\$ 2,516	\$ 4,786	\$ 2,271	90%
Household expenditure	-\$ 1,918	-\$ 4,978	-\$ 3,060	159%
Total	\$ 32,531	\$ 50,105	\$ 17,575	54%

(Source: MEL)

The Bars, Clubs, Cafes and Restaurants, Accommodation and Transport related (land and air) sectors account for the largest shares of net additional spend in the Auckland Region resulting from events at Eden Park under both scenarios. These same sectors also experience the largest increases in expenditure as a result of the redevelopment of Eden Park.

Of note is the significant loss from the household sector under both the Baseline (-\$1.9 million) and Redevelopment (-\$5.0 million) scenarios. These losses reflect the net outflow from the Auckland Region economy resulting from Aucklanders purchasing tickets from bodies that are based outside Auckland and that in turn distribute their expenditure across the country.

6.4 Estimating Economic Impacts

To estimate the direct and flow-on economic impacts¹ of the redevelopment of Eden Park on the Auckland economy, an Input-Output model for the Auckland Region has been used. This model is based on the Statistics New Zealand

¹ (see the Appendix for definitions)

Inter-Industry Transaction Tables (published in 2001), updated for the 2003/2004 financial year.

Expenditure has been allocated to relevant industry sectors (as discussed in Section 3) to take into account different types of spending by each group and the flow on effects as directly impacted industries increase their purchases of intermediate inputs to meet the increased demand. The Input-Output model estimates the direct value added and employment effects, and then applies the appropriate sector multipliers to take account of the indirect and induced impacts, and estimate the total impacts.

Value Added (payments to all factors of production and including profits, depreciation, and wages and salaries) is the most important measure of economic impact as it represents the amount of impact generated within or felt within the economy. It is synonymous with Gross Domestic Product (GDP), the standard measure of economic performance for regions and nations.

This process has been undertaken for both scenarios (Baseline and Redevelopment). The resulting impacts have then been compared to calculate the net economic impacts resulting from the redevelopment.

6.5 Deriving Net Economic Impacts

Direct Impacts

Direct impacts are those associated with the net additional direct expenditure associated with the redevelopment of Eden Park.

It is estimated that under the Baseline scenario the average annual direct gross output associated with events at Eden Park over the period 2013-2018 will be \$32.5 million. Under the Redevelopment scenario this figure rises to \$50.1 million.

The **net result** is a direct gross output impact of \$17.6 million per year to the Auckland Region economy as a result of the redevelopment of Eden Park. The associated net increase in direct value added is \$7.9 million per annum and the net increase in direct employment is 211 Full Time Equivalents (FTEs) per year.

Table 6.3. Direct Impacts of Eden Park Redevelopment

	Baseline Scenario (\$000s)	Redevelopment Scenario (\$000s)	Net Impact (\$000s)
Gross Output (\$000s)	\$ 32,531	\$ 50,105	\$ 17,575
Direct Value Added (\$000s)	\$ 14,691	\$ 22,599	\$ 7,908
Direct Employment (FTEs)	387	597	211

(Source: MEL)

Total Impacts

Total impacts incorporate all aspects of economic impact including direct, indirect and induced impacts. Total value added and total employment are the most commonly used measures of economic impact.

It is estimated that, when all direct and flow-on impacts are taken into account, the total annual average value added to the Auckland Region economy of events held at Eden Park under the Baseline Scenario will be \$31.9 million. Under the Redevelopment Scenario, this increases to \$48.4 million.

This results in a net total annual average value added of \$16.5 million to the Auckland economy as a result of the redevelopment of Eden Park.

In employment terms, the Total FTE impact increases from 609 FTEs under the Baseline scenario to 930 FTEs under the Redevelopment scenario.

This results in a net employment impact of 321 additional FTEs per year as a result of the redevelopment.

Table 6.4. Total Impacts of Eden Park Redevelopment

	Baseline Scenario (\$000s)	Redevelopment Scenario (\$000s)	Net Impact (\$000s)
Total Output (\$000s)	\$ 68,640	\$ 103,837	\$ 35,197
Total Value Added (\$000s)	\$ 31,901	\$ 48,437	\$ 16,536
Total Employment (FTEs)	609	930	321

(Source: MEL)

6.6 Summary

It is estimated that, on average, the redevelopment of Eden Park will result in the following key net economic impacts over the period 2013 – 2018:

- direct gross output will increase by \$17.6 million per annum
- total value added will increase by \$16.5 million per annum
- the employment of an additional 301 FTEs per year across the Auckland Region economy.

Appendix 1: Economic Impact Assessment of Construction

This section presents the findings of an economic impact assessment of the construction component of the redevelopment of Eden Park on the economy of the Auckland Region. It should be noted that the economic impact of construction is a one-off impact that occurs over the period of construction. In this way, it differs from the impact of the 'legacy' component of the Eden Park redevelopment which is an average annual impact which occurs every year.

The methodology used to assess the economic impact of the construction component of the Eden Park redevelopment is similar to that used to identify the impact of the 'legacy' component. First, assumed sources of funding are used to identify net additional expenditure flowing into the Auckland economy as a result of the construction associated with the Eden Park redevelopment. Net additional expenditure is then spread across the economy on a temporal and sectoral basis to identify where and when expenditure will occur. An input-output model of the Auckland Region economy is then used to identify the flow-on effects of the net additional expenditure and derive total value added and employment impacts

Funding of Construction

This assessment assumes total construction costs of \$320 million for the redevelopment of Eden Park. It is envisaged that funding will be sourced from a range of government agencies and private sector sponsorships. The exact structure of funding sources is yet to be finalised. For the purposes of this assessment, a funding scenario has been provided by the Eden Park Trust Board as per Table 1, below. This scenario assumes that 44% of all funding will be provided by local government, 31% by central government and the remainder by the NZRU, private sponsorship and borrowing.

Table 1: Eden Park Redevelopment Funding Sources

Source	\$ million	Share
Central Govt	\$ 100	31%
Auckland City Council	\$ 80	25%
Other Auckland Local Govt	\$ 60	19%
Tournament Mngment Vehicle (NZRU)	\$ 30	9%
Debt (incurred by EPTB)	\$ 16	5%
Private Sector	\$ 34	11%
Total	\$ 320	100%

(Source: EPTB)

Construction Schedule

A schedule of construction costs outlining the broad areas in which expenditure will occur and a timeline has been obtained from WT Partnership. These costs are summarised in Table 2 below.

Table 2: Eden Park Redevelopment Construction Schedule (\$million)

	Total	2006	2007	2008	2009	2010	2011
Construction Costs							
Construction	\$ 278.73	\$ 1.68	\$ 69.28	\$ 123.54	\$ 58.28	\$ 20.25	\$ 5.70
Professional Fees	\$ 35.94	\$ 0.24	\$ 9.02	\$ 15.94	\$ 7.53	\$ 2.51	\$ 0.70
Development Levies	\$ 1.33	\$ 0.01	\$ 0.34	\$ 0.60	\$ 0.28	\$ 0.09	\$ -
Temporary Works	\$ 4.00	\$ 0.03	\$ 0.97	\$ 1.49	\$ 1.13	\$ 0.38	\$ -
Total	\$ 320.00	\$ 1.96	\$ 79.62	\$ 141.56	\$ 67.23	\$ 23.23	\$ 6.40

(Source: WT Partnership)

Redevelopment costs are predominately construction sector focused (87% of total costs). However a significant portion of cost is also attributed to professional fees and the consent process (\$35.9m).

Economic Impacts

The economic impacts felt within the Auckland Region are based on the money used to fund the construction of Eden Park that would not have otherwise been spent within the Auckland economy. For example, it is assumed that funding sourced from Auckland local authorities would otherwise have been spent on either other capital works, maintenance works or to fund other services within the Auckland Region. Therefore, it does not represent new money into the Auckland economy. On this basis it is excluded from the economic impact assessment.

It is necessary to examine all funding sources to assess the component that would, in all likelihood, be spent within the Auckland economy, regardless of the redevelopment of Eden Park, and remove this from the assessment. The flow-on effects of this expenditure are not additional to the region, therefore can not be attributed to the redevelopment.

For the purposes of this assessment, the following assumptions have been made to derive funding that is net additional to the Region.

- Just over two thirds (69%) of central government funding is assumed to be net additional to the Auckland Region. This assumption is based on the findings of a Committee for Auckland/Auckland City Report² (July 2006) which estimates that in 2005, Auckland received 31% of government expenditure.

² 'Auckland's contribution to the Government's surplus in 2005' – A report for Committee for Auckland Ltd and Auckland City. NZIER July 2006.

- No funding from Auckland City Council or other Auckland local government is net additional to the Region, as if it were not spent on Eden Park it would be spent elsewhere within the Auckland Region.
- Eighty five percent of NZRU funding is net additional to the Region. This assumption is based on that adopted in the assessment of the economic impact of the 'legacy' component of the Eden Park redevelopment, that only 15% of NZRU funding is allocated to the Auckland Region
- Two thirds of debt incurred is net additional to the Auckland Region based on population distribution i.e. it is borrowed from the rest of the county. This is based on a conservative assumption that the debt is sourced from New Zealand lenders and they on average lend on the basis of population distribution. However, the debt is also repaid over time, effectively draining the Auckland economy of both the principal initially borrowed and interest payments. The effect of this is to further reduce the share of debt that can be considered net additional. Assuming a 15 year pay back period, an interest rate of 9% and a discount rate of 10%, the share of debt incurred that is considered net additional to the Auckland region economy reduces to 30%.
- One fifth of private sector funding is assumed to be net additional to the Auckland Region. This is based on the assumption that most (80%) funding will come from Auckland based companies who would otherwise have spent this money within the Auckland economy.

On the whole, these assumptions are conservative. It could be argued for instance, that the NZRU contribution should be treated separately from its standard provincial union funding and assumed to be 100% net additional. In addition, it could also be argued that some portion of local government funding is derived from additional rates - some of which may otherwise be spent outside the region – and therefore that some portion of local government funding is net additional. However, until final funding has been secured and the exact nature of funding arrangements finalised, a conservative approach is considered the most appropriate.

Once these funding assumptions have been accounted for, 33% of funding is estimated to be net additional to the Auckland Region. Thus, total expenditure of \$320 million over the next 5 years, translates to \$237.9 million in NPV terms (assuming a discount rate of 10%) and to net additional expenditure of \$78.9 million (Table 3).

Table 3: Total, NPV and Net Additional Expenditure of Eden Park Construction

Expenditure Sector	Total Expenditure (\$million)	NPV Total Expenditure (\$million)	Net Additional Expenditure (\$million NPV)
Construction	\$ 282.7	\$ 210.2	\$ 69.7
Fees (incl consents)	\$ 35.9	\$ 26.7	\$ 8.9
Development Levy	\$ 1.3	\$ 1.0	\$ 0.3
Total	\$ 320.0	\$ 237.9	\$ 78.9

(Source: MEL)

This expenditure generates successive rounds of spending within the Auckland economy that are summarised by applying appropriate multipliers to the direct spend, direct value added and direct employment. The multipliers show the effect on the entire economy of suppliers having to increase their production – thereby purchasing additional inputs - and the effects of additional wages and salaries paid to workers in the directly and indirectly affected businesses purchasing goods and services within the economy.

Eden Park Construction Net Economic Impacts

The Auckland Region Input-Output model shows that the net additional component of the direct costs (\$78.9 m) is expected to generate \$30.1 million in direct value added (GDP) in the Auckland economy and sustain the equivalent of approximately 566 full time equivalent workers for a year. (Table 4).

Once the indirect and induced effects are accounted for, total net additional value added rises to \$80.5m sustaining the equivalent of approximately 1,457 full time equivalent employees for a year (or approximately 243 FTEs per year over the 6 year construction period). The majority of these impacts occur in the construction sector (86% of value added, 85% of FTEs).

Table 4: Net Direct and Total Economic Impacts of Construction of Eden Park Redevelopment

Expenditure Sector	NET DIRECT IMPACTS			NET TOTAL IMPACTS	
	Gross Output (\$000)	Value Added (\$000)	Employment (FTEs)	Value Added (\$000)	Employment (FTEs)
Construction	\$ 69,679	\$ 24,867	454	\$ 69,174	1,234
Fees (incl consents)	\$ 8,868	\$ 5,052	110	\$ 10,925	217
Development Levy	\$ 330	\$ 161	2	\$ 368	6
Total	\$ 78,877	\$ 30,079	566	\$ 80,467	1,457

(Source: MEL)

Appendix 2: Assessing Economic Impacts

Economic impacts can be assessed in a number of ways. There are three broad categories of impact. These are Gross Output, Value Added, and Employment. Each can be assessed in terms of the direct, indirect (flow-on), induced (flow-on) and total effects. The most commonly used measures are the direct and total effects (which take into account all direct, indirect and induced impacts) as shown below in Figure 1.

Figure 1: Economic Impact Measures

Impact Measure	Impact Type			
	Direct	Indirect (Flow-on)	Induced (Flow-on)	Total
Gross Output (\$)	X	o	o	X
Value Added (\$)	X	o	o	X
Employment (FTEs)	X	o	o	X

X - Most commonly used measures

o - Other measures

Gross Output is the broadest measure of economic impact. It accounts for total expenditure that occurs as a result of an event occurring - in this case, events at Eden Park. However, gross output is not an accurate indicator of economic impact as it includes the full value of all transactions and does not take into account the cost of generating additional expenditure including the value of goods that have been produced outside the region. These goods do not generate economic impact in the region, except through the act of selling.

Value Added is payments to all factors of production including profits, depreciation, and wages and salaries. It is generally seen as the most important measure of economic impact as it represents the amount of impact generated within or felt within the economy. It is synonymous with Gross Domestic Product (GDP) the standard measure of economic performance for regions and nations.

Employment is a measure of the number of Full Time Equivalent employees (FTEs) that will be employed over the period of a year as a result of the additional activity generated by an event.

Direct Effects are also termed the first round effects. They cover the direct spending that occurs for an event such as the RWC (direct ticket sales, direct organiser spend, direct spend associated with the event such as at restaurants, cafes, accommodation and retail outlets). This direct spending sustains a certain amount of direct employment to meet these direct needs, and generates a certain amount of direct value added (\$).

Indirect Effects are the effects that occur when suppliers to the directly impacted businesses have to increase their production to meet the increase in demand for goods and services. This requires the further purchase of other goods and services from their suppliers. Indirect effects are calculated in terms of indirect gross output (\$), and value added (\$).

Induced Effects cover the induced effect of additional wages and salaries paid into the regional economy inducing additional expenditure. Businesses either directly or indirectly impacted are assumed to be operating at maximum capacity and therefore additional demand causes them to either hire additional workers or pay overtime. This means more money is available to households in the economy. The induced effect covers how this money then flows through the system as people spend more.