

V8 SUPERCARS STREET RACE
WELLINGTON APRIL 2006
PROJECTED ECONOMIC IMPACTS

Report to
Wellington City Council
by
McDermott Miller Limited

28 February 2005

TABLE OF CONTENTS

EXECUTIVE SUMMARY

I. Purpose	1
II. Projected Tangible Impacts Of The V8 Supercars Street Race And Its Associated Events	1
II Intangible Impacts Of The V8 Supercars Street Race And Its Associated Events	2
1. PROJECT AND REPORT OUTLINE	3
1.1 Project Outline	3
1.2 Independent Assessment	3
1.3 Assumptions	4
1.4 Caveats	4
1.5 Disclaimer	5
1.6 Report Outline	5
2. PROJECTED IMPACTS OF STREET RACE AND ASSOCIATED EVENTS	6
2.1 Scope	6
2.2 Inputs To Evaluation Model	6
2.3 Results Of The Model Analysis	9
2.4 Sensitivity Analysis	10
2.5 Capacity Constraints	11
2.6 Intangibles	11
3. POTENTIALLY DISRUPTIVE IMPACTS	13
3.1 Traffic Impacts	13
3.2 Sales impacts	14
3.3 Leakage	14

COPYRIGHT

McDermott Miller Limited is the author of this report and holds the copyright relating to it. McDermott Miller Limited requires that all parties permitted to use the report and the research contained within the report give full and correct acknowledgement of authorship.

McDERMOTT MILLER LIMITED STRATEGIC PLANNING CONSULTANTS
CPO BOX 629 WELLINGTON NEW ZEALAND
3rd FLOOR 64 DIXON STREET WELLINGTON
TELEPHONE (04) 384-6280 FAX (04) 385-0535
Email: strategies@mcdermottmiller.co.nz
Website: www.mcdermottmiller.co.nz

EXECUTIVE SUMMARY

I. PURPOSE

This report is a projection of economic impacts likely to arise from the V8 Supercars Street Race proposed to be held in Wellington City in 2006, and associated activities. The economic impact projection is in three parts, which are:

- Projected economic impact of the Street Race event itself on Wellington.
- Identification of other intangible non-quantified factors which may have an impact on the Wellington economy
- A projection of the value of media exposure likely to be generated by the Street Race (note this projection does not include estimating the ensuing economic benefits of coverage)

II. PROJECTED TANGIBLE IMPACTS OF THE V8 SUPERCARS STREET RACE AND ITS ASSOCIATED EVENTS

TOTAL NEW SPEND

Total spending which is new to Wellington includes spending by visitors attending the V8 Supercars Street Race from out of Wellington, spending by sponsors, organisers, competition teams and other supporters, visiting entertainers and officials.

McDermott Miller's projection of Total spending which would be new to Wellington as a result of the Street Race and associated activities is estimated to be \$22.9 million in 2006.

Total new spending excludes spending that may be made for the Street Race by the Wellington City Council, which is treated as a transfer of expenditure for the purposes of this analysis.

Table E.1 below summarises the areas where visitor spend is projected to be made.

Table E.1 Visitors Projected New Spending in Wellington City

Visitors spending on	% of Total New Spend
Commercial accommodation	26
Restaurants, cafes, bars etc	41
Other leisure activities	3
Shopping	26
Transport in Wellington	4
TOTAL	100

Source: McDermott Miller, February 2005

TOTAL VALUE ADDED

After taking into account the influence of other attractions, and the proportion of spending that would flow out of Wellington again to buy goods and services "imported" into Wellington because of the Street Race events, direct value added to the Wellington economy would be around \$8.6 million.

By hosting the V8 Supercars Street Race in 2006 Total value added to the Wellington economy as a result is projected to be around \$15.7 million.

III INTANGIBLE IMPACTS OF THE V8 SUPERCARS STREET RACE AND ITS ASSOCIATED EVENTS

Although unquantified in this study, the V8 Supercars Street Race and associated events may well have longer term intangible impacts by:

- Generating long term tourism growth through extensive national and international media exposure of the event.
- Increasing investment and industrial capacity through making more people aware of the city's attributes and increasing the demand for motorsport services at future Street Races.

IV CONCLUSION

This means hosting the Street Race should bring \$22.9 million in total new spend into Wellington City in 2006 and directly contribute \$15.7 million to the Wellington City economy.

Longer term tourism growth and capacity impacts are likely to arise with further media exposure of Wellington City as a result of the Street Race and increasing demand for good and services lead to further investment in the city towards supplying future Street Race events.

If this level of economic impacts is achieved, it will exceed positive impacts generated in Wellington by all other major events evaluated since the New Zealand Festival 2000 (which generated total new spend of \$39.7 million and total value added of \$23.5 million).

This result reflects the high level of international and national visitation projected for the V8 Supercars Street Race together with the significant contribution of participants (competition teams, sponsors and their guests, services suppliers. Indeed, the combined (spectator plus participants) international visitors will be the highest proportion of total visitation achieved in recent major events.

Positive economic impacts generated by the V8 Supercars Street Race and associated events could be significantly larger than projected if spectator capacity is maximised, either by more stands along the circuit or by creating ticketed "standing room only" spectator areas on the city side streets bounding the race circuit. This would also reduce the "free-loading" effect.

1. PROJECT AND REPORT OUTLINE

1.1 PROJECT OUTLINE

This report is a projection of economic impacts likely to arise from the V8 Supercars Street Race proposed to be held annually in Wellington commencing in April 2006.

The Wellington City Council has been invited by International Management Group of America Pty Limited ("IMG") to present the New Zealand leg of the international V8 Supercar Championship Series in Wellington. The V8 Supercars Series is based on competition between production Ford Falcon and Holden Commodore vehicles. The V8 Supercar Championship Series includes races to be held in Australia, New Zealand, and, in the future, Asia.

The first race of the Wellington series is scheduled to take place in April 2006. The Street Race programme as proposed includes supporting motor racing in other categories as well as the V8 Supercars Championship Race itself. Some 32 V8 Supercars teams are expected to compete as well as up to 150 other teams in the supporting races over a three day period using a circuit of at least 2.4 kilometres in length along Wellington City's harbour front and central city streets.

The Street Race can only proceed with the support of the Wellington City Council. Its financial support is needed to fund the race infrastructure, and its own operating and business units are needed to facilitate the race operations (eg promotion through Positively Wellington Tourism, traffic management).

At the same time the V8 Supercars Street Race could help diversify and fill the city's event calendar, generate new spending by visitors to the city, add to its economy and further lift Wellington's domestic and international media profile as a place to visit and live.

The Council is conscious, as past Wellington and recent Auckland experience has shown, street races tend to polarise residents into enthusiastic supporters and antagonists to a greater degree than most other types of event. Before committing itself to assisting the street race, the Council wants to be in a position to judge whether its net benefits to the city are of sufficient magnitude to justify the inevitable disruption it will generate.

1.2 INDEPENDENT ASSESSMENT

For these reasons the Council commissioned McDermott Miller to undertake an independent analysis using data and information currently available to estimate the likely economic impacts of the proposed 2006 V8 Supercar Street Race and associated activities.

The economic impact projection is in three parts:

- Projection of likely total new spend in Wellington City as a result of the V8 Supercar Street Race event being on.

- The likely net economic impact of the V8 Supercar Street Race and associated activities on the Wellington City economy. This is total value added to the Gross City Product as a result of the event.
- The extent and value of international media coverage of the V8 Supercar Street Race and associated activities.

1.3

ASSUMPTIONS

Projecting economic impacts in the absence of a direct market survey of behaviour and spending of spectators and participants involves making a range of assumptions about spectator and participant numbers, their residential origins and spending patterns. Among other things, McDermott Miller has made assumptions about:

- The number of spectators and participants (including teams members, their supporters, entertainers, service suppliers, such as caterers, officials and support crews) attending the street race and the duration of their attendance.
- Their spending while at the street race itself, as well as their spending in Wellington City outside the street race.
- The residential origins of visiting spectators and participants (that is, those from Australia or elsewhere overseas, from elsewhere in New Zealand and from the Wellington region outside those resident in Wellington City).
- The length of stay and type of accommodation used by visitors to Wellington City from Australia and elsewhere overseas as well as for those from elsewhere in New Zealand and the Wellington region other than Wellington City.
- The street circuit to be used for the races, which is that specified by Weathered Howe in Section 5 of their Track Engineering Review, dated January 2005, prepared for Wellington City Council
- The potential impacts of traffic disruption of the street race, including loss of access to businesses and residential accommodation adjacent to the race circuit or contained within it, as well as the impact on commuter traffic and others normally using the streets closed for the race.

1.4

CAVEATS

This is a desktop study to provide projections of economic impacts for the three groups of effects listed in Section 2.2.. The analysis and results reported here are based entirely on data available to McDermott Miller at the time of its preparation and provided by:

- IMG, about the proposed event, sponsorship, ticket pricing, teams, entertainers and support crews.
- Weathered Howe, consulting engineers, commissioned by Wellington City Council to undertake an engineering evaluation of potential street circuits capable of being constructed around Wellington City's waterfront for the operation of the proposed V8 Supercar Street Race in 2006, and annually thereafter.

- International comparative benchmark events, including the Clipsal 500 in Adelaide, SA, and the Lexmark Indy 300 on the Gold Coast in Queensland.
- McDermott Miller's benchmark Wellington events data derived from original research of a range of events in Wellington City since the year 2000.

The actual impacts may well differ from those projected here as a result of changes between the plans upon which this projection was made and any actual implementation in 2006 or later. The results of this projection may require amendment as new and different information becomes available.

1.5 DISCLAIMER

McDermott Miller has made every effort to ensure accuracy and reliability of the information contained in this report. However neither McDermott Miller Limited, nor any of its officers, employees or consultants shall be held liable for the information, opinions and forecasts contained in this report.

1.6 REPORT OUTLINE

In Section 2 we present the projected impacts on Wellington of the V8 Supercars Street Race and its associated events, including the inputs to the analysis, the results and sensitivity analysis.

In Section 3 we present a limited assessment of likely disruptive impacts of the proposed Street Race.

2. PROJECTED IMPACTS OF STREET RACE AND ASSOCIATED EVENTS

2.1 SCOPE

In this section we present a projection of economic impacts on Wellington City of the proposed V8 Supercars Street Race and its associated events.

This projection has been developed from a desk-top analysis of data provided to McDermott Miller, together with a set of assumptions (outlined above), and by using the McDermott Miller Event Evaluation Model.

Economic impact is projected in terms of total new spend in Wellington City and total value added to the Wellington economy through running the 2006 V8 Supercars Street Race and associated events.

The sections below cover, in turn:

- Key inputs to the evaluation model;
- The results of the analysis;
- A sensitivity analysis.
- An evaluation of any commercial accommodation capacity constraints
- Comments on unquantified intangible factors impacting on the city economy.

2.2 INPUTS TO EVALUATION MODEL

The overall Street Race “event” has been divided into four constituent components for the purpose of the Economic Impact Assessment (EIA) projection:

- Street Race and associated events
- Visitors to Wellington City attending the Street Race as spectators
- Supporting entertainment acts, service crews and corporate guests
- Competition teams and support crews

These components have been modelled in a customised version of the McDermott Miller Event Evaluation Model.

Tables 2.1 to 2.4 below present input data and assumptions used in the model, as follows:

Table 2.1: Origin of Spectators

Table 2.2: Accommodation usage by Overnight Visitors to Wellington

Table 2.3: Average Length of Stay (Number. of Nights by overnight visitors)

Table 2.4: Average Spend per Day by type of accommodation used

The sources of this data are noted in Section 1.2 above. In addition we have used:

- the ‘Coefficient Benchmarks’ contained in the McDermott Miller Event Evaluation Model (February 2005 Version)
- similar coefficients calculated from the data collected for the Economic Impact assessments of the Telecom 2 Go International Sevens of 2001.

Spending and length of stay coefficients used for projecting the impacts of the Street Race are closely based on those derived from the International Sevens. In particular:

- The coefficients used in the model incorporate both spending by visitors and on behalf of them, ie if they are guests of sponsors.
- In this version of the Event Evaluation Model, daily spending of visitors is assumed to be a function of type of accommodation used and visitors’ origins.

Table 2.1: Origin of Spectators

Origin	Projection	
	Number	%
Wellington City/Region	20500	50
Rest of New Zealand	16400	40
International	4100	10
TOTAL	41000	100

Sources: IMG/Weathered Howe, McDermott Miller, February 2005
 © McDermott Miller, February 2005

Table 2.1 shows our projection of 41000 ticketed spectators attending the V8 Supercars Street Race. It is important to note this is a projection of spectators, not their attendances at the Street Race. Tickets are proposed to be sold for one and three day entrances (whether to grandstands, paddocks, or general admission), and are transferable. This means spectators may attend on one or two or three days, so that total attendances over the three days of the Race (often quoted in the media) should substantially exceed spectator numbers.

It is also important to note Table 2.1 excludes other “participants”, such as race team members, support crews, entertainment acts, officials and others who do not purchase a ticket to the Street Race. We project around 50% of these participants will come from outside the Wellington Region.

Table 2.2: Accommodation usage by Overnight Visitors to Wellington

Origin	Staying in Commercial Accommodation %
Auckland	75
Canterbury	70
Rest of New Zealand	50
International	90

Sources: IMG, Weathered Howe, McDermott Miller, February 2005
 © McDermott Miller, February 2005

Table 2.2 shows the projected accommodation usage by overnight visitors to Wellington. Here we project 90% of International residents visiting Wellington City to attend the Street Race will require commercial accommodation.

Table 2.3: Average Length of Stay (No. of Nights of overnight visitors)

	Stay Nights
Auckland	3
Canterbury	2.5
Rest of New Zealand	2.5
International	4

Source: IMG, Weathered Howe, McDermott Miller, February 2005
 © McDermott Miller, February 2005

Table 2.3 shows projected duration of stay in Wellington by visitors attending the Street Race. This projection reflects the expected mix of single day and three day ticket sales.

Table 2.4: Average Spend per Visitor Day of Overnight Visitors, by type of accommodation used and origin of visitor

Spend on	Origin of Visitors			
	Auckland \$	Canterbury \$	Rest of NZ \$	International \$
Commercial accommodation	100	80	80	120
Restaurants, cafes, bars etc	100	70	70	100
Other leisure activities	5	5	5	10
Shopping	40	30	30	50
Transport in Wellington	10	8	8	10

Source: McDermott Miller, February 2005
 © McDermott Miller, February 2005

Table 2.4 shows projected average spend by all ticketed visitors in the City (ie not including spend at the event itself), depending on their residential origin.

These projections have been used as inputs to the Event Evaluation Model which in turn generated projections of total new spend in Wellington City.

2.3

RESULTS OF THE MODEL ANALYSIS

Tables 2.5 and 2.6 summarise the results of this analysis in terms of total new spend in Wellington City and total value likely to be added to the city's economy as a result of the V8 Supercars Street Race being on

TOTAL NEW SPEND IN WELLINGTON CITY

Table 2.5: Projected Total New Spending Generated by the proposed V8 Supercar Street Race in Wellington City shows:

- Our projection of the total new spending generated by visitors to Wellington City attending the proposed V8 Supercars Street Race
- Net new spending by the Street Race organisers which is directly spent, other than for paying guests costs of accommodation, transport etc. Net new spending excludes spending proposed to be funded by Wellington City Council, which is treated as a transfer of expenditure from other spending in Wellington City or ratepayers, and therefore not new to the city.

Total spending which would be new to Wellington as a result of the events associated with the Street Race is therefore projected to be \$22.9 million.

Table 2.5: Projected Total New Spending Generated By the proposed V8 Supercar Street Race in Wellington City

	\$'000
By and on behalf of Visitors (spectators, teams, sponsors etc)	
Commerical Accommodation	4700
Restaurants, Cafes, Bars etc	7200
Other Leisure Activities	600
Shopping	4700
Transport in Wellington	800
Sub-total Visitors New Spending	18000
Other spending by organisers, sponsors, teams etc	4900
TOTAL NEW SPEND IN WELLINGTON	22900

Sources, IMG, Weathered Howe, Wellington City Council, McDermott Miller, February 2005
© McDermott Miller, February 2005

- Direct value added is the share of the spending credited to the proposed V8 Supercar Street Race World Street Race events after those businesses receiving the spending have met their direct costs. This value added is the direct contribution made to Gross Regional Product (i.e. Regional GDP).
- After taking into account the influence of other attractions and the proportion of spending that flowed out of Wellington again to buy goods and services "imported" into Wellington because of the Street Race events, direct value likely to be added to the Wellington economy would be around \$8.6 million

The final step in this process is the projection of total value added to the Wellington economy taking into account all effects, direct, indirect and induced. For this purpose we apply "Type II" output multipliers to the direct values derived earlier in the analysis.

- Total value added to the Wellington economy by hosting the V8 Supercars Street Race and associated activities in 2006 is projected to be around \$14.6 million (Table 2.6)

Table 2.6: Projected Total Value Added to the Wellington City Economy

	\$'000
By and on behalf of Visitors (spectators, teams, sponsors etc)	
Commerical Accommodation	3200
Restaurants, Cafes, Bars etc	4900
Other Leisure Activities	400
Shopping	2300
Transport in Wellington	900
Sub-total from Visitors Spending	11700
Other spending by organisers, sponsors, teams etc	4000
TOTAL VALUE ADDED IN WELLINGTON CITY	15700

Sources: IMG, Weathered Howe, Wellington City Council, McDermott Miller, February 2005
© McDermott Miller, February 2005

2.4

SENSITIVITY ANALYSIS

The projected total new spend and total value added as a result of the V8 Supercars Street Race and associated activities is sensitive to the number of spectators, their residential origin and hence spending pattern, and their duration of stay in Wellington.

The projections are also sensitive to changes in the number and mix of other participants, such as competition teams. As noted earlier around 50% of these other participants are projected to come to Wellington from out of town. This includes the majority of race teams. Given the nature of the V8 Supercars Championship Series as an Australian based international motor sport competition, it is unlikely much change will occur to this scenario.

The principal sensitivity therefore is the mix (by residential origin), number and duration of stay of visiting spectators.

Projected Total New Spend will vary by around 7.6% for every 10% shift in visitor numbers. This means Total New Spend will be around \$1.7-\$1.8 million lower if out of town visitors fall by 10%.

A 10% reduction in visitors attending the street race means a corresponding 6% reduction in the total economic benefit of the events to Wellington.

Finally, it is important to note this is a projection of economic impacts based on projected data, not the research based result of a post event economic impact assessment. These projections, of necessity therefore are less statistically robust than those derived from a full economic impact assessment. It is quite possible Variations in the input data between current projections and actual outcomes, some fourteen months from now may mean actual results are considerably different from those now projected.

2.5 CAPACITY CONSTRAINTS

Wellington City's commercial accommodation capacity is likely to be fully stretched by visitors to Wellington attending the V8 Supercars Street Race and associated activities.

Our projections are that 63% of international visitors and those from the rest of New Zealand (outside Wellington region) will use commercial accommodation in Wellington City. The remaining 37% will stay outside Wellington City, or with friends and family ("VFR").

In addition, around 50% of visiting teams, support crews and officials are projected to require commercial accommodation.

Although commercial accommodation will be added to in Wellington City through new facilities becoming operational by the time of the Street Race (eg Holiday Inn in Featherston Street), current PWT estimates of commercial accommodation capacity available in April 2006 is around 12900 guest nights.

Our projections indicate 100%+ usage of this capacity for accommodating visitors to the Street Race on the Friday and Saturday nights of the event period. When usage for other purposes is taken into account, it is likely capacity limits will be reached.

2.6 INTANGIBLES

This projection of economic impacts excludes intangible effects that may add to the economic benefits for Wellington City. These include:

- Long Term Tourism Growth. National and international media exposure that may encourage tourists to visit Wellington City in the future. This media exposure may encourage tourist "fans" of future races in the V8 Supercars Championship Series, and also tourists who become interested in Wellington as result of seeing/reading about the cities situation and other attractions.
- Increased Capacity. Potential development of skills and industry associated with motorsport, thereby enabling Wellington to retain more of the economic benefit of the event within the city (because organisers can reduce the need do to go to suppliers of goods and services outside Wellington City).
- Increased Sales and Investment. Media exposure may also generate interest investment by external parties, and national and international purchases of more Wellington produced goods and services, by increasing national and international awareness of the city's attributes.

We are unable to project these additional economic impacts in this limited scope projection due to the lack of reliable relevant data.

However an indication of the possible scope of media coverage can be given by projecting "notional expenditure" on media as a result of the Street Race. Media coverage is planned to include live television broadcast and a range of print media. In effect we project the equivalent advertising cost that would have been incurred if the media coverage given to the Street Race and associated activities had to be purchased.

This projection is based on the number of media personnel expected to attend the race, publication or broadcast of their likely output and the advertising price for time or print space used by them.

Using TVNZ advertising as a benchmark for television coverage (acknowledging Australian television coverage is also planned), and the "Herald on Sunday" as a benchmark for print coverage we project notional expenditure on this basis to be of the order of \$NZ1.25-1.75 million.

3. POTENTIALLY DISRUPTIVE IMPACTS

3.1 TRAFFIC IMPACTS

The V8 Supercars Street Race and associated activities will impact on traffic by:

- disrupting commuter, business and shopper traffic during the periods of set-up and dismantling barriers, grandstands and corporate boxes and other circuit infrastructure.
- Restricting access by people living or working to their homes and places of work where they are enclosed by the circuit.
- Requiring additional traffic management measures to enable spectators to get to and from the circuit and its spectator facilities.

The effects of these impacts could include delays and longer trip times for commuters and other road users, and possible restrictions on businesses activities.

The City Council has not undertaken any traffic modelling of these possible impacts and therefore we have been unable to directly quantify possible traffic impacts. The principal routes likely to be impacted include Aotea Quay, Thorndon Quay/Featherston Street, Mulgrave Street, motorway exits at Aotea Quay and Mulgrave Street, the race circuit and adjacent streets. The greatest disruption will occur on race days, but disruption will also occur in the preparation leading up to race days, and in subsequent dismantling of the race infrastructure and restoration of the roading system. Weathered Howe indicated disruption could 35 weeks over the preparation period and 23 weeks over the restoration period

The City Council's intention, is to use a comprehensive media campaign to encourage road users not to travel to the city by motor vehicle on the days of the Street Race . In addition, the motorway will be used divert traffic normally exiting at the Aotea Quay and Mulgrave Street off-ramps. This is a strategy that has been used in the past, apparently with success, but it does not eliminate disruption, simply reduces it.

It is also possible some additional car-parking areas could be more fully utilised, such as those at the Westpac Stadium on the northern side of the city.

The principal "economic" impacts of this disruption is to businesses through possibly later arrival of staff – effectively shortening the productive work-day, and delaying or discouraging purchases by shoppers who no longer find it as convenient to shop in the city. These disruptions could be ameliorated by businesses and shoppers rescheduling their activities to another non-Street Race period.

Assuming productivity loss was no more than 30 minutes on Friday, affecting no more than 30% of commuters using Aotea Quay, the projected negative gross output effect could be around \$0.2 million

On the other hand rail travel will be unaffected by the Street Race, continuing to deliver commuters and leisure travellers to the Wellington terminus unimpeded.

3.2 SALES IMPACTS

In the absence of any other data, sales lost through traffic disruption over the period are assumed to be "recovered" at other periods.

3.3 LEAKAGE

The Wellington City Council's Survey of Residents (February 2005) identified a small proportion of respondents (4%) who indicated they would leave town to get away from the negative impacts of the Street Race. Based on previous experience it is unlikely all those who indicate they will do so do in fact leave. In the absence of data about where they would go and stay and what they would do, we have assumed, for the purpose of this projection, that half this number would leave for the weekend and their accommodation and spending pattern would reflect that of Aucklanders visiting Wellington. (see Tables 2.2, 2.3 and 2.4). The effect of this leaving Wellington is projected to reduce gross spend by around \$0.8million, which has been taken into account in the projection of Total New Spend in Section 3.3.