



The 35th AMERICA'S CUP POTENTIAL ECONOMIC IMPACT ASSESSMENT

Prepared by the Bermuda America's Cup Bid Committee
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AC35: POTENTIAL ECONOMIC IMPACT (“PEI”)

This document summarises the review of economic impacts to host venues of previous America’s Cup events, and through analysis of these past events and by applying a range of high level assumptions, produces a broad forecast of the potential economic impact (“PEI”) of hosting the 35th America’s Cup (“AC35”) to Bermuda.

This study is significantly less extensive than a detailed economic impact assessment which is normally commissioned after an event and this study should not be treated as such. The forecasts are based upon results of previous events held in other jurisdictions, as reported in papers published by various economic institutes having conducted studies of these previous events, once completed. Assumptions are made, where possible, to adjust these historical outcomes to more realistically portray the anticipated outcomes for the Bermuda economy.

We have summarized the assumptions which we have made in relation to each aspect of AC35’s PEI. It is inherently difficult to accurately assess the PEI of any sporting event on a host venue, due to the variety of variable factors impacting upon such an event, and difficulties in assessing which impacts were attributable to an event, and which may have occurred irrespective of the event.

At its simplest level, Bermuda’s overall economy is enriched through any money from overseas that is spent within Bermuda. Over the three year period covering AC35, it is anticipated that significant sums of money will be spent in Bermuda by a variety of overseas sources, including, but not limited to, the organising bodies which are the America’s Cup Event Authority (‘ACEA’), the America’s Cup Race Management (ACRM), the Defender Oracle Team USA (OTUSA), the Challenger teams, event and team sponsors, media organizations and personnel, superyachts, spectators / visitors and various other parties. This has a direct positive economic impact on Bermuda – much the same as a tourist or business visitor coming into Bermuda, and spending money on goods and services.

There is another level where economic benefits are felt in the Bermuda economy, and that is through AC35 being a catalyst for infrastructure development. Spending on infrastructure (be it by Government or private parties) can stimulate the economy, creating jobs and further spending, which may not otherwise be created. For the purpose of our studies we excluded any potential or planned hotel or other non-AC35 related infrastructure investments which will provide additional positive stimulus .

Subsequent Event. This information was compiled during the bid process and since that time it has been announced that Bermuda will now host the America’s Cup Qualifier Series in its entirety. This will provide additional economic impact as Teams, Sponsors, Visitors, Media, etc. will be in Bermuda for a longer period than first anticipated. This additional spending potential has not been factored into this study.

AC35 PEI: EXECUTIVE SUMMARY

Key Findings from our analysis are as follows

Winning the right to host AC35 will bring significant economic benefits to the island of Bermuda, and meaningful employment opportunities. The exposure generated by AC35 will bring with it a significant legacy impact on tourism which will result in a material boost in air arrivals and on-island expenditure by tourists in the years to come, as a result of the global marketing of the Bermuda brand.

TOTAL PEI in terms of direct spending on-island is estimated to be in the region of approximately **\$250 million**, as a result of on-island expenditure by:

- the ACEA, ACRM and Teams in the 3 year run up to and during AC35;
- additional visitors coming to Bermuda, both during and after the event, as a result of the boost in tourism; and
- various other participants spending.

TOTAL GOVERNMENT IMPACT is summarised in the table to the right.

- The cost to Government can be broken down into three components, the AC Village (\$10.4m), Event Operating Expenses (\$12.29m) and AC Village capital improvements (\$14.34m).
- The Host Venue Agreement (HVA) provides for \$15 million cash sponsorship, and a \$25 million sponsorship guarantee from Government to the ACEA, which reduces by approximately 15%-30% from sponsorship introduced by Bermuda.

Total Govt. Related entities costs	(\$000)
Total AC Village delivery general expenses	(10,447)
Total event operating expenses	(12,292)
Capital improvements - AC Village	(14,341)
Sponsorship to ACEA	(15,000)
Sponsorship Guarantee	(25,000)
Total net impact on Government	(77,080)

AC35 PEI: APPROACH

Results of previous AC events

In order to estimate the range of PEI on Bermuda, we have reviewed Economic Impact Assessments performed subsequent to a number of past America's Cup events, along with various other results reported from past events.

In particular, we have considered:

- AC34: San Francisco, USA (2013)
- AC32: Valencia, Spain (2007)
- AC31: Auckland, New Zealand (2003)
- AC30: Auckland, New Zealand (2000)
- AC26: Fremantle, Australia (1987)
- AC25: Fremantle, Australia (1983)

In the intervening years, AC33, in 2010, was also held in Valencia, however it was a much smaller event, with only two teams competing as a result of a lengthy legal battle. The event was held in San Diego in 1988, 1992 and 1995.

Other pertinent information which we have considered includes the impact of the AC34 World Series Events in certain cities around the world, including Newport, Rhode Island, held in the run up to AC34 Finals in San Francisco, and Economic Impact Assessment reports in relation to the Newport Bermuda race.

AC35 PEI: KEY IMPACTING FACTORS & ASSUMPTIONS

There are a number of key factors which directly impact upon the PEI to Bermuda.

- The number of competitor teams taking part
- The number of teams relocating to Bermuda, and the length of time they each spend in Bermuda
- The total expenditure by ACEA, ACRM and the Teams in Bermuda
- The structure of the overall AC35 event:
 - The number of phases of the event held in Bermuda (i.e. Qualifiers, Playoffs, Finals)
 - The number of race days
 - The overall period the event spans
 - The time of year of the event
- The number of America's Cup World Series Events ("ACWS") held in Bermuda
- The number of overseas visitors who come to Bermuda specifically as a result of AC35 / ACWS
- The number of media present during AC35
- The number of super yachts who visit during AC35
- The average spend of each of the visitors / super yachts / media
- The number of cruise ship visitors / additional cruise ships in Bermuda (and whether static or cruising)
- The total expenditure by corporate sponsors within Bermuda
- The total expenditure on infrastructure improvements made by Government or other parties
- The overall legacy impact on Tourism for Bermuda, from the exposure generated by AC35.
- The overall legacy impact on International Business for Bermuda, from the exposure generated by AC35

KEY FINDINGS: PEI

Summary

The table below illustrates the overall estimated PEI to Bermuda.

Category	(\$000)
Additional hotel visitors	5,485
ACWS	1,715
Cruise ship visitors and passengers	14,526
Cruise ship provisioning	3,192
ACEA / OTUSA / Challenger Teams	94,189
Media	0*
Superyachts	12,842
Government / AC Village	24,788
Government – other	12,292
Legacy tourism benefits	60,000
Volunteers	68
Sponsors	2,063
Locals Additional expenditure	2,650
VFR	5,897
Concerts	2,500
Total Potential Economic Impact	242,207

As can be seen from the table, there are two major forecast sources of economic impact to Bermuda:

ACEA/OTUSA/Challenger Teams: The largest on-island impact will be derived from spending by the America’s Cup Event Authority, OTUSA and Challenger teams. Our estimate is based on data supplied and estimates from previous AC Events. For 2017 we have assumed that Challenger teams would be in Bermuda for a period of only three months.

Subsequent Event :- With the America’s Cup Qualifier Series now to be sailed entirely in Bermuda, all teams, sponsors, media and visitors will be in Bermuda for a longer period than originally anticipated.

Tourism benefits: the Bermuda Tourism Authority (“BTA”) has calculated the media exposure generated from hosting AC35 to be worth approximately \$20 million. They assume this will generate a 3:1 return, resulting in \$60 million of spending by additional visitors to Bermuda post 2017.

* **Media spend** - We have assumed this is captured in other visitors spend / cruise ship passengers category.

AC35 PEI: COMPARISON TO PAST AMERICA'S CUPS

Summary of previous AC events

The below table sets out a high level summary of the results of certain previous AC events, and the comparison to the estimated PEI of Bermuda hosting AC35. Bermuda totals \$242 million compared to San Francisco AC34 event of \$325 million direct spending. Having reviewed the San Francisco Economic Impact Report, we believe this was an extremely conservative evaluation of AC34 given they excluded visitors additional spending in other areas (such as Napa Valley), and Team Artemis spending (due to their location in nearby Alameda). Accordingly, at a high level, the Bermuda impact of \$242 million appears to be reasonable and prudent, given our small size of island and shorter event span which is likely to reduce the impact, offset by our inclusion of an estimated increased tourism legacy subsequent to the event.

Event	Location	Reported / Estimated Direct Spend	Reported economic benefit	ACEA	Teams	Host	Media	Super yachts	Sponsors	Concerts	Volunteers	Spectators	Infrastructure	Legacy tourism	Locals extra spend
AC35	Bermuda	\$242 million	-	\$94.7m		\$37.1m*	-	\$12.8m	\$2.1m	\$2.5m	-	Air \$12.6m Ship \$17.7m	Inc. in Host	\$60.0m	\$2.7m
AC34	San Francisco	<u>\$325.4 m</u> <u>\$440.7 m</u>	<u>\$364.4 m</u> <u>\$550.8 m</u>	\$141.4m.		\$37.5m	\$5.4m	\$6.9m	\$2.8m	\$13.9m	\$0.7m	\$107.8m	\$115m	-	-
AC32	Valencia		<u>\$1,106.1 m</u> <u>\$4,343.9 m</u>	\$149.2m	\$557.4m	\$3,237.8 m \$140.2m	\$25.7m	\$39.4m	-	-	-	\$194.2m	-	-	-
AC31	Auckland		<u>\$345.6 m</u> <u>\$350.7 m</u>	\$19.2m	\$163.6m	\$5.1m	\$18.8m	\$110.8m	-	-	-	\$33.1m (international)	-	-	-

* Host spending does not include any spend by WEDCO on South Basin plan

APPENDIX 1: SUMMARY OF BASIS OF PEI CALCULATIONS

FOR EACH CATEGORY OF PEI, WE HAVE SET OUT THE BASIS OF OUR
ASSUMPTIONS AS FOLLOWS

KEY ASSUMPTIONS: PEI

Category	(\$000)	Notes
Additional hotel visitors	5,485	We have assumed that for 35 days during the event, hotel occupancy will increase by 10%, from 83% to 93%. This is equivalent to 240 rooms each night. 240 rooms over 35 nights is 8,400 additional hotel rooms. We have assumed double occupancy, therefore 16,800 visitor nights. We have then applied this to the average spend per day of air visitors to Bermuda, which is \$234. We removed the hotel element from that spend (\$117), which means daily spend on other goods and services of \$117 per day. We then added in 50% of the ARR in June ($\$419/2 = \209.5), to give an average daily spend of \$327. Multiplied by visitor nights of 16,800, this gives \$5.485 million additional spending.
ACWS	1,715	We have estimated team visitor numbers and media based upon the ACWS Newport event economic impact report, and assumed we receive 25% of the overseas visitors who visited Newport. This gives a total of 916 people, who we have assumed teams stay for 10 days, and spectators for 4 days, giving a total of 3,982 visitors days. We have assumed daily expenditure of \$117 per person, plus 50% of the October ARR of \$300, therefore a total of \$267 to \$417 per person per day (double occupancy v single occupancy). This gives total spend of \$1.215 million. We have then assumed additional spend by the ACEA of \$400,000 (being 25% of Newport ACWS spend), and \$100,000 for teams, giving a total of \$1,715,000.

KEY ASSUMPTIONS: PEI (cont.)

Category	(\$000)	Notes
Cruise ship visitors and passengers	14,526	<p>We have assumed an additional 3,850 static cruise ship passengers , and 1,354 crew, during 37 days of AC 35. <i>(Note: this figure is draft, and will needs refined as the cruise ship plan moves).</i></p> <p>This gives 142,450 visitor days and 50,086 crew days in Bermuda.</p> <p>We have assumed an average daily expenditure (off ship) of \$80, based upon the higher of the average existing daily cruise ship passenger spend (\$59) and the average air arrival spend excluding meals and drinks (\$61), plus the average cruise ship arrivals spend on food and drinks (\$19), giving an average daily spend of \$80 per day. For crew, we have taken the average spend of \$62.50 per day.</p> <p>Therefore for passengers, spend is \$11,396,000 For crew, spending is \$3,130,351.</p> <p>This gives a total of \$14,526,351</p>
Cruise ship provisioning	3,192	<p>As the cruise ships would be static, they will require to reprovision whilst in Bermuda.</p> <p>Unfortunately, we have been unable to receive any information from the cruise ships as to their likely spending whilst in Bermuda, therefore we have had to make some high level estimates around this.</p> <p>Based on Carnival Corporation, costs of sales (excluding payroll) typically total approximately 55% of revenues. We have assumed that 10% of the 55% are incurred in Bermuda. We have extrapolated potential revenues, based on estimated per cabin charges, which totals \$58 million, therefore this totals \$3.19 million.</p> <p>As noted, this is a very high level estimate, but this is anticipated to cover food, fuel, water, waste, and provisioning of the ships. Further information is required to predict this value with any degree of accuracy.</p>

KEY ASSUMPTIONS: PEI (cont.)

Category	(\$000)	Notes
ACEA/OTUSA/Challenger Teams	94,189	<p>Based on our discussions with the ACEA we have identified estimates of potential on island spend for the next three years. Much of this is based on expenditure incurred in San Francisco and what may reasonably be replicated in Bermuda.</p> <p>As with the ACEA process, we reviewed the OTUSA spending patterns for AC34 and again applied similar spending calculations taking into account Bermuda cost of living.</p> <p>Based on discussions, OTUSA local expenditure should be very similar in profile.</p> <p>Our study was based on having 5 Challenger teams here (plus OTUSA makes 6), for 3 months each, during AC35.</p> <p>Taking into account spending during the three month period in AC34 by OTUSA we have assumed that 1/3rd of this is spent per team, to account for the probability that many of them may take cruise ship space, reducing on island expenditure.</p> <p>This figure could be significantly increased if other teams choose to relocate here for the longer term or if additional Challengers are announced.</p>

KEY ASSUMPTIONS: PEI (cont.)

Category	(\$000)	Notes
Superyachts	12,842	<p>We have assumed 40 superyachts are here for an average of 6 weeks, therefore 1,680 superyacht days.</p> <p>We have taken an average of the per day spend in Valencia and San Francisco, which equates to approximately \$7,644 per day. This spending is mainly related to provisioning.</p> <p>This totals \$12.8 million.</p>
Government / AC Village	24,788	<p>This is based on the capital budget. The main items include marina docks and building enhancements of \$2.5 million.</p> <p>Note, there are also additional costs to WEDCO of delivering the AC Village, being the infill project not included in our estimates.</p>
Government – other	12,292	<p>This is other spending by Government, largely on operating expenses, which will be required in order to host AC35</p>

KEY ASSUMPTIONS: PEI (cont.)

Category	(\$000)	Notes
Legacy tourism benefits	60,000	<p>The Bermuda Tourism Authority (“BTA”) has calculated the media exposure generated from hosting AC35 to be worth approximately \$20 million. They assume this will generate a 3:1 return, resulting in \$60 million of spending by additional visitors to Bermuda post AC35, principally over 2017 and 2018, with smaller legacy impacts into 2019 and 2020.</p> <p>In real terms, this equates to approximately 46,000 additional visitors, and 256,000 visitor nights.</p> <p>In context, Bermuda currently experiences 187,000 air arrivals per year who are here for leisure purposes.</p>
Volunteers	68	Not significant.
Sponsors	2,063	At AC34, where there were 4 teams, there was \$2.75 million spent by sponsors. As we will likely have more teams for AC35, we increased this figure pro-rata. However, we have assumed half of this spend is on cruise ships accommodation, and reduced the figure by 50% accordingly, to account for sponsor activations and expenditure on island.

KEY ASSUMPTIONS: PEI (cont.)

Category	(\$000)	Notes
Locals Additional expenditure	2,650	<p>Typically, local expenditure would be removed from a PEI assessment on the argument that what locals spend on AC35 they would have spend somewhere else.</p> <p>Recognising that Bermuda has one of the highest GDP per capita ratios in the world, we believe there is a fair argument that in reality, this expenditure by locals is actually additional, rather than replacement expenditure – in effect reducing savings or investments made overseas.</p> <p>We have assumed a simple \$50 per day per visitor (\$46.50 for AC34 locals), and assumed that there are 53,000 visits by locals to the AC Village over the event period, accounting for two peak demand days, less on the other days.</p>
Visiting Friends and relatives (“VFR”)	5,897	<p>We estimate there are already 9,000 VFR who visit the island in June, based on airport monthly arrivals figures and the overall percentage of VFR (25%). We have assumed this amount doubles for the event, as locals and guest workers will invite friends specifically to come and experience the AC in Bermuda.</p> <p>We have then applied this to the average daily expenditure (excluding accommodation) of \$117 per day.</p>
Concerts	2,500	<p>In San Francisco, there was approximately \$14 million spent on 21 concerts, selling around 130,000 tickets.</p> <p>Recognising the larger population in San Francisco, we have assumed there are 10 concerts, with 5,000 per concert, totalling 50,000 attendees. We have assumed expenditure of \$100 per person (based on SF). We have then reduced this by 50%, as in reality, a lot of this will go to the artist and promoter and go overseas.</p>
Total Potential Economic Impact	242,207	