

Economic Effects of the UEFA EURO 2008 in Austria



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Executive Summary

Focus of Analysis

The UEFA European Football Championship 2008 (EURO, EURO 2008) marks the culmination of several years of Austria acting as host country for a series of major sports events. Besides the importance of such tournaments in the sporting sense, the economic dimension has become increasingly the focus of public discourse in recent times. The rationale of holding large-scale sports events has to contend on the one hand with the imperative of fiscal austerity which requires justification for one-off use of public money, and on the other with the assessment of potential gains in value added and employment associated with the sizeable (event) budgets. The effort of obtaining empirical evidence about particular instances of major sporting events represents a contribution to the ambition of improving the conditions under which policies, in general, are formulated, and political decisions, in particular, are taken more often on the basis of empirical evidence.

Against this background the interest in model-based analyses of the economic impact of large-scale sports events, in the shape of both *ex ante* and *ex post* evaluations, has increased substantially in recent years. This study pursues an aim of quantifying not only the numerous effects of hosting the EURO, but also their interaction within the Austrian economy. Not only the direct impacts are addressed, but also their multiplicative effects, which arise through the interdependence of inputs and outputs, investment and private consumption.

The present impact analysis utilises the instrument of Input-Output Tables based on the methodology of Input-Output-Analysis. This⁵ analysis models the mutual linkage of the supply and demand structure between sectors of the economy, thus enabling multipliers to be taken into account in determining the effect on the whole economy. The required databases for this analysis, including the expected influx of visitors (and frequency), is ascertained by drawing on previous partial studies. Combining the Input-Output-Analysis subsequently with the matrix of taxes and duties enables the macro-economic effects of tax and social contributions to be estimated. In a further step, the

impact on the whole economy is broken down into sectoral, regional and temporal impacts.

The monetarily quantifiable effects associated with hosting the EURO rest on three main pillars: investments in the infrastructure of sports sites (predominantly involving the construction sector of the economy), the expenditures of visitors to the events (primarily accruing to the tourism sector), and the absorption of the budgets for ongoing events throughout the economy. The latter expenditures are spread more widely over various parts of the service sector in comparison to the highly concentrated effects of the first two pillars. The quantifiable monetary effects comprise turnover and value added, the impact on employment, and the (para)fiscal impact. Additionally taken into account is the cost-savings for those persons in the host country who participate in EURO 2008 as spectators, but who would encounter higher costs if the venue was elsewhere.

In connection with the analysis of a major sports event of the dimension of EURO 2008, so-called „qualitative effects“ need also to be taken account of. Despite being difficult to assess in numerical terms, the analysis would be incomplete without these being represented. Even prior to the EURO event(s) there is an improvement in the setting for carrying-out professional sporting activities (for example better training facilities), upgrading of other (non-sport) infrastructure (in particular the bringing forward in time of transport infrastructure development) and lasting image-building effects for the individual host city/regions and for the host country. Last but not least it is anticipated that there will be learning effects from hosting such a major sporting event for those engaged in the organisation of sports whether professionally or as in an honorary capacity, with ramifications for the context of holding international events that outlast the duration of the EURO 2008.

Main Findings

The current analysis indicates that the EURO 2008 in Austria will generate a value added impact of 641 million EUR in total, a sum which includes the effects from public screen viewing events, but excluding the effects of second-round investments. The associated employment effect is around 13,400 (in person-years) or about 11,800 (in full-time equivalent person-years). The Table below summarises the main results.

	Stadium Infrastructure Investments	Events Budgets	Tourism	Total
Value Added Effects in Austria (€millions)				
Direct Value Added Effect	72.40	38.46	345.85	456.71
Multiplier Valued Added Effect	38.86	18.72	216.60	274.18
Crowding-out	0.00	0.00	- 90.09	- 90.09
Total Value Added Effect	111.26	57.18	472.36	640.80
Employment Effects in Austria (Yearly Number of Persons)				
Direct Employment Effect	1,180	597	10,388	12,165
Indirect Employment Effect	459	287	1,993	2,739
Induced Employment Effect	123	44	766	933
Crowding-out	0	0	- 2,448	- 2,448
Total Employment Effect	1,762	928	10,699	13,389
Employment Effects in Austria (Yearly Figures in Full-Time Equivalents)				
Direct Employment Effect	1,154	514	9,185	10,853
Indirect Employment Effect	384	240	1,665	2,289
Induced Employment Effect	104	37	641	782
Crowding-out	0	0	- 2,143	- 2,143
Total Employment Effect	1,642	791	9,348	11,781
Turnover Effects in Austria (€millions)				
Direct Turnover Effect	130.36	32.92	645.47	808.75
Multiplier Turnover Effect	69.97	16.41	404.34	490.72
Crowding-out	0	0	- 167.25	- 167.25
Total Turnover Effect	200.33	49.33	882.56	1,132.22

Source: SpEA, 2008.

Out of the total value added of 641 €Mln generated by the EURO in Austria 84.5% (541 €Mln) accrues in 2008. The employment effects are even more starkly concentrated: 88.2% in the year of the tournament.

Despite the considerable size of the tournament impact on Austrian value added of 641 €Mln, i.e. 0.25% of Austrian gross value added, a general boost from the EURO throughout the whole economy is not expected. The impacts of the EURO are rather to be felt in specific regions and business sectors, amounting to 0.21% of Austrian gross value added in the tournament year.

Detailed Findings – Listed by Type of Impact

Effects from Investments in Stadia – Nationwide Analysis

	Stadium Infrastructure Investments
Value Added (€millions)	
Direct Value Added Effect	72.40
Multiplier Valued Added Effect	38.86
Total Value Added Effect	111.26
Employment (Yearly Number of Persons)	
Direct Employment Effect	1,180
Indirect Employment Effect	459
Induced Employment Effect	123
Total Employment Effect	1,762
Employment (Yearly Number in Full-Time Equivalents)	
Direct Employment Effect	1,154
Indirect Employment Effect	384
Induced Employment Effect	104
Total Employment Effect	1,642
Turnover (€millions)	
Direct Turnover Effect	130.36
Multiplier Turnover Effect	69.97
Total Turnover Effect	200.33

Source: SpEA, 2008. Effects in Austria, exclusive outflows to abroad.

Effects from Tourism – Nationwide Analysis

Demand for tourism-related services generated by EURO 2008 may be classified in three main categories:

- „Match Ticket Holders“
- „Accompanying Visitors“ (especially accompanying family members), and
- „Public Screen Viewers“

Calculations on the effects of public screen events are particularly sensitive to the assumptions made. In particular, the economic effects are dependent on exogenous and *a priori* unpredictable factors such as weather and which teams advance to and play against each other in later stages of the competition. Assuming a scenario of a stable high pressure anticyclone, as experienced during the FIFA World Cup 2006 in Germany, would result in over 2.2 million extra overnight stays from all three of the above categories taken together.

	Arrivals	Overnight Stays
Main Scenario		
Stadium Spectators	302,368	1,469,323
Crowding-in	36,533	178,613
Public Screen Viewing	1,115,884	1,115,884
Crowding-out	- 249,738	- 544,184
Total	1,205,047	2,219,636

Source: SpEA, 2008.

A complete analysis requires that so-called crowding-out effects are accounted for and subtracted from the tourist demand induced by the EURO. In Vienna hotels will be full to capacity during the tournament, especially those in the 4 and 5 star categories. The net tourism effects for Vienna will thus be less dramatic than one would expect from the size of the gross yield. The crowding-out effect is expected to be around 42% in Vienna during the month of the tournament, whereas no sizeable crowding-out is expected in any of the other Austrian venue cities.

	Stadium Spectators	Crowding-in	Public Screen Viewing	Crowding-out	Total
Main Scenario					
Carinthia	220,544	26,528	329,630	0	576,702
Salzburg	241,128	29,005	68,326	0	338,459
Tyrol	220,544	26,529	72,100	0	319,173
Vienna	787,106	96,551	412,020	- 544,184	751,493
Other Provinces	233,809				233,809
TOTAL					2,219,636

Source: SpEA, 2008.

The following table shows the effects on value added, employment and turnover triggered by the extra demand for tourism services.

	Tourism
Value Added (€millions)	
Direct Value Added Effect	283.21
Multiplier Valued Added Effect	189.10
Total value added Effect	472.31
Employment (Yearly Number of Persons)	
Direct Employment Effect	8,428
Indirect Employment Effect	1,642
Induced Employment Effect	629
Total Employment Effect	10,699
Employment (Yearly Figures in Full-Time Equivalents))	
Direct Employment Effect	7,451
Indirect Employment Effect	1,371
Induced Employment Effect	526
Total Employment Effect	9,348
Turnover (€millions)	
Direct Turnover Effect	529.34
Multiplier Turnover Effect	353.11
Total Turnover Effect	882.45

Source: SpEA, 2008.

Effects from Events Budgets – Nationwide Analysis

In addition to infrastructure investments and the anticipated rise in demand for tourism services, there are economic effects related to disbursements from events budgets of the Organisation Committee that need to be taken into account. The joint events budget for both host countries together is 147 €Mln approx. The economic effects accruing in Austria are listed in the following table.

	Events Budgets
Value Added (€millions)	
Direct Value Added Effect	38.46
Multiplier Valued Added Effect	18.72
Total Value Added Effect	57.18
Employment (Yearly Number of Persons)	
Direct Employment Effect	597
Indirect Employment Effect	287
Induced Employment Effect	44
Total Employment Effect	928
Employment (Yearly Figures in Full-Time Equivalents)	
Direct Employment Effect	514
Indirect Employment Effect	240
Induced Employment Effect	37
Total Employment Effect	791
Turnover (€millions)	
Direct Turnover Effect	32.92
Multiplier Turnover Effect	16.41
Total Turnover Effect	49.33

Source: SpEA, 2008.

Enjoyment Benefits

Apart from the effects generated by EURO 2008 that are quantifiable in monetary terms there are also distinct qualitative impacts. One of these is the special experience and associated enjoyment for the resident citizenry. Besides the influence on their *joie de vivre*, local fans have the advantage of participating in this major sporting event, without having to incur expenses for travelling to and from the host country and for accommodation. These latter components of enjoyment benefit at least can be quantified. The per capita cost saving lies in the interval between 300 and 900 € for the first day plus 50 to 500 € for each subsequent day of staying. Calculating on the basis of a medial

stay of four days leads to a total cost saving of 8.1 €Mln for Austrian football fans. Additional „comfort benefits“ and „productivity effects“ of being able to combine routine daily life with EURO events are not included in this calculation.

Detailed Findings – Listed by Impact on Sectors

	Construction	Hotels and Restaurants	Retail Trade	Other Relevant Economic Branches
Value Added (€millions)				
Direct Value Added Effect	72.78	243.56	80.70	59.71
Multiplier Value Added Effect	39.06	157.14	47.17	30.78
Crowding-Out	0.00	-64.47	-19.62	-6.01
Total Value Added Effect	111.84	336.23	108.25	84.48
Employment (Yearly Number of Persons)				
Direct Employment Effect	1,185	7,261	2,703	1,016
Indirect Employment Effect	463	1,485	397	393
Induced Employment Effect	124	521	194	95
Crowding-Out	0	-1,752	-533	-163
Total Employment Effect	1,772	7,515	2,761	1,341
Employment (Yearly Figures in Full-Time Equivalents)				
Direct Employment Effect	1,159	6,444	2,332	916
Indirect Employment Effect	387	1,242	333	329
Induced eEmployment Effect	104	436	162	79
Crowding-Out	0	-1,534	-467	-143
Total Employment Effect	1,65	6,588	2,36	1,181
Turnover (€millions)				
Direct Turnover Effect	130.73	459.96	143.41	74.65
Multiplier Turnover Effect	70.16	297.13	84.02	39.41
Crowding-Out Effect	0.00	-119.68	-36.42	-11.15
Total Turnover Effect	200.89	637.41	191.01	102.91

Source: SpEA, 2008.

Detailed Findings – Listed by Impact on Regions

Vienna

Vienna will accrue value added effects arising from infrastructure investment and additional tourism amounting to 110.52 €Mln (directly) and altogether 159.84 €Mln (total value added). The largest EURO-related employment effects in Austria are expected for Vienna. The total employment effect is estimated as 3,158 (in person-years) or about 2,805 (in full-time equivalent person-years), arising out of infrastructure investment and additional tourism demand. Inclusion of indirect and induced employment

effects leads to a total effect of 4,396 (in person-years) or about 3,546 (in full-time equivalent person-years). The combined effect of stadium (re)construction and tourism on turnover in Vienna amounts to 297.75 €Mln.

Carinthia

The direct value added effect arising from stadium construction and additional tourism amounts to 99.21 €Mln in Carinthia. The total Value added effect is 147.58 €Mln. The EURO induces 3,296 person-years of employment in Carinthia, or about 2,948 in full-time equivalent person-years. Directly EURO-related turnover effects of 183.53 €Mln are anticipated for Carinthia, including the multiplier effects the equivalent amount is 273.08 €Mln.

Salzburg

In Salzburg value added effects amount to 92.62 €Mln. These comprise direct effects of 60.85 €Mln and multiplier effects of 37.07 €Mln. The corresponding direct employment effect is 1,660 (1491) person-years (full-time equivalents) respectively. Including effects induced either by related inputs or expenditure of extra income, the employment impact rises to 2,152 person-years or 1,892 in full-time equivalents. The total effect from turnover arising out of touristic demand and infrastructure investment reaches 171.04 €Mln in Salzburg, of which 112.27 €Mln accrues from direct turnover effects.

Tyrol

In Tyrol the total value added – the sum of effects calculated for stadium construction and tourism – amounts to 92.46 €Mln. This comprises direct effects of 59.64 €Mln and multiplier effects of 32.82 €Mln. The EURO is expected to induce a total employment effect of 2,068 person-years in Tyrol (or 1,830 in full-time equivalents). The total turnover effect associated with EURO 2008 in Tyrol amounts to 109.93 €Mln. Multiplier effects in this province are calculated at 60.46 €Mln, giving rise to a combined turnover effect of 170.57 €Mln.

Detailed Findings – Complementary and Secondary Investments in Infrastructure

The extension of the U2 Underground Rail Line in Vienna represents the largest single EURO-related complementary investment. The implementation of this 700-Million-Euro project was accelerated, thereby increasing the net present value of the investment by 25 €Mln p.a. Additional measures taken in Vienna have the purpose of optimising private car traffic and improving the availability of public transport. Further, the ÖBB Austrian Railways are taking early delivery of 200 „Postbuses“ (in Spring instead of Autumn 2008) as well as 171 regional „Talenzug“ trains. Similarly, maintenance work on locomotives and wagons originally scheduled for June 2008 was brought forward in order to keep workshops free for any emergency repairs during the European Championship.

Sustainable Effects of the UEFA EURO 2008

A short-term EURO-induced contribution to Austrian gross value added of 0.21% in 2008 arising from infrastructure investments, extra demand in the tourism sector, and through expenditures of the events budgets is anticipated. In spite of multiplier amplification (which has been taken into account), these effects impinge for only a limited time frame. In the long-term perspective the effects on image and advertising impact, increased networking among professionals, as well learning effects, become relevant. In addition, stadia investments contribute to increased asset value, as well as gains in productivity and utility.

Image Effects and Advertising Value

The publicity and image effects consequent to holding the EURO 2008 are considerable, even though these are by nature qualitative effects.

The advertising value of the EURO 2008 can be referenced by the corresponding value for the EURO 2004, which is stated by TNS SPORT to be 113 €Mln (for TV alone), and 290 €Mln (incl. news and print media). It may be assumed that the joint advertising value for Austria and Switzerland is at least of the same order. Concomitant increased (positive) awareness of Austria abroad can be of influence on potential visitors deciding on travel to Austrian destinations.

Moreover, in the context of inward investment decision, Austria as a location can benefit from a positive influence on image and improved reputation. In this connection the Anholt Nation Brands Index (NBI) offers a starting point for analysing the market value of countries. Following the FIFA World Cup 2006 Germany achieved an improved image and increased likeability abroad, resulting in an improvement in ranking from 5th place in 2005 to 2nd place in 2006. Not only countries, also towns and cities can improve their market value in the wake of hosting large international sporting events. A positive example is Sydney, which since the Olympic Games of 2000 has enjoyed hitherto an image improvement and a constant 2nd place in the Anholt CBI ranking.

Effects arising from Stadia Investments

Stadium rebuilding and modernisation implies the introduction of innovations and increased comfort, designed to attract new visitors to the stadium. Drawing on the experience of the FIFA World Cup 2006 in Germany this can result in an average increase in spectators of around 10%. Nevertheless the duration of this effect is questionable. Newly constructed stadia bring also considerable spatial spill-over effects. The area around a well-designed multifunctional stadium may achieve a marked upgrading.