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What is the value of a Premier League football club to a regional economy?

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Abstract

Research question: This paper focuses on estimating the net regional economic impact of a UK Premier League football club. The drivers of local economic effects, factors constraining impacts, and the return on public investment for peripheral regions are considered.

Research methods: Financial information from a UK Premier League team (Swansea City Football Club) and a spectator spending survey are used. The wider regional economic effects are assessed using a bespoke Input-Output model of the Welsh economy, incorporating a tourism satellite account.

Results and Findings: The net regional economic impact of Swansea City Football Club was estimated at £46m of gross value-added and 216 jobs. Game attendee spending impacts are estimated to be close to zero once the spending of Swansea City Football Club fans at away matches outside the region is considered. The substantial broadcast television income is an important a source of external financial flows to the home region.

Implications: This paper adds to the evidence base on the economic impacts of regular season-based sport in peripheral regions. The research identified a substantial return on the public investment in the stadium infrastructure due to the redistribution of significant Premier League television revenues to the regional economy.

Key words: UK Premier League; Swansea City Football Club; Net regional economic effects; Regional economy; Return on public investment.

Introduction

Despite the attention focussed on the economic effects of professional sports and associated infrastructure, it has historically been difficult to connect the presence of large sporting facilities and clubs to their local economies, and then come to conclusions on the scale of economic impacts and how they might be improved. This is important because public sector organisations often seek to collaborate with sporting clubs (and sports-event right holders) to achieve local economic gains. Identifying the potential nature and scale of impacts is then highly relevant information for the public policy evidence base in relation to sport development as well as for the business management of the sporting clubs themselves.

A number of studies have examined the local economic impact of both large sport events and season based sport, however it is rarer to find studies which assess *net* economic impact – for example, explicitly dealing with displacement and double counting, or restricted to that resultant on monies from outside the reference economy (Johnstone, Southern, & Taylor, 2000; Preuss, 2005; Könecke, Preuss, & Schütte, 2015; Taks, Chalip, & Green, 2015). Within the UK, previous studies have been focused on the major conurbations, including for example, Merseyside (Johnstone et al. 2000), Glasgow (Allan, Dunlop, & Swales, 2007) and Manchester (Sport Industry Research Centre & Cambridge Econometrics, 2013). There is less research on smaller peripheral localities, and it seems no studies considering issues of *net* economic impacts relating to UK Premier League clubs.

Moreover, for season-based professional sports, the dominance of professional athletes as recipients of club spending raises questions as to how far general economic modelling techniques can really capture the local economic consequences of club activity when such recipients are most likely to have income and consumption patterns significantly different from the average worker within the economy (for example, considerably higher incomes and

hence marginal tax rates, potentially greater savings rates, and consumption of more expensive goods and services; Preuss, Könecke, & Schütte, 2010).

In this paper the issues relating to the estimation of the net regional economic impacts of a UK Premier League club are examined by focussing on one Premier League club, Swansea City Football Club (SCFC), during its first season in the League (2011-2012). SCFC success was expected to bring economic benefits for Wales' second city with the expectation of both spending and visibility effects a key reason for local authority (public sector) involvement in the development of a new stadium for the team. Arguably such visibility is important for more peripheral areas such as Swansea seeking to improve economic development prospects, although its value can be difficult to measure (Rosentraub, Swindell, Przybylski, & Mullins, 1994; Smith, 2010). Meanwhile, increased visitation and spending by those attending Premier League matches, and increased SCFC turnover could provide increased local economic demand and hence local employment. Added to this were expectations of a number of 'softer' potential benefits including increased inward investment. This paper does not attempt any quantification of visibility effects, or possible softer impacts, but instead focuses on the more measurable financial flows generated by the SCFC and related activities.

The Premier League itself is keen to highlight the connection between Premier League status and local economic development (Premier League, 2011). Moreover, the Premier League gives participating clubs and stakeholders access to a proportion of a global audience of close to five billion people across over 200 countries, and the possibility of new monies relating to increased television rights, sponsorship, and season ticket/gate receipts. However a precise measure of the net economic impact of the financial flows linked to these benefits of UK Premier League status, particularly for smaller peripheral economies is thus far missing in the literature. Such evidence could provide a reality check on the potential expenditure-related

local impacts of Premier League clubs. The paper also illustrates some of the practical and conceptual difficulties of undertaking a more complete analysis. A key issue of context is how to understand the return on public investment, particularly when so many of the benefits of Premier League football are difficult to quantify.

The findings in this paper also have implications for business management within SCFC. The Premier League brand is often associated with a strong corporate citizenship role (Blumrod, Bryson & Flanagan, 2012). Faced with such issues, management require better quality information on where they do, and perhaps do not benefit their local economies, and where management decisions in terms of spending can have the most important effects. The material discussed in this Premier League case, and the perspectives provided on economic impact, its limitations, and return on public investment, are therefore relevant for the management, financing, and governance of sport bodies in the public, voluntary and commercial sectors both within and outside of the UK.

The research was made possible by a period of close collaboration with SCFC and resulting access to detailed financial records tracing economic interconnections with local organisations (SCFC's financial information on incomes and expenditures was regionalised for the purpose of this study), but also with the opportunity to closely examine the spending patterns associated with different types of visitors to the SCFC stadium. This enabled a critical examination of the extent to which spending might generate net benefits for the region, and how far reported levels of economic impact reflect the particular economic character of professional sports.

The reference region for the study is Wales, which has a population of around three million people (five percent of the UK). Swansea, Wales' second city with 240,000 inhabitants,

shares much of South Wales' post-industrial malaise, and the promotion of SCFC was hailed as a significant cultural, tourism, media and hence economic development opportunity. The region (Wales), rather than the city of Swansea was chosen as the area of study for this paper for two main reasons. The detailed modelling framework (which enabled estimation of indirect and induced-income effects) was only available at the regional level. Few cities benefit from the formal economic accounts sufficient to enable multiplier analysis. Secondly, given the relatively small city area, a number of the people who support SCFC will reside within the region, often relatively close to the Liberty Stadium, but outside the city boundary. Hence a regional approach was more likely to capture the activities of home club supporters.

A smaller spatial scale of analysis may however have been more relevant in this case, particularly when considering issues of return on investment for the local authority. The city-level in the UK and elsewhere is increasingly relevant as a tourism and sport policy scale, hence this is a limitation of this and other studies (Jones & Li, 2015).

The remainder of the paper is structured as follows. The next section examines how large football clubs might be connected to economic development gains. The third section explains the method through which the regional economic impacts of SCFC activity were assessed, highlighting some limitations of the (commonly used) methodology, and the fourth provides the results from the analysis. This is followed by a discussion which reflects on the potential to assess net, rather than gross economic impact, and an evaluation of the return on the public investment in the stadium. The final section provides some conclusions on the contribution to the evidence base.

Football clubs and economic development

The local economic effects of football clubs are typically understood through the effects of club and visitor spending on the local economy. This means that assessments of the economic effects of football clubs include simple tallies of gross spending by clubs and supporters, but with some more informed analyses outlining how to carefully capture the primary (direct) impacts (Könecke et al., 2015) and others using local, regional and national models to explore how club spending might then multiply through a local economy. For example, in this vein, some organisations examine discrete one-off events and examine the multiplier effects of organiser spending and that levered by visitors to events (Preuss, 2005; Taks et al., 2015). Studies of the economic impacts of sport clubs and events vary in the degree to which they quantify the value of associated media coverage. A common issue in research to date has been that what is considered ‘major’ in terms of sporting profile might not necessarily be ‘major’ in terms of local economic impact (Collins, Munday, & Roberts, 2012; Gratton, Shibli, & Coleman, 2005; Jones, 2001; Matheson & Baade, 2006).

Impact studies of professional sports including football clubs suffer a series of common criticisms. For example, they may be undertaken by parties with a direct interest in the magnitude of the findings, and with inflation of economic effects used to gain additional public support, or to strengthen regeneration coalitions (Cochrane, Peck, & Tickell, 1996; Collins, Jones, & Munday, 2009). Second, there is an issue that studies focus on the short term impacts in a given period rather than legacy effects associated with professional sports and discrete events (Preuss, 2004). Third, research can fail to properly account for the impact of spending at a club, or by a club on the local economy. This can be a real issue with large football clubs where a simple tally of gate receipts and spend on merchandise fails to examine the degree to which money is expended on goods imported into a local economy, or where

spending by fans in part results in tax receipts for central authorities as opposed to host regions. Finally, and specifically addressed in this paper, is a general problem of identifying additionality. For example, whilst Premier League clubs attract supporters and their spending from outside the region to the home region, team's own supporters will also take spending out of the home region when they go to away matches. In summary, there is a lack of transparency in the reporting of economic effects, and related problems of comparability across some studies.

Research has noted the lack of identifiable causation (or even correlation) between investment in sports stadia and city or regional development, with some concern that this might arise from the overall small size of sport compared to the economy in aggregate, or from an incomplete understanding of the net economic benefit of sport as fans are drawn largely from the locality, and thus with this part of expenditure comprising a potential displacement from other local leisure sectors (Jones, Munday, & Roche, 2010; Matheson & Baade, 2006). In local economic development terms, this problem may be exacerbated by the tendency of clubs to internalise spectator spend at the stadium and at associated leisure developments, within a sea of car parks, distant from central business districts, and with this money then not reaching the rest of the local economy (Baade & Dye, 1990; Baade, 1995; Coates & Humphreys, 2003; Crompton, 1995; Noll & Zimbalist, 1997; Preuss, 2004; Rosentraub et al., 1994). There is additional scepticism over the value of softer (media, tourism and investment) returns to cities that are consequent, in the longer term, on sports infrastructure and activity (Bale & Moen, 1995; Smith, 2010).

Extant evidence however points to the local economic significance of top level football in the UK in gross terms at least. For example, Johnstone et al. (2000) in their analysis of Liverpool and Everton football clubs made much of the linkages between the clubs and local businesses.

That study identified that as far back as 1997, spending by the two clubs was over £55m of which over £12m was retained in the Merseyside economy, and with over two thousand jobs directly and indirectly dependent on the two clubs. This research noted that a focus on the economic impacts connected to football club spending could be misleading in terms of wider economic development. For example, there is a literature on the effects of sports clubs and events which questions whether a stronger focus on professional sports activity as an economic driver overlooks equally relevant issues, as through their operational activity, major football clubs could have the ability to assist community development, strengthen regional tourism prospects, create productivity spillovers for local firms, and increase labour participation (Taks et al., 2015; Jones, 2001).

In summary, research on the economic contribution of professional sports is important. Such research informs the understanding of the economic development implications of new physical sport infrastructure, and many local and regional authorities across the UK and in the rest of the world support visitor facing infrastructure hoping to lever a significant economic legacy.

The paper is therefore set in the context of a challenge from previous literature where Johnstone et al. (2000) argue that the economic development potential of Premier League clubs for their hinterland needs to be better understood, and with this having implications for other sports. Understanding the impacts of seasonal sport is also important, as these are regular activities which have a potential to generate significant and on-going contributions to their local economies, in contrast to the globally significant, but likely less locally embedded, and ‘mobile’ case of a mega or major event. These activities may compete for policy attention and public investment, hence some appreciation of the overall levels of impact as well as the drivers of impact is instructive.

Methodology

In analysing the economic significance of SCFC activity there were initially two core tasks; firstly, to examine the economic impacts of visitor spending supported by SCFC, and secondly to establish the economic effects associated with the operational spending of SCFC. A further and related task was to estimate the extent to which these effects generate net economic benefits for the locality. This is an important contribution of the paper, which adds to the evidence base on impacts outside of main economic centres, and helps in the understanding of returns to public investment.

The analysis in this paper aims, as far as possible, and with the available data, to provide an estimate of the net economic impact of SCFC on the regional economy. Preuss et al. (2010) provide a useful framework for the estimation of the primary economic impact associated with a sports club's regular season, and this is further illustrated in Könecke et al. (2015) with an application to a football club in Germany's Bundesliga. The elements of impact included in these papers have been identified and quantified where possible. This estimate of economic impact is then extended to include indirect and induced effects, using a regional Input-Output model, and to include gross value-added (GVA) and employment effects.

In summary three elements of spending are considered, as well as the origin of SCFC income, to investigate gross and then net impacts;

- Spending by visitors.
- Non-wage spending by the SCFC (stadium services, catering & hospitality, technical services).
- Wage spending by the SCFC, dominated by payments to professional athletes.

Information provided by SCFC included details of gross and within-region spending, disaggregated by product or service. Information was also collected on employment (including full time, part-time and volunteers) and wages paid.

A key part of the study was to analyse the spending patterns of football spectators. The study undertook surveys of football spectators attending SCFC's Liberty Stadium during the 2011-12 season. Ideally a structured spectator survey, using a multi-stage clustering process, would have been carried out throughout the season at every match, but this was logistically difficult and the approach taken was to target three home games in the late spring of 2012 where the opposition were Newcastle, Blackburn Rovers and Wolverhampton Wanderers. The survey focussed on issues of trip-related spending, where money was spent, group size and demography, travel mode and distance travelled. A team of between 8 and 10 surveyors was used at each match. The information from the surveys was grossed to estimate total spend over all football matches for the 2011-12 season, using information on total ticket sales (home and away) and hospitality visits to the Stadium for football matches provided by the Stadium operators. This information, on the number of residents and visitors attending matches within the area of impact, and on the number of residents travelling outside of the region to away matches, was used for the estimation of net economic effects in the later analysis.

For the economic analysis it was important to distinguish and properly account the direct/primary effects and the indirect and induced (multiplier) effects. The direct/primary consequences are associated with the operations of SCFC, and visitor spending attracted to Swansea and its environs by the SCFC (Preuss et al. 2010). However, indirect (or supplier) effects, and wage-induced income effects occur in other areas of the local and regional economy according to how, when, and where SCFC's operational spend and visitor monies are spent (Miller & Blair, 2009). Both effects can be expressed in terms of output (or

turnover), GVA and jobs. For example, the spectator survey undertaken at the Liberty Stadium recorded the purchases of goods and services made in the local economy. The producers of these goods and services then also spent money on the outputs of other local industries. Importantly this spending supported further local spending and so on (these are indirect or supplier effects). Moreover, some spectator spending supports employment and incomes in the local economy. These supported jobs themselves add to local incomes, and a proportion of these incomes will be spent locally, further adding to local demand (these are the induced-income effects). These effects are important in coming to a full understanding of activity supported by the SCFC.

In order to assess the wider regional economic impacts of SCFC, regional Input-Output analysis (with one endogenous household sector), was used to estimate economic multipliers, (and hence overall impact) for output, GVA and employment (Miller & Blair, 2009). Expenditure on regionally produced goods and services was introduced as a positive consumption shock, relying then on a standard Leontief-inverse multiplication to obtain the regional production requirements for this final demand across notionally-infinite rounds of supply-chain purchases. Income accruing to households, following wage compensation directly, and in the supply chain, was also introduced as additional demand (hence ‘Type II’ multipliers are estimated, which include indirect and induced-income effects). Information from the Input-Output tables on the ratio of wages, profits and taxes, and employment to a single unit of output for each sector (supplemented here by data gathered directly from SCFC) enabled estimation of GVA and full-time equivalent employment impacts.

The time frame of analysis was the 2011-12 season, and this is also assumed to be the duration of the multiplier effects resulting from expenditures made within this period, although in reality supply chain effects may extend beyond this time frame. Further details of

the base economic modelling framework used in the study are found in Jones, Bryan, Munday, and Roberts (2010a). The Input-Output framework used here incorporates a significant amount of region-specific data and allows more precision in the analysis of spectators' and facilities' spending. Importantly, Wales benefits from a fully-fledged, and United Nations World Tourism Organization (UNWTO) compliant tourism satellite account (TSA), which enables a more accurate disaggregation of both direct and indirect visitor spending effects. For example the TSA (and hence Input-Output) account contains five accommodation types, and one serviced food sector, rather than the single hospitality sector found in most Systems of National Accounts. Leisure activities are reported across four recreation sectors (Jones, Bryan, Munday, & Roberts, 2010b). Through this framework, more specific treatment of different elements of spend can be achieved, so that the analysed, direct spending 'demand shock', has been appropriately discounted, and with further rounds of multiplier impact within the model then more reliable.

Even with the most detailed data, economic modelling can produce inappropriate results given inappropriate application, particularly in terms of incorrect estimation of the initial demand injection. As already suggested, these points are addressed in terms of the expenditure issues which have been identified as important in earlier studies:

- Expenditures by visitors and by SCFC are discounted for elements that do not constitute direct additions to regional demand; notably sales and excise taxes; directly imported goods and services; inter-regional transport (where not regionally operated) and imported goods sold at regional retail outlets (other than retail and where appropriate wholesale margins)
- Elements of impact are carefully separated to avoid double counting. Thus, for example, any visitor expenditure that constitutes an income for the football club (e.g. ticket and SCFC merchandise sales) are discounted from visitor expenditure estimates

as they are included within the (separately modelled) income of the Liberty Stadium/SCFC.

- Significant effort is made to distinguish expenditure by residents and visitors, as these will have very different implications for the counterfactual case of SCFC not existing, and hence in any consideration of net economic impact.

As noted above, a number of adjustments to the spending data, and to the modelling framework make this analysis more appropriate and ‘fit for purpose’ in this case. However even with these improvements, many of the standard limitations of Input-Output analysis remain (see Miller & Blair, 2009).

Findings

Spectator impacts

This section contains the main findings from the spectator surveys undertaken at SCFC’s Liberty Stadium at three matches in the spring of 2012. Although a total of 738 responses were gained, the sum totals of all tables do not add to 738 with some partially or inaccurately completed. The surveyors attempted to gain a relatively higher number of returns from away team fans with the expectation of more diverse spending patterns than was the case with home team fans. There were a total of 204 survey returns available from away team fans. Home team fans are assumed to be resident within the study region (and are here after referred to as residents) and away team fans are assumed to reside outside of the study region (and are referred to as visitors).

Importantly although one person would have completed the survey they were usually part of a larger party. Respondents were asked how many people were in their personal group attending the match. In total the 738 respondents were part of total parties making up 2,712

people. Demographic and other characteristics did not vary considerably according to whether game attendees were supporting the home or away club.

Again it is important to recognise that this analysis is based on the survey respondents, such that the findings should be treated with care because they may poorly reflect the composition of each party, and particularly with the *a priori* expectation that over a full season, visitors might be more diverse in their character and behaviour than residents. An important component of the spectator survey was to identify the main determinants of expenditure. One key driver is whether the match visit involved an overnight stay. The questionnaire recorded the number of nights (if any) respondents spent in Wales or Swansea on their trip.

Overall 86% of respondents were day trippers and 14% reported one or more overnight stays. Among the residents, just 2.5% reported an overnight stay, but this increased to 44.1% with respect to visitors. The large number of overnight stays among visitors was fairly surprising. In part this was down to the nature of the fixtures and the large proportion of Newcastle fans in the visitor mix (Newcastle being the most distant location of the away teams surveyed). Moreover, the Newcastle fixture immediately preceded the Easter holiday weekend which may have influenced the propensity to stay overnight.

Table 1 provides estimates of trip related spending by category (for individual respondents or their party) as well as the location of that spend. The results in Table 1 for residents are separated according to whether respondents were season ticket holders or not, with purchase of tickets a major item.

Table 1 about here

Grossing the survey returns to total attendees at Premier League matches at the Liberty Stadium in 2011-12 enabled an estimate of the total spending over the season. As Table 2

shows it is estimated that this gross total was £8.13m. As well as spending that would count towards SCFC income (such as on tickets, which is removed in the modelling to avoid double-counting), other elements that do not add value or support employment and incomes in Wales are discounted. These leakages largely relate to Value Added Tax (VAT) and other excise duties, and vary by the type of commodity or service being bought (fuel, for example is subject to an extremely high tax rate). Table 3 demonstrates how this gross spending of £8.13m for all game attendees leads to an initial (discounted and regionalized) injection of £4.71m to the Welsh economy. Note here that this injection, whilst adjusted to include only non-SCFC regional spend, includes both residents and visitors. The adjustment to count only visitors will be discussed later.

Table 2 & 3 about here

This £4.71 ‘multiplies’ through the Welsh economy, supporting employment, incomes and value added in Welsh-based firms and organisations. As well as spectator spending, SCFC will have beneficial wider economic effects as it purchases inputs (commodities and services) from Welsh suppliers, and as wages paid to its staff are re-spent in the Welsh economy. Table 4 shows how the £4.71m spending of game attendees generates a further £1.90m in multiplier (supply chain and wage-income) effects to result in a total £6.61m of additional output across the Welsh economy. This additional output was associated with £3.15m in Welsh GVA, and, supported around 165 full-time equivalent (FTE) jobs across Wales. Most match-related spending (here excluding tickets and SCFC merchandise) is on serviced food and drink, and over half the economic impact in terms of turnover or output (54%) accrues to this sector. The employment impact is even more heavily concentrated in food and drink; 120 FTEs of the 165 total. This is because production in this sector is very labour intensive, especially compared to the transport and production sectors that also benefit.

Much (but not all) of the 120 FTEs supported in food and drink will be proximate to, or within the Liberty Stadium itself at various hospitality concessions. Other impacts, in the supply chain, and accommodation and transport sectors, will perhaps be more spatially diffuse. A key issue here is the extent to which the activity described above can be understood as a net effect. Much is made of these types of effects in terms of justifying the public return on investment in stadium infrastructure.

Table 4 about here

Further adjustments are then needed to transform the impacts described into net economic impacts. Reference is first made back to Table 2, which identifies the number of residents and visitors, and related total spend. The spending patterns of each of these groups of game attendees are then separately modelled within the extended Input-Output framework, to differentiate the impacts related to these groups. The results of this process are shown in Table 5.

Table 5 about here

Visitor spend comprises 27% of gross regional spend, and supports around 40% of employment and value-added. By only considering the visitors, the impact is reduced from just over £3m of GVA, and 165 jobs, to £1.3m of GVA and 72 jobs. Note that spending by these visitors is fully counted as additional, with the assumption that these visitors travelled to the region with the primary purpose of watching the football match (i.e. there was no element of casual visitation). Here it is also assumed that all of the spending by residents is *displaced* regional spending, which is redistributed from other destinations within the regional economy (Matheson & Baade, 2006). There is however some possibility that an unquantified percentage of these residents could be classified as ‘home stayers’ (Preuss, 2005), such that

the existence of a Premier League club within the region keeps their spending within the region, as otherwise they would have travelled outside of Wales to experience Premier League action. Furthermore, some of this spending could be additional if residents were reducing their marginal saving rates or financing their football tickets with loans (as both would bring in extra money to the home economy, see Könecke et al., 2015).

Whilst this estimate significantly improves on a gross estimate, it does not account for all the adjustments detailed in Preuss et al. (2010). The remaining consideration is the money that leaves the regional economy due to residents travelling to away Premier League matches. If the journey was made exclusively to watch the away match, then the outflow of money/spending linked to this activity should be deducted from the estimation of impact.

Some indication of the extent of this outflow of spending was obtained through reference to data on the number of tickets sold via SCFC for away matches. Full data was not available for the 2011-12 season, however for the 2014-15 season, the number of tickets sold to residents for away Premier League matches (outside the region) exceeded the number of tickets sold to visitors attending Premier League matches in Swansea by just under 200 (less than 1%).

Given this small difference in the flow of Premier League game attendees, and with no available data on the relative spending levels of residents at away matches (i.e. whether residents spend more or less money at away matches than visitors spend in Wales) there is an *a priori* expectation that the spending outflow approximately cancels out the inflow. Hence the net economic effects from Premier League game attendee spending will be close to zero.

SCFC spending effects

Data provided by SCFC suggested spending of £8.9m on inputs in 2011/12 (excluding wage spend). Following detailed analysis of spending by item in conjunction with the SCFC, some £2.17m of this total spend was estimated to be within Wales (much of the remainder was for

specialist services and manufactured merchandise not available in Wales). Table 6 reveals that the £2.17m SCFC spend generated a further £0.94m in economic output across the regional economy. This total £3.10m output is associated with £1.38m in GVA, and around 60 full time equivalent jobs (excluding those directly employed by SCFC). Detail on SCFC spending and the modelling of indirect impact suggests around half the supported employment arises as a result of payments to the Liberty Stadium. Although these are reported as FTEs, they will in fact consist of some stadium management posts, and many (very) part-time stewards.

Table 6 about here

Wages are the major expenditure item of any Premier League football club, and SCFC spent around £29m on wages, with the bulk of this relating to the playing staff. There are a number of issues related to this wage spending, and how it impacts upon the Welsh economy. The usual assumption in the regional economic modelling adopted i.e. that additional disposable income is spent in a similar fashion to the average Welsh household, cannot hold. For example (and see Seigfried & Zimbalist, 2002, for a general discussion), due to significantly higher wages the marginal tax rates will be higher, and some of this wage income may be paid to shell companies to avoid these higher rates. Saving rates are also likely to be higher than average for the region as players anticipate a relatively short career, whilst their current expenditure patterns are likely to feature expensive consumer goods that are less available in Wales, and with more leisure time and associated spend outside the region.

In light of these issues wage/consumption estimates are adjusted to reflect these differences. Previous work in Wales on football clubs (Econactive Ltd, 2003) discounted gross wages by a full 80%. Here, after attributing higher marginal tax rates, the remaining income is discounted by 50% to account for additional high-income-consequent savings. This results in a within-

Wales per player consumption spend that is some three times higher than for non-player staff members within SCFC.

The above calculation suggests that playing and non-playing SCFC staff spent around £4.5m on Welsh goods and services in 2011/12 (see Table 7). Multiplier effects (indirect plus induced) add a further £1.63m in Welsh output, leading to an overall consequent economic impact of £6.16m. This output is associated with £3.37m of gross value-added in Wales, and supports around 70 full time equivalent jobs. Consumer spending and hence value-added impacts are concentrated in Other services (including professional services, telecommunications and finance; £1.93m in GVA and 20 FTEs), and in retail and wholesale (£0.65m and 25 FTEs).

Table 7 about here

In similarity to the game attendees spending estimate, one final main adjustment is necessary to translate the estimates for SCFC into net impacts. As noted in Preuss et al. (2010) ‘the money a club spends in its home region over a defined period of time is additional spending for the region, but only if the money originated from another region’ p23. Table 8 provides a summary of the SCFC income, together with an indication of the source of this revenue.

Table 8 about here

As shown in Table 8, the majority of SCFC income, of £51m in 2011-12, was from television revenues. The only sources of within-region income were match day sales to regional residents, and some commercial (e.g. sponsorship) income. This analysis reveals that most of the income associated with SCFC activities would *not* have occurred within the region in the

absence of the SCFC. Some 85% of SCFC income is non-regional in origin, and this comprising (*a priori* at least) a net regional benefit. This 85% can therefore be used as a scaling factor to transform the estimates derived so far for SCFC impacts into net impacts. These impacts are summarised in the discussion in the next section.

Economic effects in summary

Due to the discounting of different elements of economic impact detailed above, the results can be summed to present an indicative overall estimate of the net economic impact of SCFC's Premier League season in 2011/12 on the Welsh economy. To remain consistent with national and regional accounting conventions, the onsite impacts of SCFC are added: SCFC employment, turnover and value-added, but here discounted to reflect only activity supported by non-regional income and from Premier League activity (but see later discussion).

Table 9 suggests an overall level of economic impact totaling almost £63m of Welsh output, and with this output associated with £46m of GVA and 216 jobs. GVA impacts are relatively high as GVA is (broadly) the sum of earned incomes and profits, and both these elements are significant *direct* items in the SCFC accounts. The bulk of output and value-added occur within the SCFC itself - £55m of the total £63m turnover, for example. However, Premier League activity supported 106 FTEs within SCFC in 2011/12 and 110 non-SCFC jobs, through multiplier effects. The significant level of economic activity supported by game attendee spending, which was initially identified in Table 4, is either classified as a redistribution of spending within the region (by residents), or is additional spending by visitors, which is then cancelled out by the spending of residents at away matches outside the region. The result is that the estimated net contribution of all game attendee spending is close to zero. Whilst SCFC wage spending supported relatively high levels of GVA, compared with

SCFC non-wage spending, this was associated with relatively lower employment effects, due to its concentration on very high waged players.

Table 9 about here

Discussion

This study has enabled an estimation of the income accruing to the region consequent on football club operations from local/regional and non-regional sources. This analysis is relatively rudimentary, for example assuming a congruence between club supported, and region of residence, and also not discounting the proportion of SCFC television income that is dependent on Welsh residents' football related cable television subscriptions (empirically very difficult to identify, and a very small percentage of relevant income). However it does show that for the particular situation in the Premier League, the very lucrative television deal comprises a net benefit, for the UK as a whole of course, but especially for cities and regions that 'punch above their population weight' in hosting Premier League clubs.

Before, however, lauding the economic impact of such clubs it is worth considering the peculiarities of club spending as well as income. In economic modeling a presentation of GVA as an impact metric is an advance on more typical spending, output or turnover measures. However, for professional sport, even the GVA measure may require further consideration. Here, because SCFC is sited locally, its direct wage bill, as well as any profits and a measure of taxes is considered to be regional (or local) GVA. For SCFC, however, around half of its turnover in 2011-12 was spent on wages, and with the vast majority on playing staff (Conn, 2014). There is some question as to how far these monies actually comprise a regional benefit, with recipients paid well in excess of living costs (even given footballers' lifestyles), and with a requirement to save during what is a very short career

(Gourinchas & Parker, 2002). For Wales, a small and peripheral region, consideration should also be given to how far the regional or local economy can provide the products and services demanded by this cohort of young men, locked in a 'Veblenist' mode of consumption. Whilst the £30m wage spend is assumed as part of the onsite value-added by SCFC, and hence as a regional impact, it should be remembered the local welfare impacts of this are concentrated within a very small group of individuals whose period of residence in the area is likely to be short.

The findings in this paper also permits some discussion of the public return on investment. The study results confirm those in other studies reviewed regarding the problems of public authorities seeking to link public subsidy of stadium infrastructure with increased tourism revenues. Crompton (2004), for example, concludes that this line of argument has been discredited in US studies, and the findings of this paper would support this conclusion with net game attendee spending impacts negligible, albeit for rather different reasons. Moreover, returns in terms of tax receipts are difficult to identify in the SCFC case. Tax revenues associated with SCFC or spectator activity either return to the nation rather than the municipality, or in the case of business rates are returned to the regional government.

Indeed it is difficult to identify explicit financial returns to the public purse in the SCFC case. The Liberty Stadium is run by Swansea Stadium Management Company (SSMC), an arms-length body which is a partnership between the local authority (public sector), SCFC and the co-located Ospreys rugby team. SCFC contributes to the operational costs of the stadium, with surpluses returned to SCFC and the local authority. However at the time of this research the management company is reported (see BBC, 2013) to have poor profitability and with very limited returns to the local council.

However, the SCFC case does reveal that the increased television income, which was estimated at £51m in the year of study, might be linked to the public investment in the stadium. These monies are conditional on Premier League status, although it is accepted that SCFC might have gained Premier League status without the new stadium infrastructure. Notwithstanding the key issue examined in this paper is the value of a Premier League football club for the regional economy. This analysis would suggest that one quantifiable element of this value relates to the redistribution of significant Premier League monies to more peripheral parts of the UK economy. Indeed these additional television revenues might be placed beside the substantial element of public subsidy in the Liberty Stadium (with the local council paying most of the £27m construction costs). This paper suggests that in coming to judgements on the additionality of Premiership football in the UK, these television revenues are important. That said, and following Crompton (2004), a more complete estimate of public return on investment would have to embrace estimates of 'psychic income' to the local community from the presence of a top class football club playing in a high quality stadium.

Conclusions

This study reveals that the economic effects associated with the activity of SCFC can be estimated, and that in the context of the contemporary Swansea economy that these effects are significant. While net game attendee spending impacts are estimated to be negligible, SCFC itself is now a major employer in the area, the study shows that SCFC supports as much employment indirectly as directly. Moreover, unlike for many mega sports events, most regional spending and hence economic impact can be traced to sources (or here, a particular source) that is non-regional, meaning that supported employment and value-added are largely additional (Baade & Dye, 1990; Preuss, 2007). Specifically, if SCFC had not existed or

gained Premier League status, some £50m of television income, and associated spending, would not have been gained by the region.

This study also, however, highlights the limitations of a standardized economic impact multiplier approach to the sports sphere. As Hewings (2014) points out, the results of such analyses are based often on multiple-hundreds of sectors, but the behaviour of *one* representative household. When dealing with the vast incomes paid to very mobile young men with short professional careers, there are key questions around their average and marginal propensities to spend (Gourinchas & Parker, 2002). Moreover, in this case there is a disconnect between the spatial scale of analysis (Wales); and the level at which policy decisions are made and at which the branding and media benefits of sport, and key economic relationships are assumed to occur – the city level (Bale & Moen, 1995; Johnstone et al. 2000; Preuss, 2007).

These findings are then encouraging, but need to be seen within the context that much remains unclear. Particularly, the softer impacts of hosting a professional, season-based sports team, in terms of city visibility, tourism generation and wider investment. These impacts are well researched in a North American context but far less so in Europe (Jones, 2002). The analysis presented on SCFC may help a public authority decide whether a stadium investment might provide some regional economic return on public investment, but (here at least) with this very dependent on league performance. The evaluation in the final section of this paper shows a substantial annual return on the Liberty Stadium public investment, due to the significant television revenues that are associated with Premier League status. However the public sector investment in the Liberty Stadium was made prior to SCFC gaining promotion to the Premier League, hence with some risk associated with potential returns. The wider

question, as to whether a sport stadium and professional team can meaningfully support a city development strategy, remains open.

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Table 1

Trip Related Spending (Average per Person), GBP (£)

	Residents <u>(non-season ticket)</u>	Residents <u>(season tickets)</u>	<u>visitors</u>
Tickets	19.75	n/a	26.53
Accommodation	0.74	0.25	5.70
Food and drink	9.15	9.40	27.63
Football merchandise	1.63	2.51	0.79
Gifts	0.06	0.29	0.15
Public transport	0.60	0.15	1.56
Travel costs	5.11	2.27	11.49
Total	37.03	14.87	73.85

Table 2

Estimated Gross Spending by Type of Game Attendee

	Number of <u>tickets</u>	Spend per person, <u>GBP (£)</u>	Total spend, <u>GBP (£m)</u>
Residents non-season ticket	57,328	£37.03	£2.12
Residents season ticket	254,600	£14.87	£3.79
Visitors	30,056	£73.85	£2.22
All game attendees	379,984	-	£8.13

Note. The all game attendees total includes hospitality visitors. These were not part of the survey and their off-site spend has been set to zero in this study.

Table 3

Gross and Discounted/Regionalised Spend in Wales, Premier League Game Attendees, GBP (£m)

	Gross spend in	Non-SCFC regionalised spend in
	<u>Wales</u>	<u>Wales</u>
Tickets	1.93	0.00
Accommodation	0.28	0.26
Food and drink	3.75	3.56
Football merchandise	0.76	0.07
Gifts	0.08	0.07
Public transport	0.12	0.11
Travel costs	1.21	0.64
Total	8.13	4.71

Table 4

The Economic Impact of SCFC: Game Attendee Spending Impacts, GBP, (£m)

	Gross output/turnover impacts			Gross value-added	Employment (full-time equivalents)
	Net regional spend	Multiplier effects	Total impact		
Production & construction	0.00	0.77	0.77	0.23	10
Transport, fuel & distribution	0.75	0.23	0.98	0.25	>5
Retail & wholesale	0.14	0.16	0.3	0.16	10
Accommodation	0.26	0.01	0.27	0.15	10
Food & drink (inc Liberty Stadium)	3.56	0.02	3.58	1.95	120
Other sectors	0.00	0.71	0.71	0.41	10
All sectors	4.71	1.90	6.61	3.15	165

Table 5

Annual Game Attendance and Economic Impact by Residents and Visitors

	Residents		Visitors		All game attendees	
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Number	312,000	91.2	30,100	8.8	342,100	100.0
Gross regional spend (GBP, £m)	5.9	72.6	2.2	27.4	8.1	100.0
Gross value-added (GBP, £m)	1.9	59.4	1.3	40.6	3.2	100.0
Employment (FTE)	93	56.3	72	43.8	165	100.0

Table 6

The Economic Impact of SCFC: Non-Wage Spending, GBP, (£m)

	Gross output/turnover impacts				Employment (full-time equivalents)
	Regional			Gross value- added	
	direct spend by SCFC	Multiplier effects	Total impact		
Production & construction	0.09	0.31	0.39	0.12	>5
Transport, fuel & distribution	0.19	0.09	0.28	0.12	>5
Retail & wholesale	0.11	0.11	0.22	0.10	>5
Food & drink, accommodation	0.28	0.01	0.29	0.16	10
Stadia & theme parks	1.10	0.08	1.18	0.43	30
Other sectors	0.40	0.34	0.74	0.45	10
All sectors	2.17	0.94	3.10	1.38	60

Table 7

The Economic Impact of SCFC: Wage Spending, GBP, (£m)

	Gross output/turnover impacts				Employment (full-time equivalents)
	Direct wage <u>spend</u>	Multiplier <u>effects</u>	Total economic <u>impact</u>	Gross value- <u>added</u>	
Production & construction	0.73	0.67	1.40	0.39	10
Transport, fuel & distribution	0.37	0.18	0.55	0.24	10
Retail & wholesale	1.11	0.10	1.21	0.65	25
Accommodation	0.05	0.01	0.06	0.04	0
Food and drink	0.17	0.02	0.19	0.10	5
Recreation	0.04	0.03	0.07	0.02	0
Other services	2.06	0.62	2.68	1.93	20
All sectors	4.53	1.63	6.16	3.37	70

Table 8

SCFC Income by Regional (R) and Non-Regional (N) Origin, GBP, (£m)

	<u>Income</u>
Television income (N)	51.0
Match day sales - residents (R)	7.8
Match day sales - visitors (N)	1.9
Other commercial income (R, N)	4.0
Total SCFC	64.7
<hr/>	
Percent regional origin	15.1

Sources: Television income data from Conn (2014)

Note. Television income assumed 100% non-regional origin; Commercial income assumed 50%:50%; Some adjustments made from 2012-13 SCFC financial data where 2011-12 is unavailable.

Table 9

Net Economic Impact of SCFC on Wales

	Gross output/ turnover/spending <u>(GBP, £m)</u>	Gross value- added <u>(GBP, £m)</u>	Employment (Full-Time <u>Equivalents)</u>
SCFC onsite impacts generated from non-regional sources ^a	55.1	42.0	106
<i>Impacts on rest of Welsh economy (including indirect and induced effects)</i>			
Spending by Premier League game attendees ^b	≈ zero	≈ zero	≈ zero
SCFC non-wage spending ^c	2.63	1.17	51
SCFC wage spending ^d	5.23	2.86	59
Total non-SCFC impact	7.86	4.03	110
Total regional impact	62.96	46.03	216

^a Onsite estimates indicative only. The gross totals for turnover, GVA and employments were £64.9m, £50.6m and 125 FTEs respectively. These have been scaled down to reflect the level of economic activity supported by incomes flows from outside the region.

^b Visitor spend from table 4, but by consideration of the number of residents who travel and spend at away matches outside the region, this is estimated to be close to zero

^c From Table 6, but scaled by 84.9% (income from outside the region)

^d From Table 7, but scaled by 84.9%.