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A GOLDEN OPPORTUNITY:
LONDON 2012 OLYMPIC
AND PARALYMPIC GAMES
EXPENDITURE AND
ECONOMIC IMPACT



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1: INTRODUCTION



Colin Grannell

Head of Partnership Marketing, Visa Europe

11th July 2011 marks Visa's 25th anniversary as a global sponsor of the Olympic Games. As the countdown to London 2012 begins, this report considers how consumer spending will be affected by the Olympic and Paralympic Games and the impact this will have on the wider UK economy during the summer of 2012 and beyond.

Visa is uniquely placed to consider the impact of consumer expenditure during London 2012: more than £1 in every £4 spent in the UK is spent on a Visa card. This is €1 in €8 in Europe, where there are currently 430 million Visa debit, credit and commercial cards. In the 12 months ending March 2011, those cards were used to make purchases and cash withdrawals to the value of €1.6 trillion. More than 70% of this spending is on Visa debit cards. This expertise in electronic payments and Visa's 25 year history as a global sponsor of the Olympic Games means that we have the intelligence and unparalleled insight to analyse and present the distinctive spending conditions created by major sporting events.

The findings of this report show that London 2012 will not only be a once in a generation opportunity for the British public to support Team GB and ParalympicsGB on home territory. It is also a unique opportunity for British businesses to capitalise on the increase in expenditure and wider economic impacts, such as increased outputs, increased productivity, job creation, and additional income and profits, which are all expected to be generated as a result of The Games. Retailers in particular need to make sure they are doing all they can to maximise the benefit from the increased expenditure.

As Visa celebrates its 25th anniversary as a global Olympic sponsor as well as its sponsorship of the Paralympic Games since 2002, we expect that London 2012 will offer the opportunity of a lifetime for the UK, for Team GB and ParalympicsGB and all the athletes taking part.

We wish everyone the best of luck and predict that London 2012 will be the best Games ever.

2: EXECUTIVE SUMMARY

Visa's 25 year history as a global sponsor of the Olympic Games, combined with its intelligence on consumer spending during major sporting events, means it is uniquely placed to provide insight into how consumer expenditure during the London 2012 Olympic and Paralympic Games will impact the UK economy.

This report projects a **£750 million** additional consumer spending increase during the seven week Games period. It considers the impact this consumer spending increase will have on the wider economy, including economic outputs and incomes, both during the seven week Olympic and Paralympic Games period and beyond. The report concludes that the increased consumer spending generated by the London 2012 Olympic Games will have a significant impact on the UK economy.

Table 2-1: Immediate economic impacts during London 2012

Increase in consumer spending	£750 million
Increase in economic output	£1.14 billion
Increase in UK residents' incomes	£229 million

Table 2-2: Longer term economic impacts resulting from London 2012 (until 2015)

Increase in economic output per year	£1.37 billion
Total stimulus for the economy	£5.1 billion
Percentage of overall expected growth of the national economy	3.5%
Additional incomes to UK residents per year	£296 million
Additional jobs per year	17,900

During the seven week period from the Opening Ceremony of the Olympic Games to the Closing Ceremony of the Paralympic Games, the UK is set to benefit from a £750 million consumer spending injection.

This intense positive impact on the economy will largely be generated by the massive influx of foreign visitors to the UK for The Games. Over the seven week period, international visitors are expected to spend a total of £709 million in the UK, an 18% increase on what would be expected if The Games were not taking place. Domestically, a £41 million spending boost is expected from UK cardholders during the seven week period of The Games. This is a first for an Olympic Games host market, which usually experience a domestic spending slump during The Games. This will be driven by the public's enthusiasm for The Games, demonstrated by the high demand for Olympic tickets. British residents are likely to switch from traditional patterns of summer spending to getting into the Olympic spirit by stocking up on supplies and entertaining at home. Supermarkets will be particular beneficiaries of this.

Overall, the retail, leisure and travel sectors look set to be the biggest winners from The Games, benefiting from a combined spending injection of £508.4 million in seven weeks:

Increase in consumer spending in retail, leisure and travel sectors



HIGH STREET RETAILERS
£184.8 MILLION



THE HOTEL SECTOR
£122.6 MILLION



THE ENTERTAINMENT, FOOD & DRINK INDUSTRY
£81.5 MILLION



SUPERMARKETS
£79.9 MILLION



AIRLINES, CAR HIRE & OTHER TRAVEL SECTORS
£39.7 MILLION

Table 2-3: Increase in expenditure across all sectors

	7 week spend (£ millions)
Airlines	16.3
Car hire	14.7
Cash	199
Entertainment	77.5
Food and drink	4.0
Health	4.8
High Street Retailers	184.8
Hotels	122.6
Insurance	2.7
Miscellaneous	24.1
Motoring	3.3
Petrol	7.7
Supermarkets	79.9
Travel	8.7
Utilities	0.0
TOTAL	750

There is also good news for the wider economy, as the knock-on effect of this increased consumer spending translates into widespread economic impacts across the board. A net **£1.14 billion increase** in economic output across all sectors is expected in order to meet demand caused by this spending injection.

This increase in economic output will also be felt in the pockets of UK residents, resulting in a potential **£229 million net increase** for UK resident's incomes over the seven week period (as a result of increased wages, profits from rents for people renting out their homes and increased demand for output and services across all sectors).

This immediate economic boost will continue to have positive impacts after The Games have finished. This post-Olympic Games 'halo effect' is expected to increase economic output by **£1.37 billion** per year to 2015 – a total **£5.1 billion** stimulus for the UK economy including the impact of London 2012. This post-Olympic stimulus represents approximately 3.5% of the overall expected growth of the national economy over the 2013 – 2015 period. The impacts will continue to be felt by British residents too. Additional incomes to UK residents generated will be worth **£296 million** per year by 2015 and an average of **17,900** jobs per annum will be sustained across the UK economy.

3: METHODOLOGY

PURPOSE AND FOCUS OF THE REPORT

3.1 In the summer of 2012, London will be the focus of global attention when it hosts the London 2012 Olympic and Paralympic Games. The purpose of this report is to quantify the potential economic impacts of consumer expenditure during The Games on the British economy. The analysis considers the impacts both for:

- the period during which The Games are being held; and
- the three years following The Games, up to 2015¹

3.2 It is widely recognised that the Olympic and Paralympic Games is an event of sufficient magnitude to have the potential to generate significant positive impacts on the economies of the hosting city and the wider national economy of which the hosting city is part. Indeed, a number of studies of previous Olympic and Paralympic Games have yielded large positive estimates of net economic impacts:

- Sydney, 2000: a report produced by the New South Wales Treasury² estimated that the net impacts of The Games on the Australian economy would be around \$US 2.1 billion, of which \$US 1.1 billion was accounted for by increased visitor spend during The Games year
- Athens, 2004: a report produced in 2001³ estimated the potential impacts of the Athens Games on the Greek economy as being in the order of \$US10 billion, of which around half was accounted for by the preparation and construction phase

3.3 Moreover, at least three of the United States' cities that considered bidding for the 2012 Games produced assessments of the potential impacts of The Games. These estimates varied from \$US4.3 billion (Houston) to \$US7.5 billion (San Francisco).

3.4 Studies of the economic impacts of major sporting events normally focus on three aspects:

- the pre-Games preparation and construction phase (which for London started shortly after The Games-awarding decision in July 2005)
- the incremental expenditure associated with The Games event itself (focused on summer 2012)
- the post-Games phase

3.5 In most of the studies considered in our review of previous literature, the construction and development phase accounted for around half of the total predicted benefits associated with the hosting of an Olympic and Paralympic Games.

3.6 This report does not consider the first of these aspects – the construction and development phase impacts of The Games. This is because much of the investment in infrastructure is now complete, and the consequential stimulus on the construction & engineering and associated sectors has already been experienced.

¹ A three-year period was selected mainly because it covers the period up until the next Olympiad (in 2016), but also because it is considered a sufficient period of time to allow the potential legacy effects to be understood.

² A three-year period was selected mainly because it covers the period up until the next Olympiad (in 2016), but also because it is considered a sufficient period of time to allow the potential legacy effects to be understood.

³ Balfousia-Savva et al, The Economic Effects of the Athens Olympic Games (2001)

- 3.7 Rather, the focus in this report is on the potential economic impacts associated with increased consumer expenditure. The source of this stimulus is additional expenditure by international visitors, and the switching of expenditure by domestic residents in favour of Games-related activities.

METHOD OF ANALYSIS

- 3.8 The principal technique used in the report is multiplier analysis. The use of multipliers recognises the interdependency of different parts of the economy. The rationale that underpins the analysis is that a first-round stimulus to an economy brought about, for example, by a large increase in visitor expenditure associated with a major sporting event like the Olympic and Paralympic Games can be expected to have major knock-on impacts on other sectors of the economy.
- 3.9 For example, an increase in the number of international visitors staying at hotels and other accommodation in or close to London can be expected to result in a significant increase in purchasing by accommodation establishments (such as for food and drink, contracted-out laundry services etc.) in order that services can be provided to guests. This purchasing by accommodation establishments will, in turn, result in increased revenues for other businesses that supply these hotels. As supplying businesses themselves then place orders with their suppliers, the consequential impacts of the purchases by hotels will thus ripple out to the rest of the economy.
- 3.10 Overall, the initial increase in visitor spending will produce a resulting increase in economic output. This value is the output multiplier. Similarly, other multipliers can be used to estimate the impact of increased visitor spend in terms of employment and incomes.
- 3.11 All three types of multiplier (output, income, employment) are used in this study to assess the potential impacts of the 2012 Olympic and Paralympic Games on the British economy.

SOURCES OF DATA

- 3.12 The assumptions regarding the potential increase in visitor spending associated with the London 2012 Games are based, in part, on domestic and visitor expenditure data provided by Visa for other sporting 'mega-events' that have been held globally over the past four years. In particular, consumption expenditure data was provided for the Turin 2006 Olympic and Paralympic Winter Games, Beijing 2008 Olympics and Paralympic Games, Vancouver 2010 Olympic and Paralympic Winter Games, and the 2010 FIFA World Cup™ in South Africa.
- 3.13 This data – along with other ex post studies of major global sporting events that have been held over the past decade or so – was used to develop assumptions regarding the potential scale of gross expenditure change during and after the London 2012 Olympic and Paralympic Games, as well as the shares of expenditure gains that would likely be experienced across the various sectors of the economy. The data was also used to assess the potential for displacement in domestic spending as a result of 'expenditure switching' by British consumers in favour of Games-linked spending at the expense of other types of discretionary spend.

3.14 In order to help to provide a baseline assessment of likely underlying domestic and international visitor expenditure in Britain in 2012, Visa also provided a detailed breakdown of card-based expenditure for the equivalent period in 2010. This data was then grossed up to provide estimates of all sources of domestic and visitor consumption expenditure (that is, covering all means of payment) using market share information supplied by Visa.

3.15 Assumptions regarding the value of output, income and employment multipliers are based on SQW's extensive work in assessing tourism activity across the UK for both public and private sector clients. The specific values used in the model are set out in an Appendix to this report.

STRUCTURE OF THE REPORT

3.16 The remaining chapters of this report are as follows:

- Chapter 4: assesses the potential impact of visitor spending during the period of The Games, and the potential consequential impacts for economic output, incomes and employment in the British economy
- Chapter 5: repeats the analysis of Chapter 2, but focuses on the legacy impacts during the period up to 2015 for output, incomes and employment
- Chapter 7: provides an overarching assessment and a summary of the key findings

4: THE IMPACT OF THE GAMES IN 2012

- 4.1 The focus of this chapter is on the expected economic effects associated with Games-related spending by international visitors and British residents during the summer of 2012. The report also assesses the potential economic impacts of the legacy of The Games, in particular in terms of stimulating additional tourism to Britain in the three years following 2012.
- 4.2 The official opening of the Olympic Games is on 27th July 2012, although some events (notably football) start several days earlier, on 25th July. The Games then close 17 days later on 12th August 2012. The Paralympic Games start on 29th August 2012 and conclude on 9th September 2012. To cover the period of The Games in its entirety, therefore, we have considered the potential changes in Games-related expenditure over a seven-week period from late July to mid September 2012.
- 4.3 In order to establish a baseline, we were supplied with detailed expenditure data from Visa covering the equivalent seven-week period in 2010. The data was broken down across 20 expenditure categories, ranging from airline tickets to utility bills. These categories were then, in some cases, amalgamated to provide a consolidated list of 15 expenditure categories that form the basis of the analysis in this report.
- 4.4 We were also supplied with UK and international market share data to allow the data for spending on Visa cards to be converted into estimates for all consumer spending (Visa and non-Visa) over the same period. In the UK, more than £1 in every £4 is spent on a Visa card; this is €1 in every €8 in Europe.
- 4.5 In addition, we were supplied with Visa expenditure data covering domestic and international visitor expenditure both before and during other sporting 'mega-events' that have taken place elsewhere over the period since 2006⁴. These events included:
- the 2006 Winter Games in Turin
 - the 2008 Summer Games in Beijing
 - the 2010 Winter Games in Vancouver
 - the 2010 FIFA World Cup™ in South Africa
- 4.6 All this data was used to establish a reference case covering the likely scale and pattern of domestic consumer and international visitor expenditure in London were The Games not taking place. This provided us with a baseline position, against which future Games-related changes in scale and pattern of expenditure can be assessed.
- 4.7 All of the financial estimates in our analysis are expressed in terms of 2010 prices.

⁴ The 'before' data was for the equivalent period in the year prior to the event being held. This allowed an appropriate comparison of 'before' and 'during' domestic and international visitor spend for that event so that the overall increase in spending as a result of the event could be estimated.

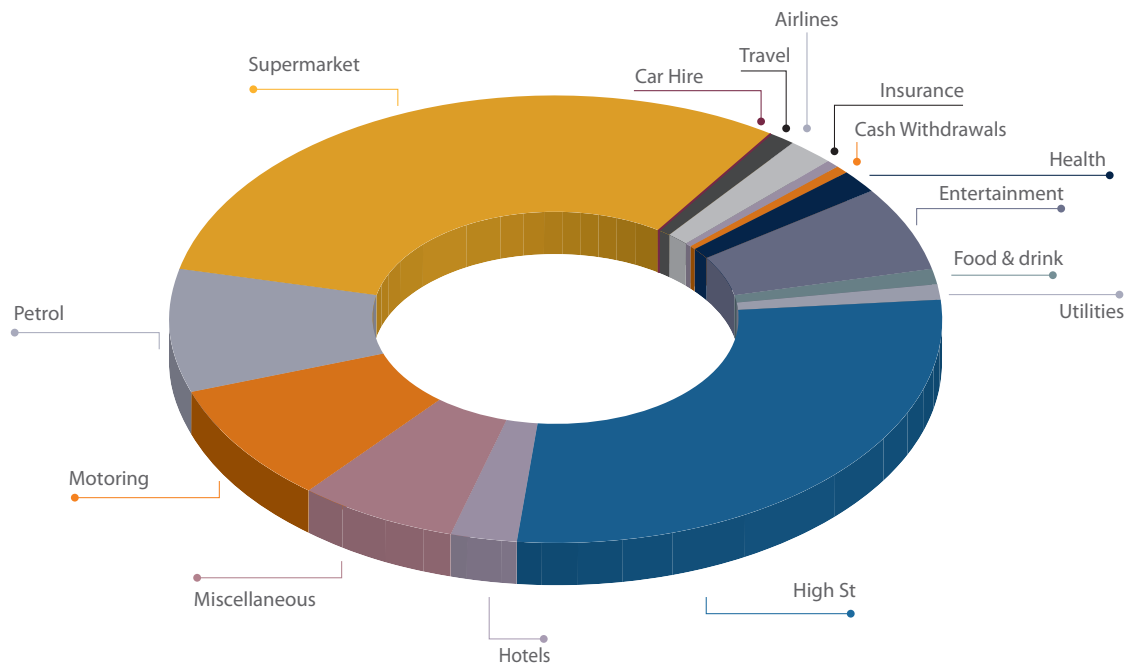
THE REFERENCE CASE

4.8 The purpose of the reference case is to provide an estimate of the levels of domestic consumer and international visitor spending in Britain during The Games period were The Games not being held. The reference case provides a baseline against which any Games-related changes can be measured.

4.9 The first step in developing the reference case was to convert Visa's UK expenditure data for the equivalent period of summer 2010 into spend estimates over The Games period (summer 2012)⁵. The estimated value for average weekly overall domestic consumer spending over the relevant period in summer 2012 was just over £3.5 billion⁶. Average weekly spending by international visitors was estimated at just over £143.6 million per week over the same period.

4.10 The following chart provides a break-down of the average weekly domestic spend across 15 expenditure categories.

Figure 4-1: Breakdown of average weekly domestic spending by Visa expenditure category⁵



Source: SQW, based on Visa data

4.11 The chart on the next page provides the equivalent breakdown for international visitors. The major differences between the patterns of expenditure by international visitors compared to domestic consumers are – not unexpectedly – larger proportionate shares for categories such as Hotels, Airlines, Car hire, Entertainment and some elements of High Street expenditure (notably spending in Department stores).⁷

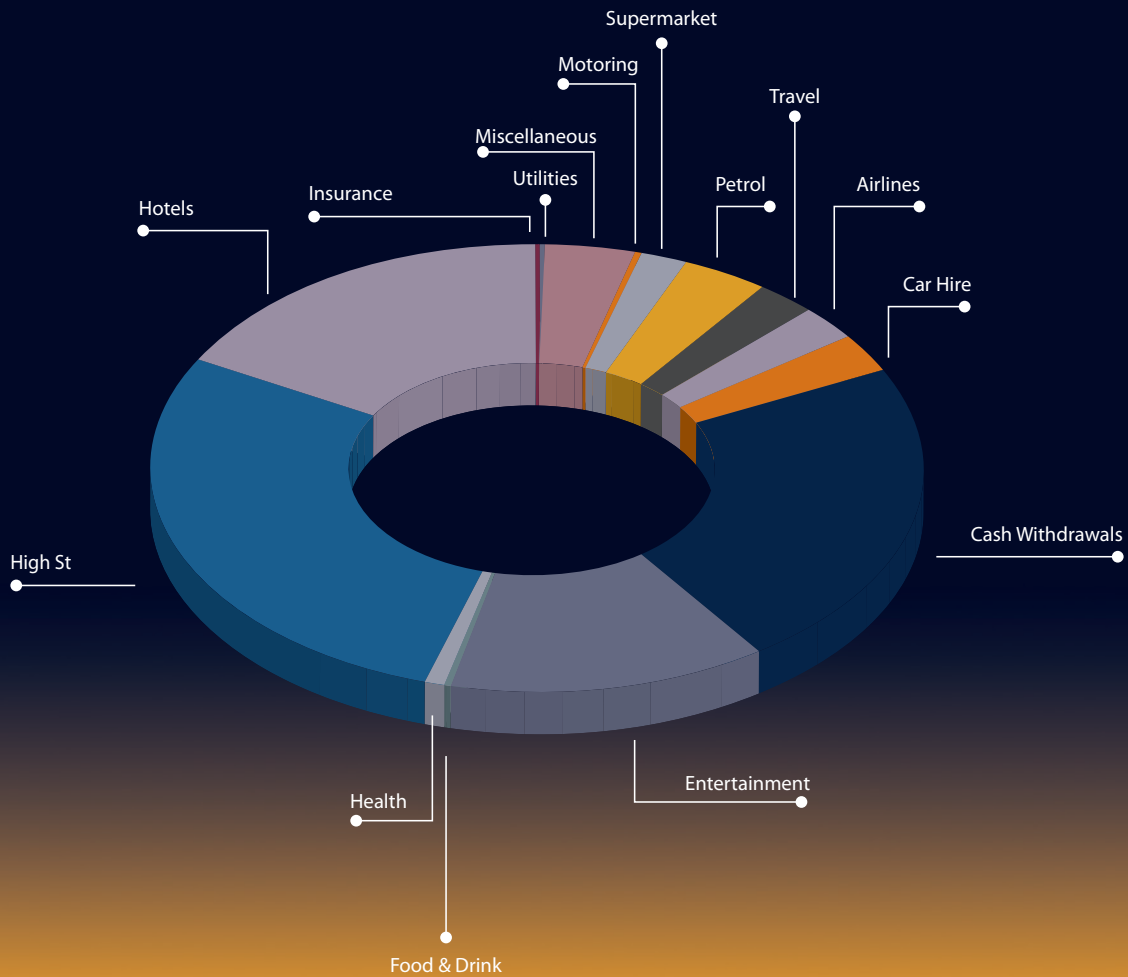
4.12 Another key area of distinction is the proportion of spending accounted for by ATM Cash withdrawals.

⁵ The data from Visa included expenditure on consumer debit, credit, pre-paid and commercial cards.

⁶ All of the figures in this chapter are expressed in 2010 prices.

⁷ The category 'High Street' consists of five sub-categories for which data was made available. These are: catalogue sales; clothing retailers; department stores; DIY stores; and other retailers. The categories were amalgamated for ease of presentation.

Figure 4-2: Breakdown of average weekly international visitor spending by Visa expenditure category



Source: SQW, based on Visa data

EXPECTED INCREASES IN EXPENDITURE DURING THE OLYMPIC AND PARALYMPIC GAMES

4.13 The analysis of the expected increase in Games related expenditure was informed by analysis of changes in expenditure patterns – for both domestic consumers and international visitors – at a number of major sporting events (the 2010 FIFA World Cup™, and the most recent summer and winter Olympic and Paralympic Games respectively). This was based on detailed expenditure data for the weeks when these events were being held, together with appropriate benchmark information from equivalent periods prior to those events taking place.

4.14 The analysis was undertaken for two time periods:

- the seven-week period covering the start of the summer Olympic Games until the conclusion of the Paralympic Games
- the (approximately) three-week period of the summer Olympic Games

4.15 Both periods were compared with equivalent reference cases: that is, the situation that would be expected over the same three and seven week periods in 2012 where The Games not taking place.

4.16 The numbers in the table below represent the net additional uplift in UK consumption expenditure. The net increase compares two scenarios: a 'with Games' scenario compared to the situation that is expected under a 'without Games' reference case.

Table 4-1: Net increase in expenditure, 2012

Type/origin of spend	£ millions
Seven week period	
Domestic consumers	41.1
International visitors	709.1
Total	750.2
Three week period	
Domestic consumers	1.4
International visitors	619.3
Total	620.7

Source: SQW

4.17 The net uplift over the seven-week period is expected to be £750 million. This comprises an increase in expenditure from international visitors of £709 million, and a net increase of £41 million from domestic UK consumers. All of this estimated increase in expenditure is above and beyond the reference case (that is, the situation expected in 2012 were The Games not being held). This means international expenditure is expected to be 18% higher than would be expected if The Games were not taking place. Moreover, the reference case takes account of the normal summer increase in tourism-related visits and expenditure in London, so the £750 million increase in spending is wholly additional to what would be otherwise expected. A detailed breakdown by expenditure category of the overall expected increase in spending is provided in an Annex to this report.

4.18 The overall net increase in spending from UK consumers reflects the recognised practice of 'expenditure switching', whereby increased spending on Games-related activities (including visits to The Games for some individuals, and increased home entertaining by others) is compensated for by reduced amounts of spending on non-Games related leisure and entertainment activities.

4.19 The results of the model also include an allowance for diversion and displacement effects, reflecting an assumption that there may be a small increase in overseas tourism by UK residents during the period of The Games that would not have occurred had The Games not been held in the UK in 2012. There are potentially several aspects to diversion and displacement by UK residents:

- Domestic tourists and day trip visitors who might otherwise have visited London may be deterred by the fear of congestion and higher prices
- Expenditure switching, as domestic spectators and at-home viewers re-allocate their disposable incomes towards Games-related purchases and away from other types of discretionary spend including alternatives forms of leisure – but potentially disadvantages others, such as DIY retailing.

- 4.21 Over the three-week period the net increase is expected to be £621 million, including an uplift of £619 million in international visitor spending and an increase of around £1.5 million in domestic spending. International spend in London 2012 is predicted to be higher than Beijing 2008 (estimated at \$150 million/£93 million) and both Athens 2004 and Sydney 2000 (estimated at about half the level expected for London 2012). Again, a detailed breakdown by spending category is annexed to this report.
- 4.22 The reason for the smaller expected increase in net domestic spending compared to the seven-week period is that the shorter period of assessment excludes the 'lagged spending' effect. That is, some spending on non-leisure items is expected to be deferred during the period of the Olympic Games (in order to fund Games-linked leisure spend) and is expected to recover during the four-week period following the conclusion of the Olympic Games. The three-week period, on the other hand, does not provide sufficient time for this spending to recover.

IMPACTS ON ECONOMIC OUTPUT DURING THE THE OLYMPIC AND PARALYMPIC GAMES

- 4.23 The next stage of the analysis is to consider what impact the increases in expenditure over the period of The Games will have in terms of aggregate demand in the economy. In order to obtain these estimates we have deployed appropriate assumptions regarding the strength and direction of indirect and induced effects using a series of output multipliers. The specific assumptions used in this report are set out in a table appended to this report.
- 4.24 Starting with economic output, the table overleaf quantifies the impact on the UK economy of increases in output that originate with the expected increases of spending across the various Visa expenditure categories identified earlier.
- 4.25 However, one of the most important categories in the table above is 'Cash withdrawals' from ATMs, which clearly is about accessing an alternative means of payment rather than a final destination for consumer spending. In order to assess the potential impacts of cash withdrawals we have reallocated this spending in the model to the other categories in the model, with a weighting in favour of convenience categories such as various retailing categories as well as Entertainment, and a weighting against categories such as Airlines and Car hire (where cash is often not accepted as a means of payment).
- 4.26 Over the seven-week period the expected net increase in economic output is expected to be £1,139 million. Over three weeks it is expected to be £944 million. These estimates are equivalent to around 3.5% of the increase in the overall value of economic output that is expected to be generated in the UK during 2012.⁸
- 4.27 However, not all of the sectors of the economy can expect to share equally in the benefits of the Olympic and Paralympic Games. For sectors – such as Utilities – the expected impacts will be almost entirely neutral. For other sectors, such as Clothes retailing (a component of High Street retailing in the table over page), although the expected impact will be a net loss of domestic demand, this is expected to be more than made up for by expected increases in demand from overseas visitors.
- 4.28 Overall, the sectors that will benefit most strongly in nominal terms are Hotels, Entertainment, High Street retailers and the Supermarkets. In proportionate terms, the main beneficiaries are the Car hire and Hotel sectors.

⁸ Estimates for the value of economic output in the UK in 2012 were obtained from econometric forecasts produced by Oxford Economics in May 2011.

Table 4-2: Net Change in Economic output associated with the 2012 Games (£ millions)

Expenditure categories	3 weeks	%change	7 weeks	% change
Airlines	18.6	2.0	22.6	1.1
Car hire	17.6	8.6	20.4	4.4
Cash withdrawals	257.5	14.4	296.4	7.7
Entertainment	107.5	1.9	131.5	1.0
Food & drink	4.5	0.4	6.8	0.3
Health	4.0	0.5	5.9	0.3
High Street etc.	222.4	1.1	284.7	0.6
Hotels	160.8	9.3	186.1	4.8
Insurance	2.9	0.5	3.4	0.2
Miscellaneous	23.21	0.1	30.87	(0.5)
Motoring	(3.6)	(0.1)	4.6	0.0
Petrol	1.0	0.0	10.7	0.1
Supermarkets	118.2	0.6	123.1	0.3
Travel	9.6	1.3	12.1	0.7
Utilities	0.0	0.0	0.0	0.1
Total	944.3	1.4	1,139.2	0.6

Source: SQW

IMPACT ON DOMESTIC INCOMES DURING THE OLYMPIC AND PARALYMPIC GAMES

4.29 The next step was to deploy a series of income multipliers to gauge the potential impacts of The Games on levels of domestic incomes. These estimates are for the expected increases in pre-tax profits, rents and wages earned by British businesses and their employees that benefit directly or indirectly from the expected increases in Games related expenditure. The specific assumptions used in respect of income multipliers are set out in an annex to this report.

4.30 The result of this analysis is that over the seven-week period of the Olympic and Paralympic Games we expect a net increase in pre-tax UK incomes (wages, rents, profits) amounting to £229 million, while over the three-week period of the Olympic Games the expected level of increase is £189 million.

4.31 The model developed for this report focuses on permanent employment impacts, which is considered for the post-Games legacy period in the following chapter. Additionally, estimates have been produced by a number of commentators of the temporary employment impacts of The Games, and these are reported here.

4.32 Firstly, the London Organising Committee for the Olympic Games (LOCOG) expects that contractors providing services to LOCOG such as catering, security, transport and cleaning will create a workforce reaching 100,000. It is expected that these job opportunities would last around 8-9 weeks. In addition, 1,000 people are likely to be employed within the Olympic Broadcasting Service with 70,000 volunteers (including 28,000 specialists) also having a role to play.⁹

4.33 Studies suggest that the Olympic and Paralympic Games period will result in 22,100 direct temporary jobs for London and 24,500 nationwide.¹⁰ Other studies have suggested that around 23,000 employment opportunities could be created through associated tourism, including 8,000 direct new jobs in hospitality and catering, 750 jobs in cleaning and 4,300 jobs in transport. It is suggested that 5,400 indirect jobs and 6,800 induced jobs would be created in 2012 due to The Games, with the corresponding national figures standing at 12,400 and 14,100 respectively.¹¹

⁹ SQW [2010] Research on measuring the skills legacy from the 2012 Games

¹⁰ Oxford Economics, cited in Smith, M. [2008], When the Games Come to Town: Host Cities and the Local Impacts of the Olympics, p. 51

¹¹ Oxford Economics, op cit., p. 51

5: THE POTENTIAL LEGACY IMPACTS POST-2012

- 5.1 So far the analysis has focused exclusively on the Olympic and Paralympic Games period. This chapter considers the potential longer term benefits of The Games in helping to strengthen the position of London (and Britain) as a destination for overseas visitors.
- 5.2 The next stage of analysis, therefore, focuses on the potential increase in expenditure, output, incomes and employment that is expected to be associated with the residual effect of raising the profile and reputation of the UK as an international visitor destination.
- 5.3 The analysis focuses on the 2013-15 period. This time period was selected mainly because it covers the period up until the next Olympic and Paralympic Games (2016), but also because it is considered a sufficient period of time to allow the potential legacy effects to be understood.
- 5.4 The potential for lingering economic impacts following the conclusion of a major event such as an Olympic and Paralympic Games has been noted by most of the studies that have considered the impacts on other hosting cities. The origin of such an effect – often termed the ‘legacy’ effect – is attributed to the raised international profile of the city, both in terms of concentrated international media exposure and the benefit of ‘word of mouth’ recommendations from visitors returning to their country of origin.
- 5.5 A study of (then) recent Olympic and Paralympic Games suggested that the post-Games legacy effect could result in an increase in international tourist numbers and spend in a range up to 7 percent per annum above the existing pre-Games baseline trend for a period of up to four years following the conclusion of a successful Games¹². The ‘central case’ in the research suggested an annual increase averaging 1.5 percent over the three - four year period following the hosting of The Games.
- 5.6 The approach taken here to modelling the potential for a post-Games legacy is to assume an average increase of 1.8 percent above trend in the immediate post-Games year (i.e. in 2013), with decreasing rates of increases over the following two years (1.6% in 2014 and 1.3% in 2015).
- 5.7 We have not modelled results for 2016 and beyond. We consider that a declining level of increase after 2015 is plausible as the memory of the event begins to fade and other events (such as the 2014 FIFA World Cup™) inevitably compete for media attention and visits from sports fans and other tourists.
- 5.8 We do consider, however, that there will be continuing, residual spending impacts after 2015, but these will probably begin to decline after 2015. Moreover, there will be other benefits from the 2012 Games – such as those that flow from enhanced transport infrastructure and sporting facilities – that will continue to be important long after 2015.

¹² PwC 2004, quoted in Blake: The Economic Impact of the London 2012 Olympics, Nottingham University, 2005

EXPECTED INCREASES IN VISITOR EXPENDITURE

5.9 As with the analysis for the period of the Olympic and Paralympic Games in the previous Chapter, the starting point is to consider the potential impacts on visitor expenditure. Based on our previous model, but now ignoring UK consumers, our analysis predicts the following increases in annualised international visitor expenditure in the UK over the three years following the London 2012 Olympic and Paralympic Games. Once again, the numbers represent the net additional uplift compared to the situation had the 2012 Games not been held. All financial figures in this chapter are expressed in 2010 prices.

Table 5-1: Games Legacy: Expected Net Increases in International Expenditure 2013-2015 (£ millions)

Expenditure categories	2013	2014	2015
Airlines	19.2	20.9	21.2
Car hire	17.1	18.6	18.8
Cash withdrawals	230.5	251.0	254.3
Entertainment	91.3	99.4	100.7
Food & drink	5.0	5.4	5.5
Health	5.9	6.4	6.5
High Street etc.	220.4	240.0	243.1
Hotels	142.3	154.9	156.9
Insurance	3.1	3.4	3.4
Miscellaneous	29.09	31.68	32.09
Motoring	6.0	6.5	6.6
Petrol	11.3	12.3	12.4
Supermarkets	28.8	31.4	31.8
Travel	10.4	11.3	11.5
Utilities	0.0	0.0	0.0
Total	820.3	893.2	904.8

Source: SQW

5.10 That is, the net additional consumption expenditure in the UK that is attributable to increased levels of international tourist spending is estimated to be £820 million¹³ in 2013, and by £905 million by 2015. These figures are the estimated uplifts compared to a situation that would be expected to exist in those years under the reference case – that is, had the London 2012 Games not taken place. Moreover, as the reference case also includes normal summer increases in international visitor expenditure, these estimates are also wholly additional to the usual seasonal increments.

5.11 The expected increase in international visitor expenditure is equivalent to a rise of around 18% in tourist spending compared to the levels that would be expected to occur had the London 2012 Games not taken place. Again, these estimates are in addition to normal seasonal uplift effects.

¹³ All figures in this Chapter are expressed in 2010 prices.

ECONOMIC OUTPUT AND INCOMES

5.12 The next step is to convert these expenditure forecasts into estimates for future increases in economic output and incomes. These estimates are presented in the next table.

Table 5-2: Expected Increases in Economic Output and Incomes, 2013-2015 (£ millions)

Economic Benefit	2013	2014	2015	2013-2015
Output	1,244	1,354	1,372	3,970
Income	268	292	296	856

Source: SQW

5.13 Thus, by 2015 the 2012 Games are expected to have delivered an annual stimulus worth £1.37 billion per annum in additional economic output to the UK economy compared to the situation had The Games not taken place. This stimulus is equivalent to an increase of around 0.1% in national economic output compared to the situation had The Games not occurred. Although this figure may not at first sight seem particularly impressive, it should be remembered that the current short term growth projections for the UK economy for the period 2013-2015 currently lie in the range 2.8%-2.9% per annum.¹⁴ The implication, therefore, is that the Olympic and Paralympic Games 'legacy effect' can be expected to contribute around 3.5% of the overall expected growth of the national economy over the 2013-2015 period.

5.14 The stimulus is also expected to generate additional incomes to UK residents worth £296 million per annum, by 2015.

5.15 Given that the benefits we are now focusing on are annualised, it is also appropriate to consider what impact the stimulus would have on permanent (full time equivalent) levels of employment. Based on the deployment of SQW's own tourism employment multipliers¹⁵, our estimates for net additional employment impacts are reported in the following table.¹⁶

Table 5-3: Expected Increases in Permanent Employment Resulting from the Games 2013-2015 (jobs per annum)

Economic Benefit	2013	2014	2015
Employment (FTE)	17,360	18,340	18,020

Source: SQW

5.16 That is, over the three years 2013-2015 the post-Games 'halo effect' is expected to support an average of 17,900 jobs per annum across the UK economy.

¹⁴ Office for Budget Responsibility, Economic and Fiscal Outlook, March 2011

¹⁵ The values for these multipliers are summarised in a table set out in an appendix to this report.

¹⁶ Jobs in this table are full time equivalents.

OTHER IMPACTS

5.17 Apart from the quantitative impacts on economic output, employment and incomes, the Olympic and Paralympic Games will very likely generate a set of other economic impacts which are not quantified in this report, including the following:

- an increased and improved stock of international-standard sporting and leisure facilities with potential use value in hosting additional international and national events
- an increased and improved stock of international-standard sporting and leisure facilities with potential use value in hosting additional international and national events
- enhanced transport infrastructure with concomitant potential to enhance the productivity of the London economy
- a substantial skills legacy for people who are recruited to undertake Games-period employment, either in a paid or voluntary capacity
- re-use of the Athlete Village for housing to help address unmet housing needs in the Capital
- increased national pride and confidence from staging a successful Olympic and Paralympic Games

6: MAKING PAYMENTS HAPPEN AT LONDON 2012

As part of Visa's sponsorship agreement, Visa creates and manages the entire payment system infrastructure and network at every Olympic and Paralympic Games. London 2012 will be no different.

The Games will showcase the exciting developments currently taking place in the way we pay. Visa aims to make payments at London 2012 the fastest, most convenient and secure Games to date.

There are already today more than **60,000 locations** where contactless payments are accepted in the UK and by The Games, Visa will have installed even more contactless terminals across London to allow visitors to use their contactless cards during the 2012 Olympic and Paralympic Games. Visa has also partnered with Samsung to issue the official Olympic and Paralympic Games mobile handset equipped with Near Field Communications (NFC) technology which enables consumers to make mobile payments. Lloyds TSB will be the mobile payments issuance partner for the Samsung Olympic and Paralympic Games mobile handset given to Visa-sponsored athletes.

All of these payment methods are underpinned by Visa Europe's recent **€500 million** investment in its European processing platform which allows Visa to process up to **2,500 transactions a second**; capable of dealing with the high transaction volumes expected during The Games.

Visa's Olympic and Paralympic Games sponsorship extends beyond the payments infrastructure and Visa works closely with retailers to ensure that they maximise the opportunity that The Games represent. As this report highlights, high levels of consumer spending are likely to be a feature of London 2012. Consumers respond favourably to products and brands associated with the Olympic and Paralympic Games but imagery is protected by strict copyright laws. By partnering with Visa, retailers can gain access to branded point of sale terminals and other materials as well as the chance to offer their customers prizes through Visa that money cannot buy.

Visa is also making Olympic and Paralympic Games tickets available to consumers throughout Europe.

7: SUMMARY AND CONCLUSIONS

7.1 In the summer of 2012, London will be the focus of international attention when it hosts the London 2012 Olympic and Paralympic Games. This report has produced quantified estimates of the potential economic impacts of The Games on the national economy, both in terms of the short terms impacts during the period of The Games itself, and the medium term impacts up to 2015.

IMPACTS DURING THE HOSTING OF THE OLYMPIC AND PARALYMPIC GAMES

7.2 In terms of net additional consumption expenditure, we estimate that over a seven week period the net increase in consumption expenditure is expected to be £750 million, including an uplift of £41 million in domestic spending and an increase in £709 million in international spending.

7.3 The net uplift over the three-week period of the Olympic Games will be around £621 million, which is mainly attributable to increased spending by international visitors.

7.4 The small overall net UK consumer spending over the shorter three-week period reflects 'expenditure switching', where increased spending on Games-related activities (including visits to The Games for some individuals, and increased home entertaining by others) is compensated for by reduced amounts of spending on non-Games related leisure and entertainment activities. The reason for the expected increase in net domestic spending over the seven-week period compared to the three-week period is that the longer period of assessment picks up a 'lagged spending' effect. That is, some spending on non-leisure items expected to be deferred during the period of the Olympic Games is expected to recover during the following four-week period.

7.5 Over the seven-week period of the Olympic and Paralympic Games the expected net increase in economic output that results from the stimulus from consumer spending is expected to be £1.14 billion. Over three weeks it is expected to be £944 million. These estimates are equivalent to 3.5% of the expected overall increase in the value of economic output in the UK during 2012.

7.6 Over the seven-week period of the Olympic and Paralympic Games we also expect a net increase in pre-tax UK incomes (wages, rents, profits) amounting to £229 million, while over the three-week period of the Olympic Games alone the expected level of increase is £189 million.

7.7 We have not produced independent estimates of the temporary jobs from the hosting of The Games. But estimates produced elsewhere suggest that this could amount to around 22,000-24,000 direct and indirect temporary jobs over the entire period of The Games.

POST-GAMES IMPACTS 2013 - 2015

7.8 In relation to medium term impacts, to 2015, we consider that the legacy of the Olympic and Paralympic Games could amount to:

- an increase in international visitor expenditure of £820 million per annum in 2013, rising to £905 million per annum by 2015
- concomitant increases in economic output of £1.24 billion per annum in 2013, rising to £1.37 billion per annum by 2015
- net increases in national income of around £270 million per annum by 2013, rising to £296 million per annum by 2015
- an average of 17,900 full time equivalent jobs supported in the British economy over the 2013-2015 period

7.9 By 2015 the London 2012 Olympic and Paralympic Games are therefore expected to have delivered an annual stimulus worth £1.37 billion per annum in additional economic output to the UK economy compared to the situation had The Games not taken place.

7.10 This stimulus is equivalent to an increase of around 0.1% in national economic output compared to the situation had The Games not occurred. Given that the current short term growth projections for the UK economy for the period 2013-2015 currently lie in the range 2.8%-2.9% per annum¹⁷, the implication is that the Olympic 'legacy effect' can be expected to contribute around 3.5% of the overall expected growth of the national economy over the 2013-2015 period.

8: ANNEX A: OTHER ASSUMPTIONS

Table A-1: Summary of Expected Increases in Expenditure During the 2012 Games (£ millions)

	3 week spend	7 week spend
Airlines	13.4	16.3
Car hire	12.7	14.7
Cash withdrawals	172.9	199.0
Entertainment	63.3	77.5
Food and drink	2.6	4.0
Health	3.3	4.8
High St retailers	144.4	184.8
Hotels	106.0	122.6
Insurance	2.3	2.7
Miscellaneous	18.1	24.1
Motoring	-2.6	3.3
Petrol	0.7	7.7
Supermarkets	76.7	79.9
Travel	6.9	8.7
Utilities	0	0.0
Total	620.7	750.2

Table A-2: Output, income and employment multipliers used in this report

	Output multipliers ¹⁸	Income multipliers ¹⁹	Employment Multipliers ²⁰
Airlines	1.39	0.31	76,800
Car hire	1.39	0.31	76,800
Cash withdrawals	1.49	0.34	49,543
Entertainment	1.70	0.42	37,075
Food and drink	1.70	0.42	59,653
Health	1.24	0.25	49,543
High St retailing	1.48	0.24	56,518
Hotels	1.52	0.33	37,248
Insurance	1.24	0.25	61,984
Miscellaneous	1.37	0.30	55,764
Motoring	1.39	0.31	74,496
Other retailers	1.54	0.24	59,653
Petrol	1.39	0.31	74,496
Services	1.24	0.25	61,984
Supermarket	1.54	0.24	59,653
Travel	1.39	0.31	74,496
Unknown	1.49	0.34	49,543
Utilities	1.24	0.25	61,984

Source: SQW

¹⁸ The values for output multipliers in this table are expressed per £1 of additional consumer spending

¹⁹ The values for income multipliers in this table are expressed per £1 of additional consumer spending

²⁰ The values are the spending required for each spending category to create one full time equivalent job.

ABOUT VISA EUROPE

In Europe, there are 430 million Visa debit, credit and commercial cards. In the 12 months ending March 2011 those cards were used to make purchases and cash withdrawals to the value of €1.6 trillion. 12.5% of consumer spending at point of sale in Europe is with a Visa card, and more than 70% of that is on Visa debit cards.

Visa Europe is owned and operated by more than 4,000 European member banks and was incorporated in July 2004. In October 2007, Visa Europe became independent of the new global Visa Inc., with an exclusive, irrevocable and perpetual licence in Europe. As a dedicated European payment system it is able to respond quickly to the specific market needs of European banks and their customers - cardholders and retailers - and to meet the European Commission's objective to create a true internal market for payments.

Visa enjoys unsurpassed acceptance around the world. In addition, Visa/PPLUS is one of the world's largest global ATM networks, offering cash access in local currency in over 200 countries.

For more information, visit www.visaeurope.com

