Hospitality and Leisure
Hospitality Directions Europe

From dressing rooms to conference rooms

The risks and rewards in funding sports stadia

Key findings

New drivers for stadia developments

Stadia developments in England were originally driven by safety regulations following two football spectating disasters. However as the benefits of stadia development have been realised, many more projects have been initiated, as other clubs seek to emulate the success achieved in these projects by increasing net revenues, and unlocking wider regeneration benefits

Increased attendance is the name of the game

The benefits of stadia developments come primarily through increased attendance: we have seen stadia achieve and sustain growth of between 24 per cent and 284 per cent at those English football stadia in the top three leagues which were expanded since the founding of the Premier League (excluding teams that were relegated after expansion)

A shift in emphasis from dressing rooms to conference rooms

Stadia developments allow owners and operators to tap into new revenue streams, such as corporate seats, non-matchday revenues and other events. The role of stadium operator has developed from traditional pitch maintenance, ticketing and concerns of the dressing rooms, to sweating the asset, maximising commercial revenues and filling the conference rooms throughout the year

Not just the big clubs with ambitions

The benefits have also been seen at clubs lower down the leagues, where there are some good examples of stadia being developed with community as well as commercial needs in mind. Many of these have been developed in partnership between the public and private sectors, reflecting their role as community facilities

Rugby, cricket and horse racing also want to play

Stadia developments are not limited to football teams and there have been some significant developments and success stories at horse racing grounds, rugby stadia and cricket grounds, with many more projects planned. An increasing proportion of stadia are shared between two sporting tenants, although we are yet to see a new stadium developed for two football teams in the UK

Europe has some innovative public private funding and delivery solutions

Europe also holds some lessons for the sector, although there are significant differences in demand between the UK and other countries in Europe. Innovative funding models, with partnerships between the public and private sectors in the funding, delivery and stadium operation, are also found in mainland Europe

Sporting risks remain a key concern for funders and operators

Team performance inevitably influences attendance and financial performance of the club, so the wealthiest clubs can afford stadia developments as well as higher wages, which can lead to a virtuous circle of team performance and attendance. On the other hand, relegation can cause a decline in attendance, although only one of the clubs we have examined saw a sustained decline in attendance following stadium expansion. All the other expanded stadia examined recorded attendance growth overall

There are many more stadia schemes on the horizon

Looking ahead, there is more development planned in the UK, with over 700,000 redeveloped spectating capacity and more than £3bn in investment - including the wider mixed-use schemes - planned over the next decade

The key to success is to understand the unique opportunities and risks in stadia schemes

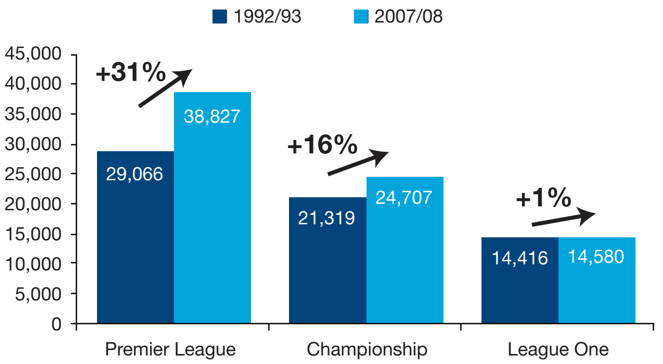
The sporting sector provides unique opportunities as well as some particular risks, which relate in part to the sporting risks inherent in the business models of all sports teams. Our experience of working on a wide range of stadia projects with clubs, funders and the public sector indicates that understanding the risks as well as the potential benefits in these schemes will enable developers and funders to plan and execute successful stadia schemes.

What has driven investment in stadia projects to date?

Since 1990 there has been considerable investment in sport spectating facilities in the UK. For football, the initial driver of investment was the Taylor Report requirement to make stadia facilities safer by converting terraces to seating.[1]

As football increased in popularity, with the introduction of the Premier League and more televised matches, the appeal of spectating increased, and clubs continued to expand their facilities as attendances grew. The virtuous circle of safer stadia, attracted a broader base of fans, boosted attendance, and generated higher demand for facilities, which in turn led to more stadium investment.

Figure 1: Average capacity by league



Source: PwC research[2]

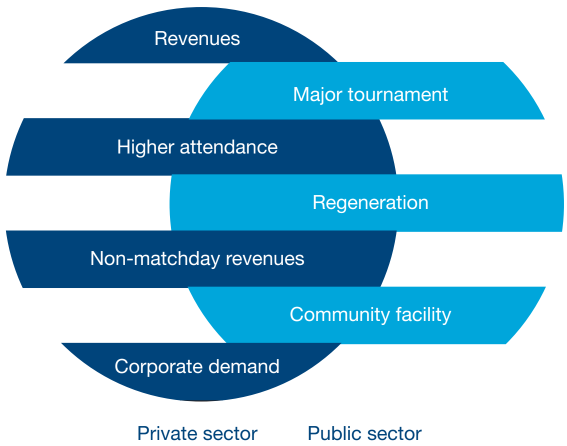
Since the founding of the Premier League, there has been 20 per cent growth in capacity at English football stadia in the top three leagues.[3] The most significant growth has been in the Premier League, with just over 30 per cent, compared with 16 per cent in the Championship. Capacity at League One clubs has remained almost flat, as illustrated in Figure 1. These clubs have not had the same requirements in terms of seated capacity and many have lacked the resources to undertake considerable stadium expansion.

Nevertheless some new stadia have been developed and there are some success stories in this league, as we discuss later.

Other drivers for stadium development include hosting major events and/or regeneration initiatives, which can provide the impetus for investment in stadium capacity and surrounding infrastructure. In some cases, stadia need to be relocated in order to provide the required capacity, allowing the site of the old stadium to be redeveloped for housing or other purposes. This means that the stadium development results in two regeneration sites, around both the old and new stadia.

Finally as the overall quality of stadia improves, and the benefits are felt through increased attendance, higher prices and secondary/tertiary revenues, other sports clubs and stadia owners seek to emulate this success by embarking on development schemes of their own. This trend is not limited to football, and there have been developments across cricket, horse racing and rugby.

Figure 2: Typical drivers for stadium development



Source: PwC research

As Figure 2 (above) illustrates, the motivating factors for stadium development tend to differ according to whether the scheme is led by the public or private sectors, although there are inevitably some overlaps. The approach to funding and delivery of these schemes is discussed later in this article.

1 Lord Justice Taylor's Final Report published in January 1990 recommended the gradual replacement of terraces with seated areas in all grounds by the end of the 20th century, with all First and Second Division stadia being all-seater by the start of the 1994-5 season and all Third and Fourth Division by 1999-2000
2 PwC research, sourced from www.soccer-stats.com/
3 Top three leagues based on the leagues in the 2007/08 season

Potential benefits of stadium redevelopment

There are a number of major benefits to be gained from stadium redevelopment projects. In our experience of working on a range of stadia projects with clubs, lenders and the public sector, the most significant benefit is from increased attendance.

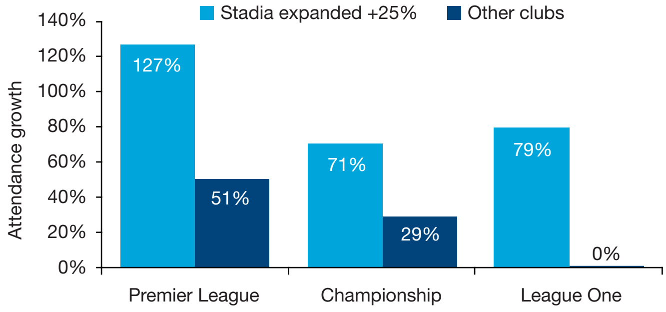
Assessing the impact of stadium development on attendance

Attendance growth is typically achieved through the following factors:

- Capacity constraints at the old stadium (with more fans than seats), resulting in latent demand for the new facility
- Improved safety and comfort in the new stadium, with the potential to tap into new fan groups such as families and women supporters
- The interest/goodwill generated by the stadium development

In order to assess the impact of stadium development on attendance we have undertaken an analysis of stadium development at English football clubs in the top three leagues.[4] We have focussed our analysis on stadia that have increased capacity by 25 per cent or more between 1992/93 (the first year of the Premier League) and 2007/08. This gives a total of 15 new and 12 expanded stadia, a total sample of 27 clubs with more than 25 per cent capacity growth. This analysis provides a long-term view, looking at sustained changes in attendance, rather than merely the impact in the immediate period following expansion.

Figure 3: Attendance growth 1992/93 to 2007/08



Source: PwC research, compares attendance in 2007/08 with 1992/93[5]

Wembley Stadium: PwC advised the lending banks to the National Stadium project

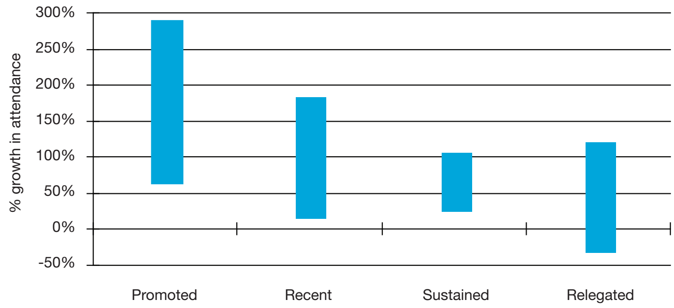
4 Clubs in the Premiership, Championship and League One for the 2007/08 season
5 The chart shows 27 clubs with more than 25 per cent capacity growth, 12 in the Premiership, 9 in the Championship and 6 in League One (League position in 2007/08). 'Other clubs' shows the remaining 42 clubs with expansion of less than 25 per cent in the period, or no expansion

Premier League clubs with over 25 per cent capacity growth have seen an average of 127 per cent growth in attendance over this period, compared with 51 per cent growth at other clubs. This situation is similar in the Championship where the clubs with expansion have seen over 70 per cent growth in attendance on average, compared with just under 30 per cent at the clubs with lower or no expansion. In League One expanded clubs have recorded growth of almost 80 per cent over this period, compared with flat average attendance growth at clubs with less than 25 per cent expansion (see Figure 3).

Looking in detail at the 27 clubs which have expanded capacity by 25 per cent or more, the impact on attendance varies from club to club. The impact on attendance is influenced by:

- The **extent of expansion**, with capacity increases ranging from 25 per cent to 275 per cent in our sample (Bolton and Wigan respectively)
- Whether the stadium is a **complete new build** (in a new location) or the development of a single stand within an existing facility
- The **demand profile** prior to development: for instance Arsenal's Highbury stadium was capacity constrained with a long waiting list for season tickets, so there was significant untapped latent demand for the new capacity. There is a similar situation at Liverpool FC where a new stadium is planned
- **Team performance** and notably relegation or promotion which can cause an uplift of around 30 per cent or a 20 per cent decline in attendance
- **Goodwill and feel good factor** around the club which will influence demand and attendance. Community initiatives, affordable pricing policies and customer relationship management can help to keep fans loyal and mitigate the impact of short term performance variation.

Figure 4: Impact of expansion on attendance



Source: PwC research[6]

In order to factor in the impact of these issues, we have grouped the results according to the four typical profiles following expansion.[7] In almost all cases the impact of stadium expansion has been positive. Only one of the 26 clubs with more than 25 per cent capacity increase experienced a decline in the period analysed (Crewe Alexandra), even including those which were relegated following expansion (see Figure 4).

- **Promoted**: Clubs that have been promoted soon after expansion have experienced attendance growth of between 63 per cent and 284 per cent (at Preston North End and Wigan respectively):
  - Hull City, Charlton and Wigan saw modest growth after expansion, followed by a significant increase when the clubs were promoted
  - In some cases there are positive synergies between these two events, when:

6 Based on analysis of 27 clubs: six clubs that were promoted following expansion: four 'new' developments, 11 with sustained attendance and six which were relegated. Growth shows overall growth in the period since expansion (to 2007/08 inclusive) compared with the period from 1992/93 prior to expansion
7 In each case we compare the average attendance in the period from 1992/93 to the year before the main expansion with the average attendance from the year of expansion to 2007/08 (inclusive)

  - Investment in the facility is accompanied by investment in the playing squad, particularly if there is an injection in funds (for instance a new wealthy owner) and a desire for the club to fulfil its ambitions. For example, Wigan Athletic was taken over by millionaire Dave Whelan in 1995, which heralded an investment in the stadium and playing squad
  - Increased attendance will bring in cash to invest in the playing squad, which leads to a virtuous circle of strong performance, boosting demand from fans

- **Recent:** Four clubs have undertaken expansion projects in 2005/06 and 2006/07 – all these clubs achieved strong growth but it could be argued that they are still in the honeymoon period:
  - Arsenal has achieved sell out crowds for the first two seasons in the Emirates Stadium (see box out, opposite)
  - Swansea achieved 14,000 attendance in its first season in the Liberty Stadium and around 13,000 in the subsequent two seasons
- **Sustained:** In some cases the team sustains performance following expansion. The attendance growth over the period has been between 40 per cent and 100 per cent (at Norwich and Reading respectively). Some clubs experience a peak in the first year of the new stadium, after which time attendance stabilises:
  - Clubs in **new build** stadia which have largely sustained performance and attendance include Middlesbrough, Reading, Bolton and Manchester City (although there has inevitably been some performance based fluctuation in attendance)
  - Clubs in **expanded** stadia which follow this model are Ipswich Town, Chelsea, Newcastle, Norwich and Manchester United. This latter club has undertaken three expansion projects during this period and in each case attendance has grown to match the capacity increase
- **Relegated:** Six of the clubs analysed were relegated shortly after expansion. The typical experience in this case is for attendance to decline on relegation but in most cases attendance stabilises at a higher level than was achieved before expansion:
  - Crewe Alexandra is the only club in our sample to have experienced lower attendance in the period following expansion. The club was relegated twice following the expansion of Gresty Road, and in 2006/07 attendances fell to a low of 3,448 (in League One) although attendances increased to almost 5,000 in 2007/08
  - The other five clubs in our sample have all developed new stadia in the period analysed. All have experienced growth of between 36 per cent (Leicester City) and 115 per cent (Sunderland FC) in the period since expansion.[8]

Wider benefits

Match day income can also be augmented through increased **ticket prices** due to improvements in facilities, such as better seating, improved sightlines etc. Yield management comes into play here as in many cases higher prices are achieved overall due to the introduction of higher priced tickets (aimed at new fans) despite maintaining a proportion of lower priced tickets to keep prices affordable for existing fans.

As the quality of spectating facilities improves there is increased provision of **premium seats**, with a wide range of prices and options marketed across the range of corporate customers and wealthier fans. Seats in boxes or club seats (with access to a lounge/dining facilities) can account for up to 15 per cent of total capacity at new stadia and are also a source of enhanced revenues.

8 Sunderland has moved between the Championship and Premier League since moving to the Stadium of Light, but attendances have been consistently higher than at Roker Park (in either league)

Arsenal Football Club is an example of a club which has enjoyed significant benefits from developing a new stadium. The £430m Emirates stadium project was financed through equity from the club and bank debt of £260m. This bank debt was refinanced though an asset backed bond in 2006.

Attendance has increased by almost 60 per cent from 38,000 at Highbury, to 60,000 for the first two seasons at the Emirates Stadium. Turnover increased by almost 50 per cent to £200.8m for the year to May 2007, and matchday income doubled from £44.1m at Highbury to £90.6m at Emirates Stadium. This growth has been achieved through not only more people through the turnstiles, but also higher secondary spend. The Premier League National Fan Survey for 2007/08 (Arsenal's second season in the new stadium) shows that spend on food and beverage and retail has increased due to a higher proportion of fans spending on these items, and higher spend per transaction. For example, spend on drinks has grown by 22 per cent between Highbury and Emirates, driven by a 5 per cent growth in take-up and 9 per cent increase in spend per transaction.

Group operating profits increased by 274 per cent to £51.2m, before player trading and depreciation. However, the club's net profit dropped by nearly 64 per cent - £2.82m from £7.9m in 2006 - due to the costs of refinancing long-term debt connected to building the new stadium. The club has also sold 91 per cent of the housing development built at the old Highbury Stadium, with revenue of around £100m from that development available from 2009.[9]

Development typically results in growth in **secondary spend** such as catering and merchandising, facilitated by increased activity at the stadium or foot-fall and improved facilities with more outlets and reduced queuing times, as well as a higher volume of matchday meals served to premium seat holders.

Sponsorship opportunities can also be enhanced due to increased perimeter advertising space and the potential to name stands or the stadium itself.

Non-matchday income

A final opportunity is to leverage **tertiary income** from the use of the stadium on non-matchdays, either on the pitch with other events and concerts, or off the pitch with banqueting, conferences and exhibitions. In this way the stadium asset changes from being used less than 30 days a year on matchday only, to becoming a vibrant hub of activity, in use throughout the week and year. Stadia developed with community objectives in mind also tend to enjoy year-round use, such as Hull's KC Stadium and the proposed new stadium for Brighton and Hove Albion FC, which will be home to a new campus for Brighton and Hove City College.

A number of stadia have developed hotels on site or nearby. By adding hotels with state-of-the-art conference and banqueting ("C&B") and leisure facilities, venues can develop and leverage corporate hospitality sales and conference business. Hotels can also enable stadia to tap into the growing short breaks leisure market. This issue, covered in the recent PricewaterhouseCoopers article *Rooms with a view, why are so many sports venues developing hotels?*, found that hotels at sports venues are a relatively new phenomenon in the UK, but hotel room numbers are expected to treble in the future, with plans for a further 3,500 at 28 hotels across a range of sports venues. If all the planned rooms are developed, hotels would be found at 4 per cent of rugby grounds, 8 per cent of football stadia, 10 per cent of cricket grounds and 16 per cent of racecourses.[10]

As stadium operators tap into new revenue streams, they increasingly need to develop or import expertise in areas that fall outside the core requirements of running a sports club, including hospitality, marketing and customer relationship management, together with balancing the requirements of both corporate customers and/or conference delegates with those of fans on matchday.

A stadium redevelopment project can therefore be a catalyst for a step change in performance for the club. This means that developers and funders need to not only measure the unpredictable revenue streams to the club, but also assess the potential growth of revenue due to the redevelopment and expansion of the stadium.

9 Source: Arsenal Holdings plc Annual Report, 2007, Premier League Fan Survey, 2007/08 (published on the Arsenal FC website)
10 PricewaterhouseCoopers Hospitality Directions Europe, Rooms with a view: why are so many sports venues developing hotels? September 2007

Funding and delivering stadia projects

Allocating the risks and rewards

Our experience of working on a wide range of stadia projects with clubs, funders and the public sector indicates that when considering or embarking on a stadium project it is important to identify and understand the extent of the potential benefits as explored above, as well as the risks and uncertainties. The funding and delivery structure can then be established to allocate the responsibilities, costs, risks and rewards to the parties best equipped to manage them.

In the UK, sporting venues have traditionally been owned and operated by the anchor tenant, which has responsibility for the stadium risks and rewards, and undertakes the development and operation of the stadium in house, as in the case of Arsenal's Emirates Stadium.

However there are an increasing number of stadia being developed by the public sector or in partnership between the public sector and the private sector sports team such as the Kingston Communications Stadium in Hull, Coventry's Ricoh Arena and the Liberty Stadium in Swansea. This public private partnership ("PPP") tends to span the construction and operation phase of the stadium life. This model has some similarities with the situation in Continental Europe, where stadia tend to be owned by the public sector.

Construction and funding

The capital funding structure varies from project to project, and reflects the aims and anticipated outcomes of each scheme. The most common development structures are outlined in Figure 5, although we note that there is considerable overlap between the four types.

Figure 5: Typical stadium development routes

	Public sector led	Public private partnership	Sports club project	Developer and club
Procurement	Traditional procurement	PPP	Sports club leads	Sports club/developer leads
Public sector contribution	Grants, government / city budget, planning permission	Availability payment, grants, stadium rental, planning permission	Access to grants, planning permission	Access to grants, planning permission
Private sector contribution	Bank loan	Bank loan, investment from concessionaire	Bank loan, equity from club, development of former ground	Bank loan, sale of property, commercial development, equity
Typical ownership	City or government	SPV or remains in public sector	Sports team	SPV, developer or sports team
Typical operation	Public sector or SPV	SPV or concessionaire	Sports team	Sports team
Example projects	KC Stadium, Hull; City of Manchester Stadium	Proposed Lille Stadium; Singapore Sports Hub	Emirates Stadium; Liverpool's new stadium	Kassam Stadium Oxford; proposed Everton stadium

Source: PwC research. SPV indicates Special Purpose Vehicle

Emirates Stadium: PwC prepared a market report for the financing and refinancing of this development

Operation

If the sports team is the owner/operator then the operating model is simple, as the sports club operates the stadium and retains the revenues. The operation of the stadium runs alongside the operation of the sports team.

Under a sports stadium PPP, an operating or staging agreement is formulated between the stadium owner and anchor tenant. The stadium business is therefore separate from the sports club business.

There are various ways that the risks and rewards can be shared between owner and operator. Examples of this model at work include:

- **Lease:** The City of Manchester Stadium where the club has a long lease on the stadium and the public sector earns a revenue share

- **Availability payment:** For the proposed stadium in Lille, the stadium operator (concessionaire) will earn an availability payment from the City Council for the rights to make the stadium available to Lille OSC. The concessionaire also earns revenues from other events in the stadium such as concerts and shows

- **Staging agreements:** Wembley National Stadium Limited (WNSL) benefits from a long-term agreement to stage home England international matches.[13] This gives certainty about rights to hold events and consequently gives a reasonable degree of comfort about future revenues

Under any of these models, it is common for certain elements of the operation to be outsourced, such as catering and retail, as the stadium operator seeks to tap into expertise or lessen their exposure to demand risk.

13 The FA website states that 20/30 year agreements are in place from all the key event holders.

Looking further afield: the public sector is core to stadium developments in Continental Europe

The UK is by no means the only territory embarking on stadium development schemes. There has been considerable activity throughout mainland Europe. Major events have been a significant driver of stadia development, such as Euro 2004 (Portugal), World Cup 2006 (Germany), Euro 2008 (Austria and Switzerland). Looking forward, Euro 2012 is a key driver of development activity in Poland and the Ukraine.

There are some significant differences between the UK and Europe which influence the options for funding these developments. These are summarised in Figure 6.

As noted earlier, when embarking on stadia projects, public sector stadia owners seek to raise the profile of the sport and the city. They also aim to capture economic and other benefits from increased spectators and higher quality facilities, as well as to tap in to new sources of revenues such as premium seats, hospitality, conference and banqueting, concerts and other events.

Nevertheless the different ownership models influence the way that stadia projects are financed and delivered in Continental Europe.

The resources available to finance the development may be lower because there is less revenue coming into the stadium (lower prices, and attendance, immature corporate market) or the stadium owner cannot tap into the revenues of the sporting team and relies on a rental payment or revenues from other events. Banks and lenders tend to favour projects which are in known territories or are proven business models as the commercial risks inherent in schemes in new territories can make them less attractive to funders.

For these reasons many stadia projects in Continental Europe are funded by the public sector in partnership with the sports club or a private sector developer.

Therefore it could be argued that the European experience has led the way in developing PPPs for the sporting sector.

- Many of the stadia developed for **Portugal 2004** were funded by public private partnership, including Estádio do Dragão, a 52,000 capacity stadium developed to host Euro 2004 and home to FC Porto. The Estádio do Dragão is not exclusively a sports complex; the development includes a conference centre, leisure facilities, shopping areas and restaurants, all linked to the public areas at different levels in the stands.[11]

- **Poland and the Ukraine**, the hosts of Euro 2012, are currently considering how to fund and deliver their stadia for the tournament. A key challenge for the stadium owners will be to provide adequate capacity for the tournament itself, with a viable legacy use for the stadia where the average attendance is less than 10,000 and the top clubs record less than 20,000. This is particularly relevant as a number of the host cities have announced their intention to develop their stadium projects under public private partnerships.[12]

- **France** is one of the bidders for the UEFA 2016 European football championships and is procuring a number of PPP stadia in preparation for the bid, including Nice, Le Mans and Lille. The Lille Stadium project is a 50,000 capacity stadium scheduled to be open by 2010. In 2008 the French construction firm Eiffage was confirmed as the preferred bidder for Lille's €230m Stadium PPP project. Eiffage will be reimbursed by way of availability payments from the Lille Municipality, meaning there is no direct exposure to football club revenues. The company will also be able to attract commercial revenues from the stadium through the development of the surrounding area.

Figure 6: Differences between UK and Continental European stadia operation

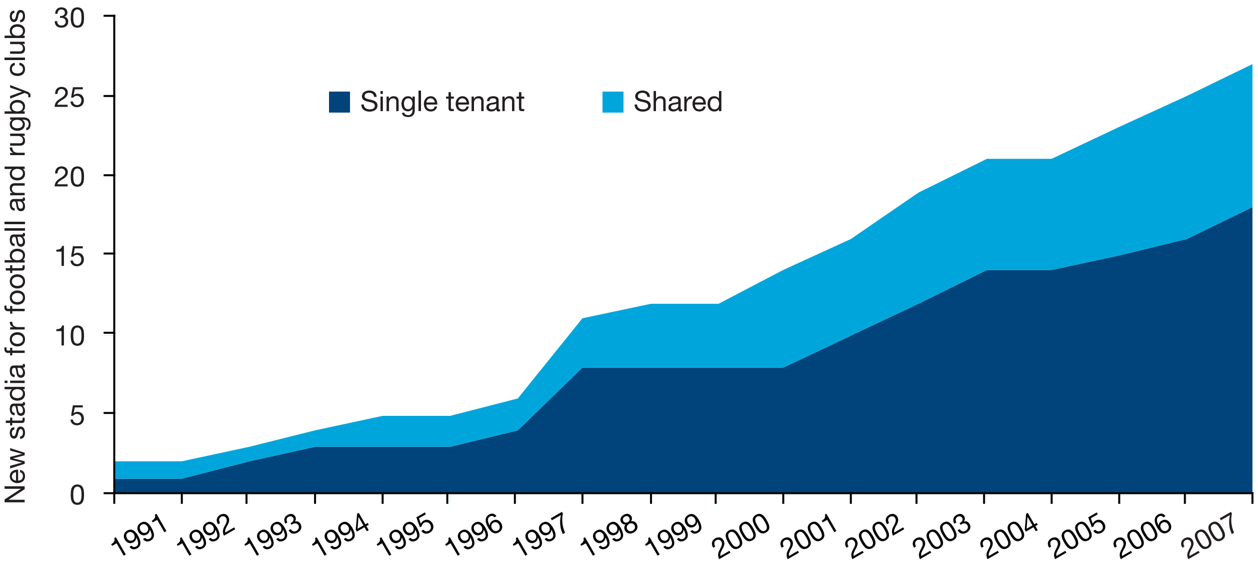
	UK	Continental Europe
Ownership	Stadium typically owned by sports club/anchor tenant	Stadium typically owned by the city/municipal body
Attendance	Mature market with high attendance – average 34,000 in the top football league	Attendance varies considerably with average attendance in the top league ranging from 5,000 in the Czech Republic to over 40,000 in Germany
Ticket prices	Around £35 for Premier League football	Adult tickets cost between £12 and £15 in Western Europe and can be as low as £2 in Eastern Europe
Premium seats	Mature corporate market which accounts for corporate hospitality, non-match day conference and banqueting	Less mature market, although growing in some territories (e.g. Germany)

Source: PwC research

11 Portugal recorded 44 per cent higher attendance in 2008 than the season three years prior to 2004. However with average attendance of around 11,000 in the SuperLiga much of the new capacity developed for 2004 remains unused (FC Porto achieved attendance of just under 39,000 in 2007/08)

12 Average attendance in the Ekstraklasa in Poland was 7,300 in 2007/08 with the highest recorded by KKS Lech Poznan (18,000). In the Ukraine the average attendance in the Vysha Liha was 8,300 with the highest attendance recorded by FK Shakhtar Donets'k (19,800) (Source: European Football Statistics)

Figure 7: The growth of shared stadia



Source: PwC research[14]

Stadium sharing

Sharing a stadium can be an effective way of sharing operating costs/risks and construction risks, although in many cases there is a need to overcome potential concerns from fans about sharing their facility with their local rival team. However, stadium sharing is a reality in some markets. For example, in Italy AC Milan and Inter Milan share the San Siro; in Germany Bayern Munich and 1860 Munich share the Allianz Arena.

In the UK there are no stadia which are shared permanently between two major football teams. However this is more common for football and rugby – for example Reading's Madejski Stadium (shared between Reading FC and London Irish Rugby Union FC), the JJB Stadium in Wigan (shared between Wigan Athletic FC and Wigan Warriors Rugby League FC), and the Liberty Stadium in Swansea (shared by Swansea City FC and the Ospreys Rugby Union Club).

Figure 7 (above) shows that shared stadia are now a common part of the stadium landscape, accounting for a third of the new club stadia developed for football and rugby since 1990.

The potential penalties

The main uncertainties in stadium schemes relate to:

- Short term market issues
- Longer term issues around site availability
- The nature of the sports club business model

In the short term, there is a challenge around the **availability of funding** for projects, with concern over:

- Availability of debt given the softening of the credit market in 2007 and 2008

14 Sourced from worldstadiums.com, analysis of new football league and rugby stadia, excluding national stadia.

- The appetite for funders to invest in schemes perceived to be higher risk than other sectors, particularly considering the sporting risks which are more difficult to quantify

In the longer term, there will be a challenge around the **availability of sites** to develop stadia. Many English stadia have been developed in out of town locations, allowing the old ground (in a central location) to be redeveloped for residential or commercial uses, and using the value of this development to contribute to the new stadium. Many of the obvious solutions have been delivered and so it may be difficult to identify and deliver more sites, unless the regeneration benefits are clear.

Funders typically look for sustainable revenue business models, but the **business models of sports clubs** do not provide this certainty in most cases. This can be attributed to:

- The relationship between sporting performance and financial success, particularly in the case of relegation and promotion in football. Relegation to the English Championship is estimated to cost £38m in 2008 and promotion to the Premier League is reported to be worth £60m in 2008.

- The dominance of media revenues for some sports and leagues. These are often negotiated centrally for a particular sport or league, which means that the sporting tenant has no direct influence/negotiating rights with the purchaser. Media revenues are also based on performance, with teams earning additional revenues for progress in competitions and suffering significant declines on relegation to a lower league. There are also concerns around demand for the media rights from media companies, and their ability to pay. The collapse of ITV Digital in 2002 caused significant problems for Championship clubs and there have been concerns that regulatory intervention would erode the value of rights for football in the medium/long term

Ascot Racecourse: PwC was Financial Advisor to Ascot Authority on the redevelopment of the Grandstand

Moving the goalposts

The sports industry continues to evolve as regulators, governing bodies and external forces influence and shape the way that sports are operated and, ultimately, where the money comes from and goes to. Some of the current and potential future issues affecting major sports, which may influence the way sports facilities are developed, include:

Football

- **Media rights:** The latest domestic Premier League deal represented growth of 67 per cent on the previous deal, leading to questions as to whether this growth can continue, and how the benefits can be shared with clubs in the lower leagues. Future deals will be critical in determining the resources available for clubs to expand

- **Regulation:** There have been calls to regulate the game further by capping the number of foreign players in a squad. This may prove difficult to implement but if it does occur, this could arguably have a negative impact on the quality of the English Premier League and could also impact on the value of the competition to media companies

- **Future major events:** Countries which win the rights to host major tournaments are likely to see more investment in spectator facilities. For instance England is bidding to host the 2018 World Cup and other European countries reported to be considering bidding include Spain, Portugal, Greece, Russia, Belgium, the Netherlands and Luxembourg

Rugby

- In 2009 the Rugby Super League will be restructured, with no relegation for three seasons. The qualification criteria include the condition and quality of the stadium as well as other issues relating to the playing squad and management of the club. This process may therefore lead to the improvement or development of some rugby league stadia. Clubs submitted their applications to be part of the Super League from 2009 to 2011 to the Rugby Football League in March 2008.

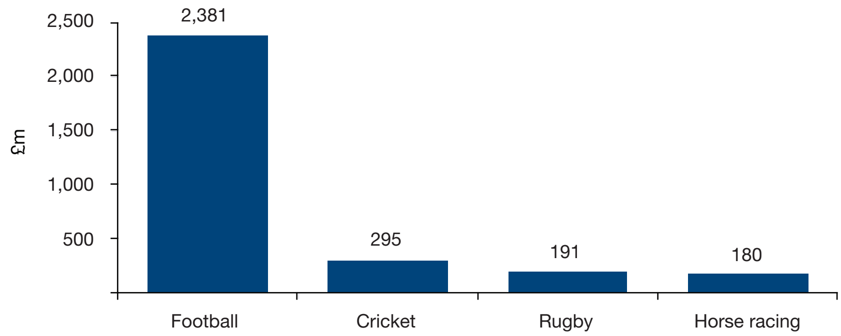
Cricket

- Competition is intensifying between cricket grounds to stage test matches and this is partly driving the development plans at some grounds. Governing bodies are faced with the challenges of keeping the game interesting to fans (for instance Twenty20 matches) and satisfying the ambition of players to compete in lucrative tournaments, such as the new Indian Premier League, whilst also needing to retain the quality of County Cricket to develop playing talent for Internationals.

Horseracing

- There has been intervention from the Office of Fair Trading and the European Court of Justice on the limit to the number of race days per year and the introduction of a data-based funding mechanism is reported to have reduced prize-money whilst increasing fixtures.

Figure 8: Planned sports spectating investment



Source: PwC research

Looking ahead: significant investment in stadia planned

Despite – and, in some cases, because of - these potential changes, there are development plans across the main spectator sports in the UK, as illustrated in Figure 8 (above). Together, these plans account for over 700,000 redeveloped spectating capacity and over £3bn in investment over the next decade, which includes the estimated expenditure on the wider regeneration associated with these schemes.[16]

This indicates that the appetite to develop bigger and better sports facilities remains strong, although it remains to be seen how many of these ambitious schemes will come to fruition and what the funding, delivery and operational routes for these developments will be.

In order to realise these plans, it will be important for the stakeholders to develop funding, delivery and operating models which recognise the potential rewards, whilst also taking in to account market risks and uncertainties.

The most successful projects are those where the funding, delivery and operating route is tailored to the business plan of the stadium, appropriate to the location, ownership and operating structure, drawing on public and private sector partners and stakeholders. In summary, there are proven advantages in developing stadia but the risks are likely to stay, and funding will only be achieved if the business model is sustainable and sound.

16 Estimated value of total scheme and capacity following redevelopment, sourced from news sources. In some cases the value or capacity is not stated, so the totals are likely to be an understatement. We have estimated that these are planned over the next decade, although not all announcements include a timescale for development. However it should be noted that some schemes have not yet had planning permission or funding secured and so it is also unlikely that all of the schemes will be realised. This excludes the investment for the 2012 Olympics, much of which is on temporary facilities

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