ECONOMIC IMPACT OF HOSTING THE 2005 G8 SUMMIT AT GLENEAGLES

A Report to:

The Scottish Executive

economic development consultants

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Executive Summary

Introduction

1. The objectives of the study were:

- to measure the economic impact of the G8 Summit and its supporting events on Scotland
- to identify the value of the media coverage of the Summit
- to provide sound analysis which identifies the impact of the Summit on Scotland's image as a tourism destination; events venue; source of desirable products and place to live, work and do business.

2. The G8 Summit was held at Gleneagles Hotel, Perthshire between the 6th and 8th July 2005. The main agreements reached covered development in Africa and tackling global climate change. G8 Summits are hugely important as a forum for addressing global issues and for raising debate more widely. In addition to the Summit itself, there was a wide range of associated events, from the Make Poverty History march and the Live 8 event at Murrayfield through to the "J8" for schools and the many smaller conferences and arts and cultural events.

Investment

3. The total cost of hosting the G8 Summit was £90.9 million of which £60.1 million was funded by Scottish sources (the Police, the Scottish Executive and other public sector bodies). The vast majority of this, £72 million, was related to policing, but was offset by a contribution of £20 million from the UK Treasury. The FCO investment was £10.7m.[1]

Overview

4. While the cost of hosting the Summit has been significant, the potential benefits are also great. The report distinguishes between the longer term benefits, making use of the evaluation of media coverage, and the short term effects generated by the public sector investment and visitor expenditure.

5. The main measure of the potential benefit is the unprecedented media coverage generated. Across 10 countries, between the 2nd and 11th of July 2005, the report estimates that this coverage was worth £66.4 million. This profile provides a platform for Scotland to secure greater economic opportunity in the future across many areas.

[1] Excluding FCO internal market costs

The association with the G8 Summit sends a clear signal about Scotland's capability, ambition and stature.

6. The scale of this benefit will depend on how effectively this platform is used by the public agencies and by individual businesses, but there is confidence among these agencies that the Summit will generate significant new impact in the future. The potential value of this cannot be quantified, but to provide context, a one per cent increase to tourism expenditure in each of the next three years would be equivalent to £150 million.

Short term effects

7. Although the long term impact of hosting the G8 will only become clear over time, in the short term, the investment by the public sector in Scotland and spending by visitors generated income for businesses and for employees in Scotland. The total investment made by the Scottish public sector in hosting the G8 Summit was £60.1 million. Much of this represents expenditure made within the Scottish economy, paid to businesses and individuals in Scotland. The report identifies that:

- businesses in Scotland and employees received £53.7 million directly through contracts and overtime payments made by the Scottish public sector in hosting the Summit. A large proportion of this comprises overtime and additional wage payments made by the police
- businesses in Scotland benefited by £10.5 million from spending by visitors attending the MPH march, Live 8 and other events
- delegates and journalists generated spending of £5.5 million in Scotland
- businesses in Scotland received £4.5 million working on contracts from FCO
- the report also makes an adjustment for the business that was displaced by the G8 (some of the benefits associated with the Summit were achieved at the expense of other opportunities, mainly through the loss of potential tourism trade during and just after the events). The report estimates that £9.5 million of potential business was displaced of which £6.5m was related to tourism.

8. Taken together, the report estimates that hosting the G8 Summit generated £64.7 million for businesses in Scotland and for public sector employees in overtime payments.

9. The report does not speculate on any alternative uses of the public sector funding, or the effects that it might have had, if the G8 had not been hosted.

10. The analysis presents a pattern of short term expenditure rather than any contribution to the productivity or capacity of the Scottish economy. These payments support income and employment in the short term, but the output from this work is effectively the delivery of the Summit. The profile that the Summit has generated for Scotland and the potential economic activity that this might lead to is the real value of the investment.

Summary of short term expenditure

Table1: G8 investment and the benefits to businesses and employees in Scotland (£ million's)		
	Total investment (£ million's)	**New turnover for businesses in Scotland and overtime payments for employees (£ million's)**
New spending attracted to Scotland		
MPH, Live 8 and other events	-	10.5
Delegates and Journalists	-	5.5
FCO contractors	-	4.5
Total		**20.5**
Public sector investment		
Police costs (falling to the Scottish Executive)	52.0	46.9
Scottish Executive	1.4	1.3
Local Authorities	3.6	2.7
Other public sector	3.1	2.8
Total	**60.1**	**53.7**
Adjustment for displacement	-	-9.5
Overall total	**60.1**	**64.7**

Media

11. The report estimates that in the 10 countries covered (the G8 countries, Spain and China), between the 2nd and 11th of July 2005, media coverage was worth £66.4 million. Using the longer term pattern of coverage achieved in the lead up to the Sea Island Summit in 2004, this would suggest a total value of £618 million over six months.

12. An indication of the coverage achieved by the Gleneagles Summit is that it secured as much attention from the national US media as their own summit, at Sea Island, the year before. This indicates that the overall coverage of the 2005 Summit was at least as great, if not greater, as that achieved in 2004; it would be expected that the Gleneagles Summit would have enjoyed higher coverage in the UK due to the "home" effect than Sea Island did.

13. Across all the coverage, 94 per cent was assessed as neutral in tone, 5 per cent was positive and less than 1 per cent was negative. Key messages around tourism and Scotland as a place to live, work and invest were also found in 5 per cent of all volume. In both cases 5 per cent represents a significant proportion given that the vast majority of the coverage related to the content of the Summit. For example, the 5 per cent of coverage represents 122 million "opportunities to see" items that contained one or more messages. Evidence from an analysis of the UK press coverage demonstrates that hosting the G8 met one of the Scottish Executive's objectives of raising awareness and debate.

Legacy

14. It is too early to assess the legacy of the Summit, but the scale and value of the media coverage has raised awareness of Scotland and enhanced its reputation. Specifically, the association with the G8 Summit will directly help address weaker perceptions of Scotland as a business location and as venue for major events. The impact is likely to vary across audiences, but the profile of the G8 is greatest in the US, Canada and Europe which are also Scotland's key markets for growing overseas tourism. VisitScotland are confident that hosting the Summit will repay the investment several times over in the coming years.

15. The effect is likely to be most noticeable in business tourism where the successful delivery of the G8 Summit will greatly strengthen Scotland's case for attracting new major events. Scottish Development International also believes that the coverage and association with the G8 Summit will help attract foreign direct investment in future, by raising awareness of Scotland and improving perceptions of Scotland as a business location. There may be some effect on exporting businesses, as a result of underpinning recognition of Scotland in new markets.

16. The value of this legacy cannot be anticipated, but it would be reasonable to assume that the impact will decrease over time. If the economic impact is to be significant, it will be critical that this platform is used by both the public agencies and businesses.

Distribution

17. The Summit had significant distributional effects on Scottish business and there are inevitably winners and losers. A total of £40.8 million was spent with businesses in Scotland as a result of the Summit. In addition, there was a further £33.4 million paid to public sector staff, mainly the police, in additional staff costs and overtime payments[2]. The £40.8 million was secured mostly through larger contracts for bigger businesses rather than many smaller contracts. A total of 27 Scottish suppliers

[2] Note that these figures total £74.2 million and exclude the adjustment for displacement (-£9.5 million). When this is included, the net expenditure with businesses in Scotland and employees is £64.7 million as in Table 1.

secured contracts in excess of £100,000 and these suppliers collectively were paid £8.2 million or 20 per cent of the total with Scottish companies.

18. The report estimates that city centre retailers in Edinburgh lost around £7.4 million of sales, but that this was mainly displaced either to other areas of the city or Scotland or took place later in the month. In Auchterarder, 60 per cent of businesses reported reduced sales, although resident expenditure is likely to have been displaced temporarily outside the village.

19. Very few businesses were able to quantify additional costs and estimating the wider costs of disruption is beyond the scope of this work, although it is discussed.

20. While the G8 events attracted new visitors, delegates and journalists, they also deterred others from visiting. Based on occupancy data, the report estimates that around £6.5 million of potential tourism expenditure was lost in July.

Conclusions

- Hosting the G8 Summit was a major investment for Scotland. The benefits relate to a wide range of social, cultural, educational and political objectives and any assessment of its success or otherwise should recognise these factors. The economic benefit is only one of these strands and should not be seen in isolation. The full economic impact of hosting the G8 Summit will accrue over the longer-term, mostly beyond the timeframe of this study.

- Across 10 countries, between the 2nd and 11th of July 2005, the report estimates that the media coverage was worth £66.4 million. Using the longer term pattern of coverage achieved in the lead up to the Sea Island Summit in 2004, this would suggest a total value of £618 million over six months.

- The public sector expenditure and spending by visitors generated £64.7 million in sales and contracts for businesses in Scotland and in overtime payments for public sector employees.

- The most important impacts will occur over the next two or three years as the increased profile that Scotland generated takes effect and is used to create new economic opportunities.

1 Introduction

1.1 This report to the Scottish Executive presents the results of a study to assess the economic impact of hosting the G8 Summit at Gleneagles in July 2005. The research has involved a great many strands, tracking the expenditure of delegates, journalists, public sector investment, the contracts awarded through the Foreign and Commonwealth Office (FCO) and the expenditure of visitors attending the Make Poverty History march (MPH) and Live 8 concert. The majority of the work was undertaken shortly after the Summit and through August, but it has taken longer to collect the final expenditure details.

1.2 The objectives of the study are:

- to measure the economic impact of the G8 Summit and its supporting events on Scotland
- to identify the value of the media coverage of the Summit
- to provide sound analysis which identifies the impact of the Summit on Scotland's image as a tourism destination; events venue; source of desirable products; and place to live, work and do business.

Overview

1.3 The G8 Summit was held at Gleneagles Hotel, Perthshire between the 6th and 8th July 2005. The main agreements reached covered development in Africa and tackling global climate change. G8 Summits are hugely important as a forum for addressing global issues and for raising debate more widely. In addition to the Summit itself, there was a wide range of associated events, from the Make Poverty History march and the Live 8 event at Murrayfield through to the "J8" for schools and the many smaller conferences and arts and cultural events.

1.4 Hosting the Summit was a major undertaking and the associated expenditure on the event was significant. The media coverage and the profile that the event gave Scotland were also substantial. The report estimates that in the 10 countries covered (the G8 countries, Spain and China), between the 2nd and 11th of July 2005, media coverage was worth £66.4 million.

1.5 The exposure this has given Scotland is enormous and unprecedented. The association with the G8 sends a clear signal about Scotland's capability, ambition and stature. The G8 has a particularly high profile in Scotland's main tourism markets, the rest of the UK, US, Canada and in Europe. The extent to which this is translated into economic opportunities in Scotland will depend on how effectively Scottish public agencies and businesses use it, but it provides an important platform on which to build. To put this potential in context, an increase of one per cent in tourism expenditure in each of the next three years would generate around £150 million.[3]

1.6 The Summit also provided a focus for a much wider range of benefits that included educational and cultural benefits, while events such as MPH and Live 8 brought people together to participate in and contribute to global politics. In the domestic press, front page coverage was dominated by the main themes of the Summit and demonstrates the level of awareness and debate that was generated.

1.7 In the short term, the economy benefited significantly from the investment made by the public sector in delivering the Summit and from the spending made by visitors, delegates and journalists. Encouraging Scottish firms to become involved in delivering the G8 Summit was an objective of hosting the event. The businesses directly supplying the Summit and their contractors benefited as did the major hotels and the many staff across the police and other agencies delivering the event.

1.8 However, some businesses also suffered significantly over the period of the Summit as local residents stayed at home and other visitors were deterred from travelling to Perthshire and Edinburgh. The events created costs through increased security, disruption to transport and in a small number of cases damage to property. The results of a business survey and consultations with retailers confirm these effects.

Approach

1.9 At the outset, it is important to distinguish between the short and longer term effects. While the short term effect of the immediate investment made in hosting the G8 is relatively easy to measure, it does not represent the full impact of the event. The return on the investment made in hosting the G8 will only be felt over the next couple of years.

1.10 The majority of this report focuses on the short term impacts, what has actually happened in Scotland, but the final chapters consider the potential longer term benefits generated by the media coverage. The report also provides survey evidence of some of the distributional effects that occurred.

1.11 The short term impact is presented as the value of activity supported in the Scottish economy. This is turnover accruing to businesses and new wages and overtime paid to employees (as a result of hosting the G8). This approach was discussed and agreed with the Scottish Executive. This is not an options appraisal (which would be carried out before an event). The Summit has taken place and the research looks specifically at the amount of expenditure that has accrued to businesses in Scotland and people in Scotland.

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[3] Tourism generated revenues in Scotland worth around £4.9 billion in 2005, (Scottish Tourism – Framework for Change draft)

1.12 The analysis does not speculate on what other patterns of benefit might have been achieved by using resources in a different way and, consequently, there is no assessment of the opportunity cost.

Summary of short term impact

1.13 The total investment made by the Scottish public sector in hosting the G8 Summit was £60.1 million. Much of this represents expenditure that was made within the Scottish economy, benefiting businesses in Scotland and individuals directly. The key points from Table 1.1 are:

- altogether, businesses in Scotland and employees received £53.7 million, through contracts and overtime payments made by the public sector. A large proportion of this was overtime paid by the police
- businesses in Scotland also benefited from spending by visitors attending the MPH march, Live 8 and other events as well as the expenditure made by delegates, journalists. There was also further spending in Scotland through contracts delivered for the FCO. These activities generated £20.5 million of new spending in Scotland
- the report makes an adjustment for the business that was displaced by G8 (some of the benefits associated with the Summit were achieved at the expense of other opportunities, mainly through the loss of potential tourism trade during and just after the events). The report estimates that £9.5 million of business was displaced.

1.14 Taken together, hosting the G8 Summit generated £64.7 million for businesses in Scotland and employees in overtime.

1.15 It is also important to recognise that these figures represent the pattern of spending rather than the longer term contribution to the productivity or capacity of the Scottish economy. In the short term, the economic activity reported is largely generated by expenditure made in overtime payments to the police and payments to the many contractors engaged in delivering the event. While these payments support income and employment in the short term, the output from this is effectively the delivery of the Summit. The profile that the Summit has generated for Scotland and the potential economic activity that this might lead to in the future is the real value of this investment.

Table1.1: G8 investment and the benefits to businesses and employees in Scotland (£ million's)		
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Adjustment for displacement	-	-9.5
Overall total	**60.1**	**64.7**

Structure of the report

The report follows the structure of Table 1.1:

- **Chapter two** of the report discusses the methodology more fully
- **Chapter three** sets out expenditure made by Scotland in hosting the Summit
- **Chapter four** estimates the proportion of public sector spending that was made with businesses in Scotland and in overtime payments
- **Chapter five** summarises the results of research undertaken to assess the impact of the Make Poverty History march, Live 8 and other events
- **Chapter six** presents estimates of the expenditure made in Scotland by FCO contractors, delegates and journalists attending the SUMMIT
- **Chapter seven** explains the calculations made to estimate the value of displaced tourism business and displacement of supplier trade
- **Chapter eight** summarises the evaluation of the media coverage
- **Chapter nine** summarises the findings of the business surveys conducted and comments on the distributional effects of hosting the Summit
- **Chapter ten** presents a broad analysis of the potential legacy benefits
- **Chapter eleven** brings the results and analysis together and summarises the findings

2 Methodology

- This chapter reviews the sources of information and the methodology adopted in the research
- It explains how the short term economic impact is calculated, setting out where the adjustments for additionality are made
- It summarises the methodology used to carry out the media evaluation

Estimating gross expenditure

2.1 The first stage of the analysis has been to collect data and estimate the value of the gross expenditure associated with hosting the G8. The main sources are:

- expenditure made by the Police, the Scottish Executive, Local Authorities and other agencies *in Scotland* to deliver the event
- spending by visitors to Scotland, including:
  - those who attended the Make Poverty History March or Live 8 concert and other related events
  - delegates from the G8 nations and others who were invited
  - journalists who covered the Summit and its related activities.
- a proportion of the value of Foreign and Commonwealth Office contracts secured by businesses in Scotland or expenditure made by other contractors in Scotland.

Data collection

2.2 Table 2.1, sets out the main sources and the methods used to construct the estimates. A full list of consultees can be found in appendix A.

Table 2.1: Sources of data for the study and collection methods	
Visitors at events (MPH and Live 8)	• The main data have come from a survey of those participating in both of these events. • 600 interviews were carried out to build up a profile of visitors, their expenditure and length of stay as well as their perceptions of Scotland.
Delegates from the G8 nations and others who were invited	• Each of the consulates in Edinburgh were contacted to collect data on delegate numbers, expenditure and length of stay. This was then cross checked with data from FCO and the hotels themselves.
Journalists who covered the Summit and its related activities	• The number of journalists was provided by FCO, but data from City of Edinburgh Council and from interviews with hotels has helped to assess the potential overlap between attendance at different events.
Foreign and Commonwealth Office expenditure made in Scotland. Either through contracts secured by businesses in Scotland or expenditure made by other contractors in Scotland	• FCO provided the names of the main contractors and these were followed up to establish the amount of expenditure made in Scotland
The proportion of expenditure made by local, Scottish and UK government	• Details of expenditure by departments within the Executive were provided in full, including the expenditure of Scottish Enterprise and VisitScotland. The Local Authorities also provided details of their expenditure to assess the proportion retained in Scotland
The costs of policing (offset by funding from the UK Treasury)	• The police provided details of their expenditure and suppliers. This was used to assess the proportion retained in Scotland
Other events	• Information was provided by 22 other events on attendance and profile of participants
Accommodation providers and other businesses	• E-surveys of accommodation providers (92 responses) and other businesses (83 responses) were carried out with the help of a number of other organisations (Federation of Small Business (FSB), Edinburgh City Centre Management company (ECCM), Edinburgh Principal Hotels Association (EPHA), Edinburgh Guesthouse Association (EGA), Glasgow Principal Hotels Association (GPHA) and VisitScotland). • We also consulted with a number of key businesses (6 Edinburgh retailers, 14 accommodation providers and many other Scottish and UK based suppliers to the Summit) and business associations (FSB, ECCM and the Chamber of Commerce). • These surveys and consultations provided data on impacts on business performance at the time of the Summit

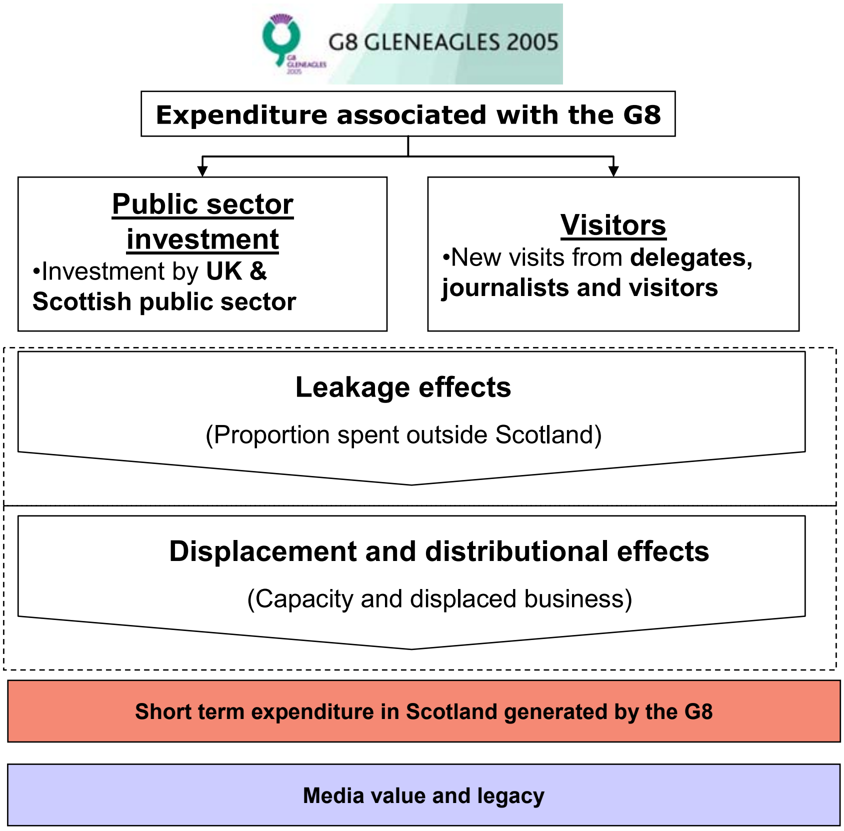
2.3 A survey of delegates and journalists was originally proposed as a means of collecting specific information on both expenditure and perceptions of Scotland. However, contact details for delegates and journalists were not available.

Overview of approach

2.4 Figure 2.1 outlines the approach used for this work, which begins by separating the expenditure from the UK and Scottish public sector and the new expenditure from visitors.

The results are adjusted to allow for the elements of additionality, leakage, deadweight and displacement.

Figure 2.1: Process for estimating expenditure associated with the G8 Summit



Additionality

2.5 The Treasury Green Book includes guidance on calculating concepts associated with additionality. These are leakage effects, deadweight, displacement and substitution:

Leakage

2.6 Leakage refers to the benefits that are generated but are not captured by the spatial area or target group. In the case of the G8 Summit, this includes any expenditure made outwith Scotland or visitors that spend money outside the area during their trip. Estimating leakage is only possible for first round expenditure where there is evidence that the spending is made directly outside Scotland. There may be more leakage anticipated further down the supply chain as other inputs and services are imported, but the nature of the activities associated with delivering an event tend not to require long supply chains (for example security services, overtime payments and event management).

Deadweight, displacement and substitution effects

2.7 Deadweight refers to outcomes that would have occurred anyway and displacement/substitution occurs when an intervention generates benefit at the expense of activity elsewhere or within the same company. All three are adjustments made to ensure that the outcomes being counted represent additional activity. These effects are considered in this report in several ways:

- The expenditure of visitors to Make Poverty History and Live 8 events is adjusted for deadweight in chapter five. Spending by residents or those that would have been in Scotland anyway is deducted from the gross expenditure. In chapter six, expenditure is adjusted to exclude the expenditure of Scottish based journalists.

- Although it attracted many new visitors, the Summit clearly deterred others. If we include the new expenditure generated by the Summit, we must also deduct the value of the trade that would have come if it had not happened. Because this effect is the result of the Summit rather than specific capacity constraints, this is addressed separately in chapter seven. The analysis compares the actual Scottish Occupancy statistics for July 2005[4] with previous years to identify the extent of the effect.

- There may also be substitution effects related to the businesses supplying services if the work carried out for Summit is at the expense of other contracts or activities. To assess this we have considered the profile of expenditure and used consultations with suppliers in different sectors to determine the level of substitution. Here the key consideration is whether capacity within the sector is flexible enough to take on this work. This is covered in chapter seven.

Multipliers

2.8 Multipliers are used in many studies to demonstrate how changes in demand would result in even greater levels of output throughout the economy. In this case the use of multipliers would be potentially misleading if the overall result is compared with costs that do not include any multipliers. The figures therefore exclude any multiplier effects.

Short term expenditure

2.9 The result is the short term net expenditure made in Scotland as a result of hosting Summit. The results take no account of the opportunity cost of this investment (the value that this could have had in next best alternative use) and reflect the pattern of expenditure rather than measure any increase in the capacity of the Scottish economy.

[4] Scottish Occupancy Survey, available at www.scotexchange.net

2.10 The report does not speculate on the alternative uses of the public sector funding, or the effects that these might have had, if the G8 had not been hosted. The impact of the investment will only fully accrue in the medium or longer term.

Media value

2.11 The media evaluation was carried out by *TNS Media*. This covered output generated by the top five national press publications and the top five broadcast stations in all the G8 member states and China and Spain, between the 2nd and 11th of July 2005. The articles and broadcast items were analysed to produce estimates of:

- *Opportunities To See* (OTS). This is a measurement of audience. It was recorded as a cumulative number for publications and broadcasts, and sourced from the quarterly National Readership Survey results, BARB and RAJAR data.

- *Advertising Value Equivalent* (AVE), based on the rate values for placing advertisements in the press and on broadcast stations. These figures are updated quarterly and reflect a monetary measure of newspaper space or broadcast time as if it were purchased for advertising purposes.

2.12 The coverage was also assessed for *tone and favourability*. This is a qualitative measurement of the positive, neutral or negative nature of the coverage by looking at a number of factors including, relative proportions of beneficial and adverse comment, the style of language used, and the favourability of the headline.

3 Cost of supporting the G8 Summit

- This chapter outlines the total cost of staging the Summit and presents the contributions made by each organisation
- The total cost of staging the G8 Summit was £90.9 million
- After allowing for the contributions made by the Treasury (£20 million) and FCO (£10.7 million), the total from Scottish sources, the Scottish Executive, Scottish Police and other public agencies is estimated to be £60.1 million
- Police costs made up 80 per cent of the total.

Overview

3.1 The total investment made in supporting the G8 Summit by all Scottish and UK public sector agencies was £90.9 million. Of this, £60.1 million was made from Scottish sources, the Scottish Executive, Scottish Police and other public agencies. The G8 Summit is a major event and hosting it impacted on many Scottish public sector agencies. Most of these invested some resource in G8 related activities or in supporting the many other events that took place. By far the biggest expenditure was made in policing (£72 million) almost 80 per cent of the total cost.

3.2 The Scottish Executive, local authorities and other Scottish public sector organisations spent £8.1 million. The total expenditure of each of the *Scottish* organisations is set out in Table 3.1.

Table 3.1: Outline of costs in supporting the G8 Summit and related events

Organisation/type of cost	Details	Costs met by Scottish public sector
Police and security	• £12.3 million pre event costs (overtime and staff costs, establishing the SPICC co-ordinating centre, public order training and exercises) • £44.7 million mutual aid expenditure • £15 million accommodation and catering, transport, ICT, equipment and other expenditure	**£52 million** *£20 million of the total policing costs were covered by the UK Treasury*
Scottish Executive	• Overtime and security costs • Promotional costs including the 'Scottish village' site at Gleneagles	**£1.4 million**
Local Authorities	• Edinburgh, £3.2 million • Perth and Kinross, £394,000 • Stirling £16,000	**£3.6 million**
Other public sector organisations	• Security and staff overtime in emergency planning Scottish Ambulance Service £1.26 million NHS boards £1.1 million Scottish Water £352k Scottish Enterprise Network £241k	**£3.1 million**
Total		**£60.1 million**

4 Public sector payments to businesses and employees in Scotland

- This chapter assesses how much of the public sector payments were retained in Scotland. This includes payments to businesses delivering services and to individuals working overtime
- This expenditure is considered in four groups; policing and security related expenditure, Scottish Executive expenditure, the expenditures of Local Authorities and other public sector expenditure
- From the total of £60.1 million invested by the Scottish public agencies, £53.7 million was made in Scotland
- A very large proportion of this (£46.9 million) was made by the police, in overtime payments and in payments to Scottish contractors for products and services
- The Scottish Executive, Local Authorities and other public sector agencies together invested £8.1 million of which £6.8 was spent in Scotland

4.1 The previous chapter concluded that expenditure made by the Scottish public sector in supporting the G8 Summit was £60.1 million. Some of this expenditure went to firms and suppliers based outside Scotland, for example the English and Welsh police forces, but a large proportion was retained in Scotland. We describe in Table 4.1, the total expenditure made by each group and the proportion that was made in Scotland, outlining how we have reached this conclusion. The remainder of the chapter provides detail of the various types of expenditure.

Police and security expenditures

4.2 The most significant area of expenditure related to the G8 Summit was on the policing and security operations. With the exception of the Gleneagles site, this was organised centrally by Tayside police. In total, 15,400 police were involved in the security operation, 7,896 of these were from English and Welsh forces or the British Transport Police (BTP) and the remaining 7,504 were from Scottish forces. Expenditure was made in four areas:

- Mutual aid
- Planning costs
- Accommodation, catering and transport related expenditure and
- Other expenditure.

Table 4.1: Outline of total Scottish public sector investment and the proportion made in Scotland

	Total (£m's)	Expenditure made in Scotland (£m's)	Details
Police and security	**£52**[5]	**£46.9**	• £44.7 million of total expenditure spent on police in mutual aid for 15,400 police. 7,896 police from English and Welsh forces and British Transport Police accounting for £21.5 million of mutual aid. 7,504 police from Scottish forces accounting for £23.2 million of mutual aid therefore we assume £23.2 million was spent in Scotland in mutual aid. • £12.3 million of total expenditure spent on pre event planning including staffing, public order training exercises in Fife and setting up the Scottish Police Information and Co-ordination Centre (SPICC). All was spent in Scotland therefore we assume £12.3 million was spent in Scotland in pre event planning expenditures. • £8.4 million of total expenditure spent on accommodation, catering and transport related activity. 66,898 bed nights used by Police in 69 separate accommodation providers. Some minor leakage of transport expenditure therefore we assume £8 million was spent in Scotland in accommodation, catering and transport related activity. • £6.6 million of total expenditure used for other expenditures e.g. IT, Airwave radios etc. After accounting for the proportions spent with Scottish firms we have assumed that £3.4 million was spent in Scotland in other expenditures.
Scottish Executive	**£1.4**	**£1.3**	• Invested in the Scottish Village at Gleneagles (constructed by a Scottish company), used to promote Scottish events, prepare city signage and supporting events like the Abertay conversations[6] • Also to cover overtime and security • Estimate 90% of this expenditure was made within Scotland or £1.3 million
Local Authorities	**£3.6**	**£2.7**	• Mostly from the City of Edinburgh Council (CEC) (£3.2million) and spent in relation to MPH and Live 8 e.g. Jack Kane campsite provision in Edinburgh. Other LA expenditure was £394,000 by Perth and Kinross Council and £16,000 by Stirling Council. This was primarily spent on supporting events in Scotland. • From the analysis of the expenditure on G8 related activities[7] we estimate that £2.7 million was made in Scotland
Other public sector organisations	**£3.1**	**£2.8**	• Assumed that the majority of these expenditures were made in overtime payments for Scottish staff or on security provision. • We have therefore estimated that 90% of this expenditure was made within Scotland or £2.8 million
TOTALS	**£60.1**	**£53.7**	

[5] Total Police and Security expenditures were £72 million however, £20 million was paid by the UK Treasury, therefore only £52 million will have been covered by the Scottish Executive

[6] In addition to these figures, the Executive has committed £500,000 towards a G8 Legacy project in Auchterarder

[7] From detailed spreadsheets provided by the City of Edinburgh Council

Mutual aid

4.3 The largest element of this police expenditure was 'Mutual aid' (£44.7 million). This accounts for the cumulative claims of Scottish and non-Scottish police forces in providing officers and support for the security operation. Given that police were still required to carry out normal duties throughout the country the majority of this expenditure went on staff overtime and wages, however some also went on transport and accommodation expenditure incurred in bringing police to Edinburgh and Perthshire. Just over half (52%) of the £44.7 million went to Scottish Forces assisting in the policing operation (£23.2 million) while the remaining expenditure went on English and Welsh forces and the British Transport Police (£21.5 million)[8]. The Treasury contributed £20 million towards this element of the policing. **We have assumed that £23.2 million of the mutual aid expenditure was made in Scotland.**

Planning costs

4.4 Around £12.3 million of the police expenditure was made on planning and preparation before the event. Half of this expenditure comprised staff costs, overtime and recruitment to fill gaps in policing which were needed to ensure continued police coverage throughout Scotland during the Summit period. The remainder was spent in setting up the Scottish Police Information and Co-ordination Centre (SPICC) and on training and public order exercises in Fife. **We have assumed, in consultation with Tayside Police, that all of this expenditure (£12.3 million) was made in Scotland.**

Accommodation, catering and transport related expenditures

4.5 In total £8.4 million was spent on accommodation, catering and transport related activities (including air support and expenses at Prestwick airport). Altogether the police used 66,898 bed nights in 69 separate hotels and accommodation providers at sites right across central Scotland. This expenditure includes the provision of breakfast and an evening meal at their hotels, lunch was predominantly provided by the catering services of the various central Scotland Local Authorities. In addition, £4.2 million (of the £8.4 million total) was spent on transportation of officers, their equipment and air support. All of this expenditure with the exception of air support was made within Scotland, either on existing bus and train services, or through the rental and leasing of vehicles from local Scottish firms. After analysing the origins of the firms to whom these expenditures, **we estimate that of the £8.4 million total, £8.0 million was spent in Scotland.**

[8] Breakdown provided by Tayside Police and the Scottish Executive

Other expenditures

4.6 The remaining £6.6 million of police expenditure was used to purchase or lease a variety of other services and equipment. £1.9 million of the £6.6 million total was spent on private security, perimeter fencing and insurance all of which went to firms based outside Scotland. A further £1.5 million was spent on IT and office equipment and the Police Airwave radio systems. The majority of these 'Other expenditures' went to large firms with their headquarters elsewhere in the UK or overseas, however some will have been spent in Scotland with sub contractors or in the wages for local Scottish staff. The remaining £3.2 million (of the £6.6 million total) was spent on temporary structures, setting up police staging posts at Ingleston and other locations or on equipment and other miscellaneous items. All of this £3.2 million is likely to have been spent locally and the main suppliers used are all based in Scotland. Based on this information, **we have estimated that £3.4 million of these 'Other expenditures' would have been made in Scotland.**

4.7 Collectively this suggests that of the £72 million spent on policing and security related expenditure overall, £46.9 million of this was made in Scotland, either with businesses in Scotland or through overtime payments for additional hours of Scottish police (accounted for within mutual aid) (Table 4.2).

Table 4.2: Police expenditure[9]

Category	Expenditure (£'000's)
Planning Costs	12,251
Mutual Aid	44,660
Other (transport, accommodation, ICT	15,065
TOTAL	**£71,976**
Expenditure in Scotland	**£46,900**

Scottish Executive

4.8 The Scottish Executive expenditure details are shown in Table 4.3. The majority of the funding was used to set up the Scottish Village, promoting Scottish events including £200,000 to support the Live 8 concert and city dressing (banners and signage). The construction of the Village at Gleneagles was carried out by a Scottish company. Other expenditure related to the support of smaller events such as the Abertay conversation and to support the Chamber of Commerce events. Expenditure by SEERAD was used to support climate change events and the Education Department spent money on the J8.

[9] The above estimates are based on information provide by Tayside Police and exclude the PNICC (Police National Information and Co-ordination Centre) claim for £600k

4.9 While we understand that the majority of this expenditure was made with businesses in Scotland, there is likely to have been some leakage to businesses based outside Scotland and we have assumed a value of 10 per cent. **From a total of £1.4 million, around £1.3 million will represent expenditure made in Scotland**.

Table 4.3: Scottish Executive expenditure[10][11]

Category	Expenditure (£'000's)
Finance and central services	£950
Enterprise Transport and Lifelong Learning Dept	£233
Environment and Rural Affairs	£31
Education dept	£25
Development dept	£20
Office of permanent secretary	£6
COPFS	£5
Justice dept	£100
Scottish Courts Service	£35
Total	**£1,405**
Expenditure in Scotland	**£1,265**

Local authorities

4.10 Both City of Edinburgh and Perth and Kinross Councils provided details of their G8 related expenditure and the suppliers that were used. By far the biggest expenditure was made by City of Edinburgh Council. Around £1.4 million was related to the provision of the campsite at the Jack Kane Centre during the Make Poverty History march. Other expenditure was made on overtime for staff in housing, social services, CCTV monitoring and refuse collection. A review of invoicing shows that the majority of the expenditure was made with Scottish based contractors or on overtime payments to council staff.[12] In total Perth and Kinross Council invested £394,000 of which £133,000 was from existing budgets to support the programme of local events.

4.11 Based on the expenditure of £3.6 million made by local authorities we have established that around £2.7 million was spent in Scotland providing income for businesses in Scotland or in the form of overtime payments.

[10] Collected internally by the Scottish Executive departments

[11] In addition to these figures, the Executive has committed £500,000 towards a G8 legacy project in Auchterarder

[12] Details provided by the City of Edinburgh Council

Other public sector

4.12 In total, other public sector investment is estimated to be just over £3.1 million. Expenditure made by the NHS boards and the Scottish Ambulance service makes up the majority of this. We have assumed that the majority of this expenditure related to overtime payments for staff based in Scotland. There were smaller expenditures made by VisitScotland to support specific events related to the G8 Summit and their presence in the Scottish Village, and by Scottish Enterprise which also supported events.

4.13 As with Scottish Executive expenditure there is likely to be some leakage and we have assumed a value of 10 per cent. **We have estimated that £2.8 million of this expenditure was made within Scotland**.

Table 4.4: Other Public sector expenditure[13]

Category	Expenditure (£'000's)
Scottish Ambulance service	£1,260
NHS boards	£1,100
Scottish Water	£352
Enterprise Networks	£241
Fire and Rescue services (Tayside, Central)	£81
VisitScotland	£68
National Galleries	£12
Total	**£3,114**
Expenditure in Scotland	**£2,800**

[13] Data provided by Scottish Executive

5 Make Poverty History march (MPH), Live 8 and other events

- This chapter presents estimates of the economic impact of the MPH, Live 8 and other events related to the G8. The first section of the chapter sets out the results from the MPH march and Live 8. The second section considers the 32 other events which took place as a result of the Summit.
- Information on these events was collected through large scale surveys of participants at MPH and Live 8 (600 interviews)
- Between them, MPH and Live 8 attracted 100,000 visitors to Scotland of which 30 per cent were first time visitors
- The MPH march generated £8.0 million and Live 8 £2.2 million in new expenditure, a total of £10.2 million
- Other events generated a total of £280,000 in new expenditure
- The expenditure of those attending other marches rallies and demonstrations is included in the results for MPH and Live 8
- In total these G8 related events generated £10.5 million of new expenditure in Scotland
- The policing and other costs associated with these events are included in the previous chapter on public sector expenditure.

Make Poverty History (MPH) and Live 8

5.1 The two largest public events related to the Summit were the Make Poverty History march held in Edinburgh and the Live 8 concert at Murrayfield. MPH attracted 225,000 people of which we estimate 37 per cent were from outside Scotland. Live 8 was attended by 50,000 people of which we estimate 39 per cent were from outside Scotland. In total these two events brought just over 100,000 new visitors. They also involved around 250 performers and attracted 500 journalists from outside Scotland.

Approach

5.2 The analysis of the MPH and Live 8 events considers four strands of expenditure; visitors, journalists, performers and organisers. Gross expenditure of visiting groups has been calculated from the numbers attending, their average expenditure per day and length of stay in Scotland. The gross expenditure of organisers is also included.

5.3 Additionality and displacement are assessed by asking interviewees whether they would have been in Scotland anyway if the Summit had not been taking place. This analysis is carried out for each type of visitor. A fuller report on the economic impact of the MPH and Live 8 events is contained in Appendix B.

Key results

5.4 Table 5.1 outlines the number of visitors attending these events and their gross and net expenditures after accounting for additionality effects. It also presents the key assumptions in terms of daily expenditure and length of stay.

Table 5.1: Numbers of visitors, gross and net expenditure at MPH and Live 8

		Additional trips	Gross expenditure in Scotland (£000's)	% additional	Net expenditure (£000s)
MPH	Visitors (225,000)	**82,860** (*37% non-Scots & 4% overlap attendance between MPH and Live 8*)	**£9,434** (*£29 p.p per day for 3.9 days)*	84%	£7,900
	Performers (100)	100	**£50** (*£500 per trip, 2.4 nights at £208*)	100%	£50
	Journalists (250)	250	**£68** (*150 UK journalists staying 2 nights, £59 per night & 100 overseas journalists spending £72 for 7 nights*)	100%	£68
	Organiser spend	N/A	**£30** (*from consultation and experience*)	100%	£30
Live 8	Visitors (50,000)	**19,110** (*39% non-Scots & 4% overlap attendance between MPH and Live 8*)	**£2,023** (*£27 p.p per day for 3.9 days)*	89%	£1,800
	Performers (150)	150	**£75** (*£500 per trip, 2.4 nights at £208*)	100%	£75
	Journalists (250)	250	**£68** (*150 UK journalists staying 2 nights, £59 per night & 100 overseas journalists spending £72 for 7 nights*)	100%	£68
	Organiser spend	N/A	**£250** (*from consultation and experience*)	100%	£250
	Totals		£11,998	85%	£10,248

Summary of results

5.5 Over 100,000 trips were made to Scotland for the Make Poverty History march and Live 8 concert by non-Scots. From the visitor survey, we know that 85 per cent of these trips would not have been made if the events had not taken place. These individuals each spent just under four days in Scotland, suggesting that these trips were often part of a longer visit to Scotland. The average expenditure was around £100 per person in Scotland and together these two events are estimated to have generated £10.2 million of new expenditure.

Other events

5.6 There were 32 other events staged in Scotland in relation to the G8. This excludes other rallies and demonstrations. The objectives of these events were often promotional or aimed at raising the awareness of the key themes of the Summit[14].

5.7 Some of these promotional events aimed to encourage businesses in Scotland to take advantage of the G8 Summit opportunities. These included, for example, tourism seminars, the Chamber of Commerce Summit and various other business meetings. Events aimed at raising awareness and debating the themes of the Summit included events like the "J8" for schools, the "Commission for Africa" and "Climate change" conferences. There were also many events that aimed to educate and develop understanding of Africa. These included cultural events and exhibitions, conferences and seminars. A full list of these events and the numbers attending them can be seen in Appendix D.

Economic impact

5.8 In total 24 of these 32 G8 related events were considered likely to have generated direct economic benefit through visitor expenditure. The remaining events represented activities which were unlikely to encourage additional trips to Scotland or represented trips already accounted for in other elements of the analysis (the airport welcome or the media receptions).

5.9 The 24 events attracted an estimated 5,011 attendances, of which 1,016 were made by visitors to Scotland. In total 50 per cent of these non-Scots were staying overnight (496) and the remainder were on day trips. Using an average daily expenditure £167.40 for overnight visitors and £47.10 for day trippers[15], and a length of stay of between 1 and 4.5 nights, gives a total net expenditure in Scotland of £280k.

5.10 The figures relate only to non-Scots visits and we have assumed that these visitors would not have been in Scotland if the Summit had not been taking place and that their expenditure is wholly additional. The average length of stay is based on consultations and data provided by a variety of individuals and organisations involved in delivering these events (Table 5.2).

Table 5.2: Economic impacts of other G8 related events

	Gross Expenditure	% additional (from non-Scots)	Net expenditure
Scotland	£550,027	51%	£280,274

[14] One of the Scottish Executives high level objectives, G8, Col 17649, Scottish Parliament Official Report 8th June 2005

[15] This figure is derived from "Estimating the direct expenditure benefits of conferences to a local area – an advisory note" from the UK National Tourist Boards, 2001, and has been adjusted for inflation using the RPI

6 FCO expenditure in Scotland, delegates and journalists

- This chapter sets out the expenditure made by the FCO and its contractors, delegates and journalists attending the Summit
- The first section of this chapter calculates the proportion of FCO expenditure in Scotland. It estimates that FCO, through its contractors spent £4.5 million with businesses in Scotland
- The second section of the chapter uses information from different sources to estimate the number of delegates and journalists that visited Scotland to estimate their expenditure. The chapter reports that delegates and journalists spent a total of £5.5 million in Scotland.

FCO expenditure

Contractors

6.1 The FCO paid for all the non-policing costs associated with the Gleneagles site and the expenses of UK delegates. This collectively amounted to £10.7 million which was paid to eight suppliers. Three Scottish based companies were awarded contracts, following the tendering process, including the Gleneagles hotel itself. The total expenditure made directly with Scottish suppliers was £1.9 million, but non-Scottish suppliers also used local sub-contractors.

6.2 From the main non-Scottish based suppliers, the research identified the proportion of the contract value that had been spent in Scotland. The main event organiser, Jack Morton, was responsible for setting up the site for delegates and the media village for journalists. Jack Morton is an American company, but the delivery of the event required a lot of local suppliers and they provided details of all the expenditure made to Scottish firms. In total, 35 Scottish suppliers were used by Jack Morton in the delivery of the events and were paid a total of £2 million.

6.3 The FCO also paid £1.5 million to four businesses for transport, logistics and construction related activities. All four are based outside Scotland. These firms also used Scottish suppliers and, based on discussions with these contractors, we estimate that £0.6 million of this expenditure was made in Scotland.

6.4 Taken together, these figures suggest that £4.5 million of the expenditure made by the FCO was made in Scotland.

Delegates

6.5 Information was collected from foreign consulates and from the FCO to estimate the number of delegates attending the Summit (Table 6.1).

Table 6.1: Number of delegates by country from the FCO accreditations

Delegate group	Estimated total
Canada	172
EC	25
France	127
Germany	76
Italy	74
Japan	473
Russia	440
UK (incl OGDs)	83
USA	490
Outreach & Int'l Orgs	415
Total	**2,375**

Journalists

6.6 In total there were 2,350 accredited media representatives listed for the Summit and 701 journalists attached to delegations. A total of 3,051 of which 2051 actually attended. There were also around 500 non-Scottish journalists that attended the MPH and Live 8 events.

6.7 The City of Edinburgh Council estimates that there were around 1,000 media representatives in Edinburgh of which 50 per cent were from outwith Scotland. The Council suggested that 80 per cent of those who attended MPH and Live 8 would also have attended the Summit itself. This would mean that of the 2,051 journalists who attended the Summit at Gleneagles, 400 are accounted for in the MPH and Live 8 calculations.

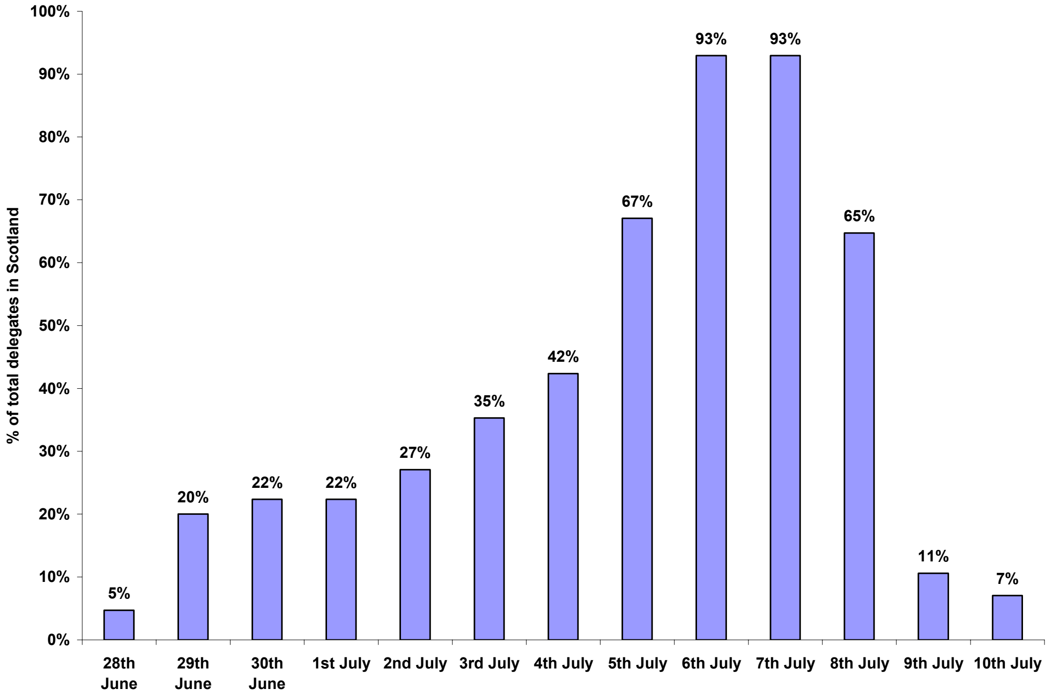
6.8 We estimate that there were 1,651 journalists from outside Scotland that only covered the Summit.

Expenditure of delegates and journalists

6.9 The delegates and journalists had a relatively high daily expenditure compared to average tourists. Two of the foreign consulates were able to provide an assessment of the average daily expenditure of their delegates and the official press. These were £175 per day and £325 per day. For these calculations we have assumed an average expenditure per day of £250.

6.10 In all cases the G8 delegations had a small advance party that arrived up to two weeks before the Summit. The majority of delegates stayed for the five days surrounding the Summit itself. This pattern of visits can be estimated from evidence provided by one of the major hotels (Figure 6.1).

Figure 6.1: Proportion of delegates staying during the Summit period[16]



6.11 On the basis of this evidence we estimate that the length of stay of delegates and journalists was between 3.5 and 10.4 days, with an average of 5.5 days.

6.12 This gives a total expenditure in Scotland of just over £5.5 million.

[16] Figures provided by major hotel hosting delegation, to demonstrate the pattern of bed nights bought.

7 Displacement effects

- Displacement occurs when the benefits of one activity are at the expense of other activities. In this case, although the G8 Summit attracted a lot of new visitors, it also deterred others that might have visited.
- This chapter values the amount of tourism business that was displaced by the G8 events, by comparing the number of bed nights generated by G8 and the change in occupancy rates. If there was no displacement, then we would expect to see occupancy rise by an amount equivalent to the number of bed spaces taken by the G8. In practice, occupancy did not rise by the same amount, which indicates that either the G8 prevented others from staying because of capacity constraints or concerns about disruption deterred potential visitors.
- This represents a negative effect that should be subtracted from the overall value of hosting the Summit.
- The first section of this chapter assesses the amount of tourism that was deterred or unable to visit because of a lack of capacity. It estimates that £6.5 million of tourism was displaced by the Summit and related events
- A second effect is that some of the businesses carrying out work related to the Summit may not have been able to carry out other contracts. This “substitution” effect would mean that some of the economic activity supported by the Summit was not additional
- The second section of the chapter estimates that £3.0 million of the supplier activity was substituted from other activity.

Displaced tourism business

7.1 The analysis of displaced tourism business starts by considering how many bed nights the Summit and associated events took up and whether or not occupancy rates rose by an equivalent amount. If this were the case, then these bed nights could be treated as additional. If not, we must assume that there has been some displacement. The evidence of the accommodation survey indicates that the G8 did deter visitors for the duration of the Summit.

7.2 A complicating factor is that business lost over the period of the Summit, may have been made somewhere else in Scotland or at a different time. To allow for this the analysis is done for the whole of July. The occupancy data from the SQW survey of accommodation providers indicates that rates were typically lower than last year in the week of MPH and the Summit, but were significantly higher in the third and fourth weeks of the month. There is no doubt that during the event a large number of accommodation providers suffered weaker occupancy, particularly in Edinburgh and Perth and Kinross, but some of this was offset by higher figures later in the month (Table 7.1).

Table 7.1: Room occupancy rates July 2005 from SQW survey of accommodation providers in Edinburgh and Perthshire

Week	27th June-3rd July (Make Poverty History March 2nd July)	4th July-10th July (Week of G8 Summit and demonstrations)	11th July-17th July	18th July-24th July
Room occupancy	67%	71%	80%	69%

Bed nights supported by the G8 Summit and related events

7.3 The total bed nights related to the Summit and associated events comprise three elements, those staying during MPH and Live 8, the police and delegates and journalists. In total there were 174,000 bed nights.

Table 7.2: number of bed nights related to G8

Category	Bed nights
MPH and Live 8[17].	120,000
Delegates and journalists[18]	22,000
Police[19]	52,000
Total	**173,000**

Displacement

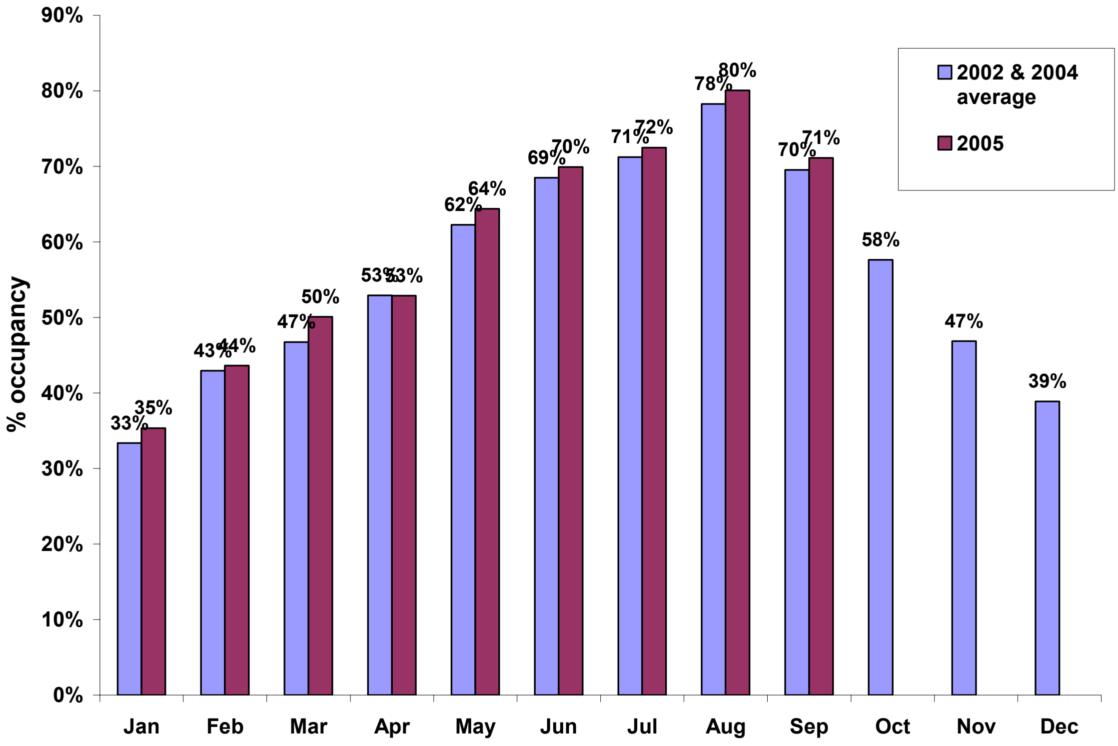
7.4 To estimate how high occupancy would have been in July without G8, it would be normal to take an average over the past few years, but there are several complicating factors. The British Open in July at St Andrews will have helped boost occupancy in July anyway, while the London bombings may have dampened demand. To allow for this we have used the average for July 2002 and July 2004, the two most recent years when the Open was held in Scotland, as the baseline. This gives an average room occupancy of 71 per cent compared with the 72 per cent that was actually achieved in 2005 (Figure 7.1).

[17] Based on results from the SQW survey of MPH and Live 8 interviews – results presented in Appendix B

[18] Based on Delegate and Journalist data set out in Chapter 6

[19] There were just under 67,000 police bed nights in Scotland. Based on information from the police we estimate that 78% of nights were in hotel or guesthouse accommodation.

***Figure 7.1: Scottish Occupancy results 2002 & 2004 average versus 2005*[20]**



7.5 Based on the accommodation registered with VisitScotland.com there are approximately 270,000 bed spaces across hotels, B&Bs, guesthouses and self catering units in Scotland (a potential 8.37 million bed nights in July). A one per cent increase is equivalent to occupancy of 84,000 bed nights.

7.6 We have attributed 174,000 bed nights to the Summit and related events, but occupancy only rose by 84,000. This means that 110,000 bed nights have been displaced. Using tourism expenditure data from VisitScotland[21], this would represent displacement of £8.36 million.

7.7 In this estimate we have not allowed for any of this displaced business taking place in other months. The figures for August and September suggest an increase and June was also higher than previous years, possibly reflecting trips taken earlier to avoid the Summit and related events. A further effect is that while the G8 brought many visitors from outside Scotland, a proportion of the trips that they displaced would have been made by Scottish residents. Although some Scottish residents may have travelled outwith Scotland rather than make trips domestically, some of this "lost" business or expenditure would have been spent in Scotland anyway on other things.

[20] Scottish Occupancy Survey, www.scotexchange.com

[21] Based on VisitScotland data (UKTS and IPS) for 2003 the average expenditure per night per person in serviced accommodation is £71. Adjusted for inflation to Oct 2005 using the RPI (6.6%) gives £76 per bed night.

7.8 Taking into account these factors, our view is that an estimate of lost tourism business of £6.5 million is fair.

Displacement among suppliers

7.9 Excluding expenditure on accommodation, £57.9 million was spent in Scotland in relation to the G8. Fifty eight percent of this (£33.4 million) was on new staff costs and overtime, the remaining £24.5 million was made with companies operating in Scotland. Each of these businesses will have different levels of resource and will be subject to different levels of capacity constraint. These capacity constraints are more considerable in some sectors than others. Security and labour firms, for example are much more likely to be able to absorb increased demand shocks of this nature by taking on more staff or by working additional hours.

7.10 In order to account for these displacement effects, we split the Scottish supplier expenditure into five key groups and consulted with companies in each.

7.11 From these consultations we were able to determine the amount of business that was turned away, the level of trade they experienced in July 2005 compared to July 2004 and if they did turn trade away, where they felt this would have gone.

Transport

7.12 The transport sector is likely to experience more limited capacity constraint problems depending on the nature of the mode of transport and alternatives. The transport expenditure can broadly be separated into two main areas, expenditure on existing services (e.g. train, bus and plane fares) and vehicle hire (either with drivers like bus and limousine hire or without drivers like car and van hire). In both cases, there is likely to be some capacity constraint, however our consultations with transport suppliers suggested that they had sufficient resources to cover this business without having to turn custom away. There is likely to be only limited displacement of other business and we have assumed that 10 per cent of this work is likely to have displaced other potential contracts.

Security

7.13 £2.2 million was spent on security firms in Scotland from all of the various sources. This expenditure went primarily to firms providing stewards and guards for events. To cover this existing staff worked longer hours and businesses also took on additional part-time staff. In a few cases larger firms brought staff up from offices in the North of England but generally most of these contracts appear to have been directly managed through creating additional capacity. Displacement is considered to be limited and we have used an estimate of 10 per cent.

Event suppliers/construction firms

7.14 Two event suppliers and two construction firms based in Scotland were consulted to assess the extent of displacement. The consultees in the event industry reported that the nature of business required operators to have sufficient capacity or access to capacity to cope with major changes in demand. Often this means working very long hours at these periods, or taking on more part-time staff. It was considered unlikely that the G8 activities would have displaced other work and that the additional services will have been delivered through new short term capacity.

7.15 Construction firms also suggested that the demand was seasonal and that the July period was a quiet period of the year. However, one consultee had turned business away, but believed that this had been taken on by another Scottish business with capacity. Again, displacement is limited because of the time of year and the flexibility of suppliers. We estimate that 10 per cent of the expenditure made was displaced.

Other firms

7.16 Other firms included a range of organisations. Displacement may be slightly higher in these cases and we have used 20 per cent. Table 7.3 sets out the categories of supply and the estimated value of displaced business.

Table 7.3: Displaced business from G8 activity

	Transport	Security	Event suppliers and construction	Other
Total G8 expenditure (£m's)	£9.2	£2.2	£6.9	£6.2
% of displaced business	10%	10%	10%	20%
Total displaced business (£m's)	£0.9	£0.2	£0.7	£1.2

7.17 Together with the displaced tourism business, this gives a total of £9.5 million of the expenditure that would have occurred without the G8.

8 Media evaluation

- This chapter presents an evaluation of the media coverage generated by the Summit and related activity
- The analysis covers references to Scotland and the G8 made in the top five national press publications and top five broadcast stations in the G8 member states, China and Spain, between the 2nd and 11th of July 2005
- The total Advertising Value Equivalent in these markets was £66.4 million.
- Assuming the same pattern of media coverage achieved prior to the Sea Island Summit in 2004, would give a projected advertising value equivalent of £618 million over the six months to the end of the Summit and a total of 37 billion "opportunities to see"
- The Summit in Gleneagles secured as much coverage in the US national newspapers as was achieved when the event was held in the US at Sea Island in 2004. This indicates that, overall, the world wide coverage of Gleneagles is likely to have been at least as great as for the 2004 Summit
- 94 per cent of coverage was neutral in tone, 5 per cent was positive and less than 1 per cent was negative
- Key messages were found in 5 per cent of all volume, this equates to 122 million opportunities to see over the period of the Summit.
- Raising awareness and debate in Scotland was one of the objectives of hosting the G8. Analysis of the UK media demonstrates that this was achieved

Definitions

8.1 A fuller description of the methodology and the results is in Appendix C. The broadcast and media coverage generated by the summit and its related and supporting events was analysed using:

- **Opportunities To See (OTS) -** This is a measurement of audience and was recorded as a cumulative number of audiences for publications and broadcasts and sourced from the quarterly National Readership Survey results, BARB and RAJAR data.
- **Advertising Value Equivalent -** the rate values for placing advertisements in the press and on broadcast stations are used to produce a monetary measure of newspaper space or broadcast time as if it were purchased for advertising purposes.

- **Tone and favourability -** a qualitative measurement of the positive, neutral or negative nature of the coverage by looking at a number of factors including the relative proportions of beneficial and adverse comment, the style of language used and the favourability of the headline

Summary of media findings

8.2 In total 4,371 broadcast and press pieces were collected from the 10 markets covered in the evaluation between the 2^{nd}-11^{th} of July 2005. It would have cost £66.4 million to purchase this volume of coverage in these markets.

8.3 Table 8.1 shows the volume, opportunities to see and value of the coverage in the sample. The domestic UK market generated the most significant amount of coverage overall. Japan's OTS was the second highest because of the high readership of its national press. Due to high audience figures and correspondingly high advertising rates, the USA contributed the largest proportion to the AVE total, despite the lower volume of coverage.

Table 8.1: Volume of coverage, Opportunities To See and Advertising Value Equivalent for all markets covered in the study

		Volume	OTS 000's	AVE
2nd-11th July	**France**	437	480,564	£8,300,829
	Germany	345	351,341	£4,708,425
	China	190	138,433	£1,867,027
	Spain	153	220,925	£1,704,152
	USA	277	427,687	£16,733,599
	UK	2,549	1,890,132	£18,122,449
7th-11th July	**Italy**	132	213,694	£5,492,003
	Canada	64	17,176	£210,667
	Russia	55	43,116	£2,097,945
	Japan	169	1,094,613	£7,206,739
	Totals	**4,371**	**4,877,681**	**£66,443,835**

Main hooks

8.4 All the items included in the analysis referred to Scotland and the G8. In addition, some items made references to specific areas of Scotland, such as Edinburgh in relation to the protests, Live 8 and the MPH march, Perthshire in relation to the Summit and Gleneagles as a luxury golfing resort. In total, 65 per cent of OTS made references to Gleneagles (3.2bn), 19 per cent Edinburgh (921 million) and less than 1 per cent Perthshire/Perth (7 million). The Japanese coverage mentioned Gleneagles most often (98%) along with Italy (78%) and the UK (63%).

8.5 The pattern of coverage is shown in Table 8.2 with themes of the stories by country. Coverage of the London bombings was more prevalent in the US, Canada and Japan, while the protests, made up around a quarter of the coverage across all countries.

Table 8.2: per cent of OTS per market mentioning each of the hooks listed

	Perth/Perthshire	Gleneagles	Edinburgh	Protests	Live 8/MPH	Bombings
China	0%	23%	3%	11%	1%	13%
France	1%	31%	17%	26%	15%	15%
Germany	0%	56%	28%	23%	36%	13%
Spain	0%	57%	39%	28%	12%	36%
USA	0%	44%	7%	19%	10%	40%
UK	0%	63%	29%	32%	27%	12%
Canada	0%	39%	9%	27%	36%	44%
Italy	1%	78%	10%	29%	7%	36%
Japan	0%	98%	5%	11%	3%	54%
Russia	0%	43%	3%	27%	0%	19%
All markets	**0%**	**65%**	**19%**	**23%**	**17%**	**28%**

Tone of coverage

8.6 The vast majority of coverage was neutral in tone towards Scotland (94% of volume, 95% of OTS and 97% of AVE). Much of the coverage was written on issues unrelated to Scotland including the main themes of the Summit agenda. In these articles there may have been frequent references to Scotland, Gleneagles, Edinburgh, etc but these were mainly as the venue for these events. Around 5 per cent of the coverage was described as “positive” in tone and less than 1 per cent was negative.

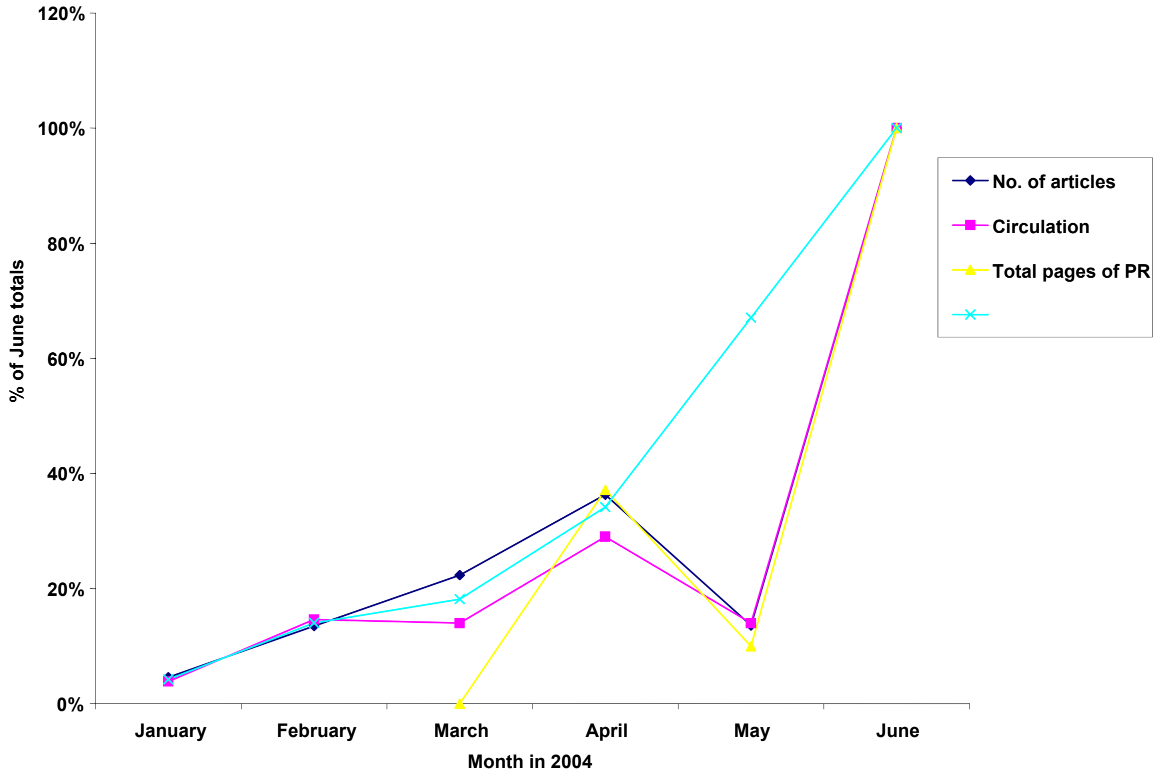
Table 8.3: Tone of coverage in markets by Volume

Market	Volume (No. of articles)	
	Positive	Negative
France	6	1
Germany	35	0
China	2	2
Spain	18	1
USA	10	0
UK	179	0
Italy	5	0
Canada	0	0
Russia	5	0
Japan	2	0
TOTALS	**262**	**4**

Extrapolating to a longer period

8.7 Over a longer period and in a larger number of markets, the total volume, OTS and AVE of the 2005 coverage would be substantially higher. Media monitoring data was collected in Savannah in the lead up to the Sea Island G8 Summit in Georgia. This showed coverage from January to the Summit at the end of June. We have used this profile as a basis from which to extrapolate the Gleneagles results from January to July. Figure 8.1 shows the pattern of coverage over time identified in Savannah leading up to the Summit.

Figure 8.1: Growth in media attention in relation to the G8 Summit at Sea Island



8.8 In extrapolating from this pattern we have assumed that the coverage from the 2005 Gleneagles Summit followed the trend line in Figure 8.1 and assumed a similar pattern to that identified in Savannah. The results of this extrapolation are shown in Table 8.4 and estimate that **the AVE of the Gleneagles coverage over the six month period was £618 million.**

Table 8.4: Total estimated AVE and OTS values for Scotland based on the Sea Island Summit media coverage profile

	AVE	OTS
Scotland	£618 million	37.2bn

Key messages

8.9 The coverage was analysed to identify references to a number of key messages. Items that contained these messages were identified and valued separately and the total AVE for each is shown in Table 8.5. These figures have been projected to cover the full six month lead up time to the end of the Summit.

8.10 Scotland as a tourist destination received the greatest attention of these messages, representing £4.5 million AVE (projected over the six month period). There was coverage of Scottish products and services and Scotland's capacity to host big events. There were fewer references to the key messages relating to investing in Scotland, as a place to do business or as a place to live and work. The analysis is based on the top five press and top five broadcast media in each country.

Table 8.5: OTS and AVE of coverage communicating key messages

	OTS (millions)	AVE (£000's)
Scotland as a tourism destination	1,567	£4,600
Scottish products and services	1,211	£2,800
Scotland as a place for hosting events	256	£464
Scotland as a place to live and work	88	£67
Scotland as a place to do business	73	£37
The influence of Scottish government on international policy issues	12	£11
Scotland as a place to invest	6	£8
TOTALS	**3,213**	**£7,826**

8.11 As would be expected, the vast majority of the coverage related to the content of the Summit and its themes and the proportion of the coverage that contained the key messages should be seen in this context.

8.12 Overall, one in twenty articles communicated key messages about Scotland. This is still very significant coverage and even within the sample, over the period of the Summit, this represents 122 million "opportunities to see". Projecting this figure to allow for the six month lead up gives a total OTS of 3.2 billion and an AVE of £7.8 million (Table 8.5).

8.13 It is also important to recognise that the contribution to Scotland's profile is largely through the implicit association with hosting the G8 Summit and is not entirely related to the specific key messages.

Comparison with Sea Island

8.14 The media study conducted at the 2004 Sea Island G8 Summit held in Savannah, Georgia is the only previous assessment of media coverage. This estimated total media coverage to be worth \$818 million. This was restricted to coverage within the USA and Canada and press coverage only. The Sea Island study assumes each article is equivalent to a page, whereas this study measures the size of the article. This makes a comparison between the two estimates impossible. However, using the data from Sea Island in relation to the top five national press and broadcast media in the US shows that Gleneagles secured a slightly greater level of coverage than Sea Island achieved.

8.15 The fact that Gleneagles was able to generate as much national coverage in the US as their own Summit suggests that, globally, coverage of Gleneagles is likely to have been at least as great, if not greater, as that for the Sea Island Summit, particularly since the Gleneagles Summit would have enjoyed an additional "home" effect in the UK.

8.16 Although we have used the longer term pattern of coverage generated at Sea Island in estimating an AVE figure of £618 million, the differences in methodology and coverage mean that this cannot be directly compared with the Sea Island estimate.

Raising awareness and debate

8.17 Although not directly related to the economic effects, raising awareness and debate was one of the Scottish Executive's high level objectives for the G8 summit[22] and represents a lasting legacy for Scotland. The most reliable indicator is the domestic media coverage.

8.18 In the lead up to the Summit, when most of these events were taking place, the Scottish press was dominated by the themes of the summit. The distribution of the events geographically and over time as well as their diversity ensured that coverage of these themes was played out over the month leading up to the Summit. In a review of media during the Summit[23], Professor John Kirton reported that "In the two weeks leading up to the start of the Gleneagles Summit on July 6, 2005, the major elite and mass-circulation, quality British and Scottish newspapers gave prominent front-page attention to the G8 and its associated events."

8.19 Front-page attention rose steadily a week before the Gleneagles Summit thanks to the Live 8 concerts and the MPH march in Edinburgh. The report comments that "the issues highlighted on the front pages concentrated overwhelmingly on the two priority issues…..African development and, to a lesser extent, climate change." Figures from the media review carried out by the G8 information centre for the UK coverage illustrates these points (Figure 8.2).

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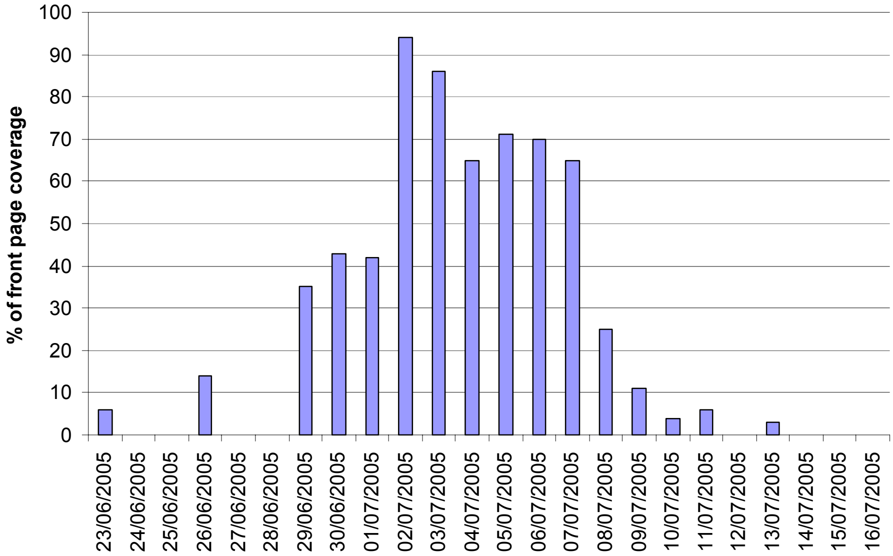
[22]G8, Col 17649, Scottish Parliament Official Report 8th June 2005

[23] "Gleneagles G8 Boosts Blair at Home" Professor John Kirton, G8 Research Group, August 1, 2005

Figure 8.2: Percentage of coverage of front pages in UK press (the Times, Financial Times, Daily Telegraph, Independent, Guardian, Observer, Scotsman, Herald)[24]



[24] Source: G8 Information Centre, 2005

9 Impacts on business and distributional effects

- This chapter considers the distributional effects of the G8 on businesses and particularly in Edinburgh and Perthshire where the main events took place
- It sets out the results of e-surveys with businesses, accommodation providers, consultations with Edinburgh city centre retailers, business organisations and with firms in Auchterarder
- Hosting the G8 Summit and related events had significant distributional effects on Scottish business and there are winners and losers
- A total of £40.8 million was spent with businesses in Scotland as a result of the G8, with a further £33.4 million going to public sector staff, mainly police in overtime payments and new wages
- The £40.8 million involved major contracts for larger businesses rather than many smaller contracts
- The chapter estimates that city centre retailers in Edinburgh lost around £7.4 million of sales, but that this would mainly have been displaced either to other areas of the city or Scotland or taken place later in the month
- In Auchterarder, 60 per cent of businesses reported reduced sales, although resident expenditure is likely to have been displaced temporarily outside the village
- Very few businesses were able to quantify additional costs and estimating the wider costs of disruption is beyond the scope of this work, although this is discussed
- We estimate that overall as a result of the G8 there was £6.3 million of new turnover, overtime and additional wage payments for businesses and employees based in Perth and Kinross. This reflects the scale of the investment and the number of visitors and police that it brought directly to the area.

9.1 Hosting the G8 had a significant redistribution effect on Scotland and there were both winners and losers. In order to represent both of these groups, our analysis of these effects has been split into three sections:

- **G8 expenditure with Scottish firms**
  - An assessment of the volume of spending made to businesses in Scotland in relation to the Summit both from Scottish and UK public sector organisations

and those made by new visitors, delegates and journalists. It also outlines the expenditure made in each sector of the economy.

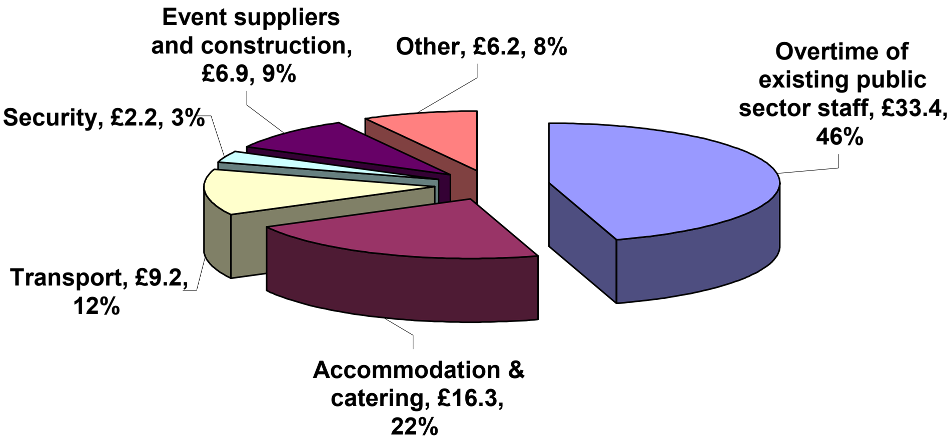
- **Effects on Scottish business**
  - This section presents some of the results from the business survey and consultations. It considers how the G8 and related events affected the costs and revenues of businesses, in particular the retail sector and looks specifically at the effects on Edinburgh city centre retailers and the Auchterarder and Perth and Kinross regions.
- **Effects on the accommodation sector**
  - This section reviews the results of the accommodation survey and consultations and considers how the G8 has affected occupancy levels. It also presents the perspectives of hotels on the longer term impacts.

G8 related expenditure with Scottish firms

9.2 In total £40.8 million was spent with Scottish companies before accounting for displacement effects. A further £33.4 million was paid to public sector staff, mostly police in new wages and overtime payments. This gives a total of £74.2 million before displacement effects.

9.3 Including overtime payments, 78 per cent of the expenditure came from the public sector (£58.2 million) while the remaining £16 million came from visiting groups of delegates, journalists and other visitors. Overall it is estimated that the total expenditure of £74.2 million can be presented in the six categories shown in Figure 9.1 below.

Figure 9.1: Breakdown of G8 related expenditure with Scottish firms by sector including value (£m's) and proportion of total (%)



9.4 The largest proportion of this expenditure was paid to staff in overtime payments (£33.4 million) primarily for Scottish Police (£30.5 million). £16.3 million was paid to accommodation and catering providers (22%) and transport firms received £9.2 million.

9.5 There were a number of large contracts awarded to Scottish firms, for example to set up the Scottish village at Gleneagles or prepare the Jack Kane campsite. Overall, expenditure tended to be made through larger contracts to a limited number of suppliers rather than small payments to many contractors.

9.6 Excluding overtime payments for existing public sector staff, 27 Scottish suppliers secured contracts in excess of £100,000 and these suppliers collectively were paid £8.2 million or 20 per cent of the £40.8 million which went to Scottish companies.

9.7 A large number of accommodation providers were able to secure business from the Summit, although these were primarily large hotels rather and guesthouses and B&Bs, who tended to suffer more as other visitors were deterred from making trips.

9.8 The G8 Summit and associated events generated expenditure of £40.8 million paid directly to Scottish companies. The businesses that benefited were predominantly major hotels and accommodation providers that were used by delegates, journalists and the Scottish police. However, all of the companies involved in the G8 are likely to have gained from the exposure to new potential clients and involvement in such a high profile event.

Effects on Scottish business

9.9 Eighty three businesses responded to an e-survey with the majority of these responses coming from retailers (31%) and hotels and restaurants (19%). Three quarters of these responses came from Edinburgh based businesses (76%).

Costs

9.10 Twenty eight percent of the respondents from the survey, reported either a major or minor increase in costs as a result of the G8. The majority of the increased costs were incurred in improving security measures.

> *'Fixed costs stayed the same, major downturn in turnover'*
>
> *'Our costs didn't change. We didn't need to make extra expenditure'*

9.11 Our consultation with one of the major finance businesses in Edinburgh indicated that larger firms in the city centre would have invested heavily in planning and security measures. These firms needed to ensure that both the security of their staff and their ability to trade was unaffected by any disruption. This was done in co-operation with the police and provides a good example of the measures that were taken to minimise disruption. These included:

- moving meetings to the periods before and after the week of the Summit
- moving staff to office locations outside the areas of greatest risk and encouraging staff to change their working hours during the Summit week to minimise the effects of any disruptions to the transport network and
- investing in an increased security presence and back up key ICT and other infrastructure to avoid single point of failure issues e.g. from electricity or telephone cables being cut by protestors.

9.12 It is impossible to estimate the wider costs of the disruption. Some businesses will have been able to manage the process with little cost by rearranging shifts, meetings and holidays. Others will not. Although these costs cannot be measured, they should be considered in the overall assessment of the impact of the event.

> *'Hard for staff to be productive in such a noisy and febrile atmosphere, police helicopters directly overhead etc'*

Insurance

9.13 Premiums on insurance are based on the probability of claims being made. If a substantial number of claims are paid, then premiums are likely to go up. However, it is recognised that the event was a one-off and that risk factors had not changed. Businesses are usually covered for property damage under the terms of the 'riot, strike or malicious damage' clause. Very few claims had been made for this.[25] The effects on insurance premiums in Scotland are therefore likely to be negligible.

Sales

9.14 The survey suggests that sales were significantly affected by the G8 Summit and the protests and demonstrations that it brought with it. In total, 52 per cent of the businesses in the survey reported a decrease in sales, with 35 per cent reporting a major decrease. Typical comments included:

> *'A drop in sales during the week that the G8 was being held from the Make Poverty History march onwards'*
>
> *'Room bookings down on comparison to the same time last year'*
>
> *'Major downturn in turnover has resulted in serious problems for our business'*

9.15 There is evidence that these effects were felt more significantly in certain areas, particularly Edinburgh and retailers in its city centre. Representatives from the Chamber of Commerce, the Federation of Small business and the Edinburgh City Centre Management company all agreed that these businesses were likely to have suffered as a result of the protests and demonstrations. The July data from the Scottish Visitor Attraction Barometer, which tracks visitor numbers at Scotland's top tourist attractions, shows a 15.5 per cent drop in Edinburgh and Lothian, a 16.4 per cent drop in Fife and an 8.5 per cent drop in Perthshire. In contrast Greater Glasgow saw an 8.2 per cent rise compared to the same period in 2004. This is confirmed by consultations with the Association of Scottish Visitor Attractions whose July report suggested that;

> *'Most Edinburgh sites showed a decrease for July and this is being attributed to rallies and protests associated with the G8 Summit and the Live 8 concert. In fact, most operators in the Stirling and Perth areas also noted that visitor levels were down generally and G8 at the start of the month with the associated road closures was felt to be the major cause'*

[25] Based on consultation with Director of the Scottish Broker Network, a network of UK insurance firms

Impacts on Edinburgh Retailers

In considering the impact on Edinburgh retailers, we have looked at responses from 21 independents and 6 chain stores located in the city centre. The six chain stores were contacted directly, whilst the others responded to our e-survey. Almost all of these firms (85%) reported a fall in sales with 74% reporting a 'major decrease'. In addition, many operating in the city were forced to close during the period and on two occasions police appear to have advised city centre retailers to shut because of the risks posed by protestors. On average these retailers appear to have lost between 4 and 7 hours of trading time during the week of the Summit.

> *'The worst weeks trading since 2000'*

> *'What should have been one of our busiest months was in fact completely flat with little evidence of visitors from Scotland and further a field'*

Calculating the total value of these losses is difficult because the effects were most severe on Princes Street and its proximity, while businesses responding from areas immediately outside the city centre reported increases in trade.

> *'More business/local people used us instead of perhaps going to Princes Street'*

The lost sales reported by retailers were generally between 30% and 70% of turnover during the week of the Summit.

> *'General counter sales were down by £1500 on the same week of trading last year, this represents a 25% drop in turnover'*

> *'We lost approximately 40% of our turnover during the G8 week'*

> *'50-60% of the weeks takings lost due to closures and disruptions on Princes Street'*

The 2005 Edinburgh Area Retail Needs Study (Halcrow) suggests that the total turnover of the Edinburgh City Centre was £750 million in 2003. If we assume that the Edinburgh city centre has a total turnover of £770 million in 2005 and that all retailers in the city centre lost an average of 50% of their turnover during the week of the Summit**,** this would equate to a total sum of lost business of £7.4 million.

Our consultees also suggested that this loss of trade could in fact have been more significant if more businesses had decided to board up their premises which could have had a domino effect as others were encouraged to do the same.

> *'The boarding up of buildings close to ours led to the area having a desolate atmosphere, and during the several days of protest most customers avoided our shop completely'*

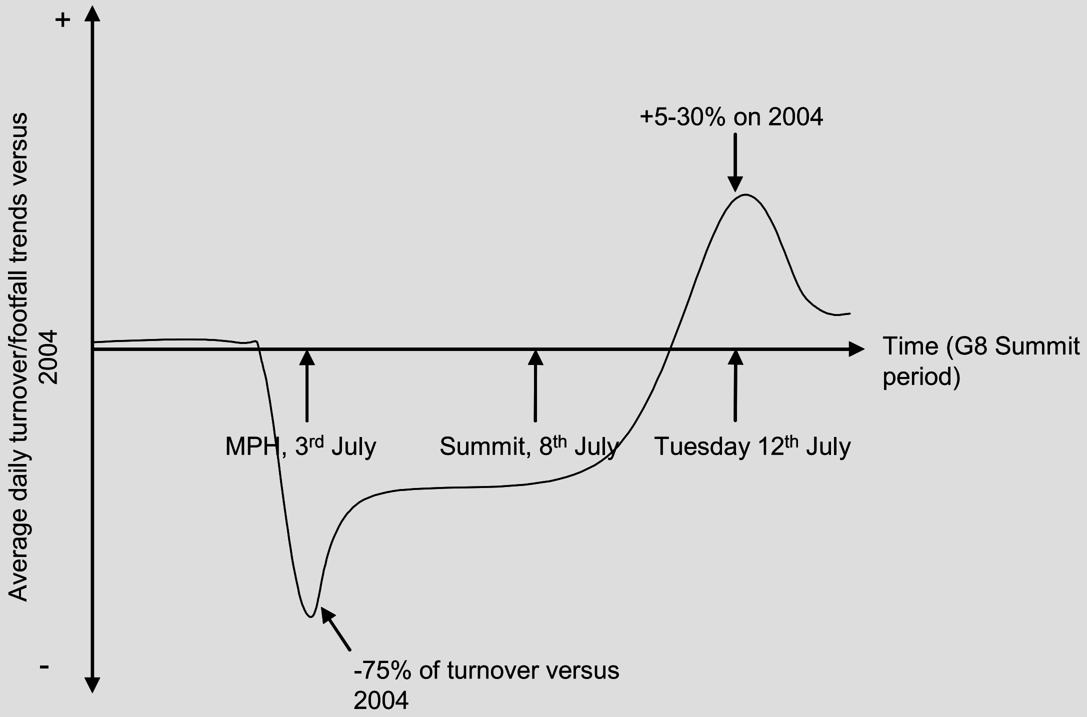
Much of this trade will have gone elsewhere in Scotland, or displaced to another time period and the retail figures for July 2005 versus July 2004 actually show a rise of 3.4%[1] in all like for like sales. (evidence from the Scottish Retail Consortium/Royal Bank of Scotland).

'Local and Scottish customers stayed away from Edinburgh city centre taking their business to out of town shopping centres and may not come back'

'Whenever Prices Street closes, business drops and the serious shopper goes elsewhere, either out of town or further a field to Glasgow'

From the major retailers consulted there is evidence that trade returned in the week immediately following the Summit during which daily turnover was significantly higher than in 2004 (Figure 9.2). This will not be true of all businesses and the amount of returning trade is likely to depend on the power of the brand and the availability of competitors elsewhere.

Figure 9.2: Pattern of business turnover/footfall trends amongst key retail sites during the period of the Summit versus 2004



Effects on the accommodation sector

9.16 A survey of accommodation providers was carried out electronically and supplemented by 12 telephone interviews with hotels that were directly involved with the G8. There were 106 responses. The sample is self selecting and responses only tend to come from those that feel strongly enough to respond. Typical comments by accommodation providers included:

'Overall the G8 summit caused road disruption, civil commotion, and guests staying away to avoid these problems. In the short term it was very negative for retail and a little negative for my own business which books months ahead'

'It was really great for us although very scary and we would have welcomed more security advice and information from the police. Luckily we had security staff staying so they gave us the advice we required'

9.17 It is valuable to understand the different perspectives and we have included the full quotes from many of the businesses that believe that they suffered as a result of the event. However, the calculations of overall displaced tourism are based on national statistics. Table 9.1 shows the profile of businesses responding to the survey.

Table 9.1: Economic impacts of other G8 related events

	Number of businesses	Total rooms
Edinburgh	34	2,214
Glasgow	14	2,328
Perth and Kinross	56	1,008
Blank	2	2
Total	106	5,552

9.18 The key measure of economic activity for accommodation businesses is occupancy rate. Businesses were asked to report their room occupancy rates over four weeks in July. The results are shown in Table 9.2. In Edinburgh, the MPH march and the G8 Summit saw occupancy rates of 72 per cent and 70 per cent which while comparable with national rates, are low for July in Edinburgh. There was a significant bounce back through the rest of the month after the event. In Glasgow, the figures suggest the reverse, while MPH and Live 8 took place Glasgow enjoyed higher occupancy rates, partly as a result of a major conference and the Special Olympics, but Glasgow will also have benefited from hosting G8 delegates and police. In Perthshire, like Edinburgh, occupancy rates were depressed among these businesses during early July but increased in the middle week when the Open took place at St Andrews. By comparison the national figures indicate that occupancy in July in Perth was 3 per cent higher than last year.

Table 9.2: Occupancy rates derived from SQW survey for July 2005

	Edinburgh	Glasgow	Perth	Total
27th June-3rd July (Make Poverty History 2nd July)	72%	84%	66%	68%
4th July-10th July (Week of G8 Summit and demonstrations)	70%	89%	71%	71%
11th July-17th July	88%	79%	80%	82%
18th July-24th July	83%	79%	63%	69%

Comments

> *'There is no doubt that many of the people who would have normally travelled to the Crieff and Strathearn area during the G8 chose to either cancel their trip altogether or postpone it until after the Summit had passed'*
>
> *'We were lucky in that we had part of the ground crew taking over the hotel. However, we lost 20 to 30 rooms a night due to our normal corporate base staying away and some even cancelling that week out. People did not come in relation to tourism due to the fear of protests'*
>
> *'We had a delegation which took bedroom space. If we had not had this group I do not feel we would have been busy as the normal high demand we would enjoy in early July was suppressed by media images from other G8 and the hype three weeks out concerning LIVE 8. Also 18 months out when the event was announced tour operators structured journey plans around the dates to avoid visiting over the summit'*
>
> *'The city and its organisers must be congratulated on the manner which it dealt with all the vents which took place during the G8 week. It could have been a major disaster for Edinburgh. Well done all'.*

9.19 The generally negative view of the impact of the G8 on business performance is partly explained by the small proportion of establishments that hosted guests related to the G8 events. Eleven of the 106 accommodation businesses hosted delegates, 12 hosted demonstrators and 20 hosted journalists. Few of the Perthshire businesses responding were directly involved with the G8.

> *'My restaurant business was completely ruined for a week as locals were not going out and the Live 8 people were all entertained at the venue'*

9.20 Compared with July the previous year, 28 per cent of businesses reported that occupancy was worse, while 16 per cent reported that it was higher.

Longer term

9.21 Despite the predominantly negative impact reported by these businesses in the short term, on balance, there was a more positive assessment of the longer term effects. Twenty two percent of the sample thought that this would be positive compared with 11 per cent that thought it would be negative. Among the 106 businesses, two were considering using the Summit in their own marketing.

> *'TV coverage showed Scottish scenery well'*
>
> *'Hopefully we will see benefits next year'*

'Media Coverage did little to promote Scotland due to demonstration coverage and London Bombing. Coverage of Gleneagles was of the front canopy, little panorama views of the surrounding countryside or Scottish produce'

'Far from being a boost to Tourism in Scotland we feel the G8 did significant damage to the carefully cultivated image of peaceful and grand landscapes, wildlife, history and culture. The negative impact could last for some time.'

Auchterarder businesses

A combination of face-to-face and postal interviews was used in Auchterarder to obtain the opinions of 41 businesses on Auchterarder High Street. During the G8, 60% of Auchterarder businesses reported a fall sales with 40% reporting a major decrease. Most of the lost sales occurred because the business closed (40%) and 29% because of transport problems.

In terms of the national or even regional picture, most of these lost sales are likely to have been made elsewhere or at another time. Examples of the comments on changes in sales included:

'We did extra hours Friday to Thursday. Wednesday was by far the best day (sold roughly 220 meals, as opposed to the average of 80 a day)'

'Estimated loss from that week of £1000, although overall sales for the entire month were excellent'

'£7-800 (Closed during the bomb scare, and reduced sales during week)'

'Suppliers to Andrew Fairlie restaurant at Gleneagles, which resulted in a 40% increase in catering sales'

'No sales lost, but time was lost that could've been spent working, due to business being closed'

A third of businesses reported that the G8 had led to an increase in costs. Of these, 13 were able to provide estimates which averaged £1,400 and gave a total of £18,000. The survey found in most cases this was for security measures such as boarding up windows and doors or security staff for the week. Despite the short term loss in sales among these businesses, more than a third believed that in the longer term hosting the G8 would have a positive effect on their business. The long term positive effects were associated mainly with the publicity that the event generated and the sense that it "put Auchterarder on the map".

Impact on Perth and Kinross

Overall, the feedback from businesses in Perth and Kinross indicated that hosting the G8 Summit had quite different effects depending on whether businesses were involved in the event or not. Those that were directly involved in hosting delegates or police or in supplying contractors, benefited significantly, while those that were not involved, in many cases faced a reduction in business, particularly those that depend on tourism. Even so, the expenditure with Gleneagles and other suppliers, by delegates, police and journalists and in overtime payments to local residents has meant a significant boost for the Perth and Kinross economy.

Delegates attending the Summit used seven hotels in Perth and Kinross and the police used 15 in the area. Gleneagles estimated that 90% of its expenditure was made within Perth and Kinross with additional orders made among its usual suppliers. Jack Morton subcontracted with a further 10 suppliers providing a range of services, for example, soft furnishing, fencing, plumbing, plastering and catering. In total and including the expenditure made with Gleneagles, we estimate that the FCO contracts generated £1.2 million of business within Perth and Kinross.

In addition there was expenditure made in the area through the Scottish Executive, VisitScotland, Perth and Kinross Council, Tayside NHS Trust, the Scottish Ambulance Service, Fire and Rescue services, Scottish Water and other agencies, predominantly through overtime payments, but also in supporting events. The proportion that accrued to Perth and Kinross depends on the distribution of staff and we have made estimates based on population. In total, we estimate that this expenditure generated around £690,000, mainly for employees in Perth and Kinross.

The biggest contribution to the Perth and Kinross economy is through additional police expenditure. This includes the pre-Summit planning, accommodation, overtime and staff payments made in Perth and Kinross. There was also substantial ‘miscellaneous’ expenditure, half of which was made with local, Perth and Kinross firms. In total the police spent an £3.8 million in Perth and Kinross with businesses and through additional payments to staff.

Survey work was conducted at the two major events in Edinburgh, the Make Poverty History march and Live 8. These interviews collected data on respondents that were travelling to Perth and Kinross. From the survey we estimate that these visitors spend around 4,000 bed nights in the area and will have spent around £345,000.

There were 13 events held in Perth and Kinross that related to hosting the Summit. These included a Climate Change Conference, media receptions and trips for consuls, a national speechmaking competition, tourism seminar, the Tartan Launch, an international trade seminar, Fair Trade seminar, BBC Question Time and the re-opening of the Ferguson Gallery. While most of these did not directly generate new expenditure in the area, they all contributed to the promotion and launch of the new Perthshire brand. There was anecdotal evidence of international TV crews preparing tourism related items and Perthshire stories were placed with the media. The effect of all this activity will only become clear over time, but the Summit provided a strong hook for the brand promotion and attracted. Among the events that did bring visitors to the area we estimate that they collectively generated £44,000 of new expenditure.

Although the Summit directly generated a lot of new business, the fears of disruption also deterred potential visitors. This is supported by the comments from accommodation providers in the survey, as tour operators changed itineraries and others postponed trips or went elsewhere. The Open at St Andrews in the middle of July helped offset the fall in activity for some businesses during the Summit.

Quotes from Perthshire accommodation businesses

'Long term effects outweigh the short term costs. It gave Scotland phenomenal coverage'

'Journalists and policemen all liked coming to Gleneagles, and many have said that they want to come back on holiday. The event brought lots of people to Scotland who have not been before'

Far from being a boost to Tourism in Scotland we feel the G8 did significant damage to the carefully cultivated image of peaceful and grand landscapes, wildlife, history and culture. The negative impact could last for some time.

Among accommodation providers, views were mixed with 42% of respondents indicating that occupancy rates were lower than the same period last year and 26% reporting that they were higher. Despite this negative balance in the survey, occupancy in July in Perthshire rose by 3% compared with last year. Assuming that occupancy rates would have been slightly higher than last year anyway because of the Open, and based on the number of bed nights generated by the Summit, we estimate that around £1 million of tourism business in the area was displaced.

Media coverage

The media coverage for G8 Summit from the 2nd to the 11th of July was valued at £66.4m. The evaluation also considered the proportion of coverage that specifically mentioned Perthshire or Gleneagles. Of the total, 65% of the volume mentioned Gleneagles, representing 3.2 billion opportunities. There was an estimated 7 million opportunities to see items which specifically mentioned Perthshire. This is based on the sample of top five press and broadcasters in the 10 countries covered by the study and would not pick up some of the tourist related articles resulting from the press visits hosted or stories placed.

The Table below shows estimates of the new turnover for businesses in Perth and Kinross and the overtime and additional wage payments made. This reflects the scale of the investment and the number of visitors and police that it brought directly to the area.

In total, the Summit is estimated to have generated £6.3 million within the Perth and Kinross economy.

G8 investment and the benefits to businesses and employees in Perth and Kinross (£ thousands)

	New turnover for businesses in Perth and Kinross and overtime payments for employees (£ thousands)
New spending attracted to Scotland	
MPH, Live 8 and other events	390
Delegates and Journalists	1,200
FCO contractors	1,200
Total	**2,790**
Public sector investment	
Police	3,800
Scottish Executive	50
Local Authorities (additional expenditure)	390
Other public sector (ambulance, water, NHS etc)	250
Total	**4,490**
Adjustment for displacement	1,000
Overall total	**6,280**

10 Legacy

- It is too early to assess the legacy of G8, but the scale and value of the coverage has raised awareness of Scotland and enhanced its reputation
- The event and the coverage directly addresses several of the challenges identified by international research on perceptions in Scotland
- The impact is likely to vary across audiences, but the profile of the G8 is greatest in the US, Canada and Europe. These are Scotland's biggest and fastest growing overseas markets
- The effect is likely to be most noticeable in business tourism in particular where the successful delivery of the Summit will strengthen Scotland's case for attracting new major events. For context, a major conference can generate up to £15 million
- In leisure tourism, VisitScotland was confident that hosting the G8 Summit will repay the investment several times over, in coming years. The effect will be seen in increasing numbers of visitors and in improved performance of existing and planned campaigns.
- SDI also consider that the coverage and association with the Summit will help attract Foreign Direct Investment in future, by raising awareness of Scotland and improving perceptions of Scotland as a business location. There may also be some effect on exporting businesses, by underpinning recognition of Scotland in new markets
- The value of this legacy cannot be anticipated, but it would be reasonable to assume that the impact will decrease over time.
- If the economic impact is to be significant, it will be critical that this platform is used by both the public agencies and businesses.

Introduction

10.1 The objective of hosting the G8 is not the short term economic gain. In the introduction we asserted that the real economic benefit of hosting the G8 was the medium to long term opportunity that the increase in media profile has given Scotland. These benefits are considerably more important, but they are also much harder to measure and will not become clear for some time.

10.2 The media coverage is the channel through which perceptions of Scotland will be influenced and formed around the world. The research has estimated that the advertising equivalent value of this coverage was £66.4 million over the period of the Summit, but, based on the pattern of coverage reported at Sea Island, this could be around £618 million, exceeding the amount anticipated. This was created by providing an estimated 37 billion "opportunities to see". By any standard this represents enormous exposure, letting people know, at the very least, that Scotland exists and that it has the ambition and confidence to host the G8.

10.3 This should be seen in broad terms. It represents a level of exposure for the Scotland "brand" that could not be achieved through any other marketing activities. The images from MPH of 225,000 people marching along Princes Street, and the leaders in Gleneagles, cannot easily be valued.

10.4 How this type of exposure will translate into new economic opportunities in Scotland is both complex and uncertain, but it is useful to consider the nature of coverage and the markets in which it could be most effective.

Changing perceptions

10.5 Evaluating the coverage of the Summit in the context of research into Scotland's International Image carried out in 2004[26], identifies three main findings that the coverage directly addresses. These were that:

- among international consumers, Scotland was not perceived as 'a place to do business' or indeed to be on the economic agenda
- generally, Scotland's capability as a location for hosting events was not widely recognised
- perceptions of Scottish people were primarily positive internationally and generally more forward-thinking than perceptions of Scotland's capabilities in areas such as business

10.6 The overall impression is that while international visitors have positive views of Scotland, this is weaker in relation to hosting large events and in business. Scotland tends to be associated with its traditional strengths such as culture and tourism rather than as a modern business environment. In this respect, hosting the G8 should directly address these perceptions.

Markets

10.7 We would assume that those reading or watching the coverage of the G8 and related events will have varying levels of awareness or knowledge about Scotland. This is an important factor in considering the longer term effects. For example, the Summit will have helped to build awareness in emerging markets such as China and the Far East, where Scotland may be

[26] "Scotland's International Image - findings from Consultation & Research", Research Findings No.4/2004, The Scottish Executive, 2004

less well known, and the Accession states in Europe. The coverage will have reached a much wider range of places than other forms of marketing. Using the profile generated by the Summit will provide a valuable platform for the Scottish agencies and potentially international businesses to generate new trade.

10.8 There are five specific areas where this legacy will be important. These broadly relate to Scotland's global connections agenda.

- Business tourism
- Leisure tourism
- Inward investment
- Export performance
- Talent attraction.

Business tourism

10.9 The process for securing major conferences and conventions will usually involve members of an international organisation in choosing firstly a short list of potential host countries or cities and then deciding between competing bids. By raising awareness of Scotland and its attributes, it is more likely that Scotland would be on this shortlist and secondly that it might be the successful bidder. This type of business tourism is extremely valuable to the economy. A single conference can generate up to £15 million. For example the European Respiratory Society Congress which was held in Glasgow in September 2004 generated an estimated £14.7 million.

10.10 A second "demonstration" effect relates specifically to events. Having successfully hosted the G8 Summit gives an additional confidence to other potential events, particularly the major ones, that Scotland has the organisational capability to host it. This relates not just to the delivery of the summit itself, but also the organisation of the MPH march. In relation to bidding for future major events, the Director of the Sydney Convention Visitors Bureau said "I tell them that if we can host an Olympic Games, we can host anything"[27]. To some extent the same is true of the G8 Summit and this confidence should help Scotland secure other high profile events in the future. To put this potential in context, a one per cent increase in the value of business tourism in Scotland would generate around £10 million each year.

[27] "The Olympics: good or bad for London hotels", PKF newsletter, June 2005

Leisure tourism

10.11 EventScotland was confident that the legacy would be generated through attracting more, bigger events to Scotland. Specifically, the experience of the G8 will contribute to Glasgow's potential bid to host the Commonwealth Games in 2014.

10.12 The coverage generated provides a base from which VisitScotland and other tourism organisations can build, using their own promotional activity. The draft "Scottish Tourism – A Framework for Change" suggests that tourism revenue could grow by 50 per cent in the next ten years. The UK market is by far the largest but overseas markets are growing faster, particularly European markets. With our major markets outside the UK in North America and Europe, the G8 will have a particularly strong resonance. Overseas tourism is currently worth around £0.75 billion a year and the Framework suggests that this could double by 2015. For tourism in general, the VisitScotland chairman was confident that the economic benefits of hosting the G8 would repay the investment several times over.

10.13 We would expect to see the effect of the Summit and related events reflected in increased numbers of visitors as well as in the response to promotional activities over the next couple of years.

Inward investment

10.14 Scottish Development International is Scotland's lead body responsible for enhancing Scotland's global connections. The agency was confident that "the G8 Summit and related activity will indirectly benefit foreign direct investment through the coverage and increased awareness of Scotland that was generated by the event". In practice, the profile of the Summit gives them a peg to support other activities. This was done around the Summit with stories released around renewable energy, life sciences and clinical diagnostic testing.

10.15 The increased profile will both help to secure investment from leads that they are working with and make it easier to generate new interest. The effect would be reflected in their own improved performance. To put this in perspective, SDI recorded £231 million of inward investment in 2003/04.

Export performance

10.16 It is also possible that the association of Scotland with the G8 Summit will underpin Scottish business export performance as potential customers internationally could be more receptive to trading. This is particularly important in emerging markets, such as China, where awareness of Scotland is likely to be lower and where demonstrating the ambition and stature of Scotland could be an extremely important asset. It will take time for any effects to impact, but the level of coverage achieved could contribute to encouraging international trade.

Talent attraction

10.17 The survey of visitors to MPH and Live 8 reinforced the commonly held perception that Scotland tends to be seen more as a tourist destination than as a place to live and work. The scale of the coverage, the positive associations and the messages carried by the media are likely to help address these perceptions The pictures of the peaceful MPH march through Edinburgh in particular send a strong positive message, while perhaps most importantly, Scotland is seen as playing a part in world politics. These messages portray a dynamic and politically aware country and may well influence decisions to come to study or work in Scotland.

Evidence from the G8 elsewhere

Kananaskis, 2002

10.18 The legacy effects on previous G8 hosts have never been assessed. In Calgary, Kananaskis hosted the G8 in 2002. Tourism Calgary prepared impact reports before and after the event based on the level of expenditure in the region[28].

10.19 In the following year visitor numbers were hit severely by a combination of SARS and BSE reducing tourism expenditure by $200 million, however, Tourism Calgary believes that the event did make a major contribution to the promotion of their message as a safe and environmentally friendly destination. There was, though, no evidence of this being reflected in additional business, other than through the host hotel.

Sea Island Savannah, 2004

10.20 The nearest major town to Sea Island, where the G8 Summit was held in 2004, is Savannah. During the G8 the town reported an increase of 20 per cent in rooms booked and a $300,000 increase in sales tax. The tourism agency reported a value for media coverage of $818 million based on 1,781 articles in the US and Canada in the six months up to the Summit. The Savannah Convention Bureau reported an increase in visits to their web site in the early part of that year that has continued, but some of this will reflect a generally increasing use of web technology.

10.21 Specifically, they reported that there was now greater interest in the area at travel shows and PR activities which had generated follow up press interest. Assessing the effectiveness of this activity is more difficult. There are no visitor figures for Savannah and the hurricane in New Orleans has affected the pattern of visits to the state. Even so, the agency there believes that

[28] It showed that the economic activity supported by the G8 was anticipated to be $115 million including both demand ($6 million) and supply ($109 million). The results after the event showed a total expenditure of $130 million (Canadian dollars).

hosting the G8 Summit made people aware of them as a potential destination and there was some anecdotal evidence that the area had attracted a number of federal government meetings, but no other examples.

10.22 These two examples shed little light on potential legacy, but they highlight the importance of using the profile effectively. The profile of the G8 has increased, particularly this year with the Make Poverty History marches and Live 8 giving Scotland a bigger platform. Scotland will need to have the drive, resources and ambition to make more of this legacy than other hosts have done.

The impact of other major events

10.23 Given the number of major events and the growing importance attached to them as tool in economic development, there is surprisingly little research to assess their longer term effects. One of the difficulties is that major events will usually take place as part of a programme of other activities making it very difficult to attribute improvements in performance to any specific event. The only major events that we could identify that have monitored legacy effects are Olympic and Commonwealth Games.

10.24 Sydney, Atlanta and Barcelona all experienced a spike in convention delegates in the year after the Games. Sydney and Australia attracted an estimated US$2 billion of global publicity during 1997-2000[29]. Sydney itself attracted 34 per cent more conference events than would otherwise be the case, while Barcelona has increased the number of conventions by 64 per cent since 1996. These are of course quite different events to G8, and the legacy effect depends very much on how the opportunities are used, but it provides a link between profile and additional activity.

10.25 Other research from Sydney shows the rise in International visitors in the year after the Games, but this reduced after two years to around pre-Games levels[30]. The figures towards the end of 2001 were affected by September 11th (figure 10.1). Not all this activity can be associated with the Games, but there is a rise of about 10 per cent each month after the Games, that continues through 2001, but starts to fall back in 2002.

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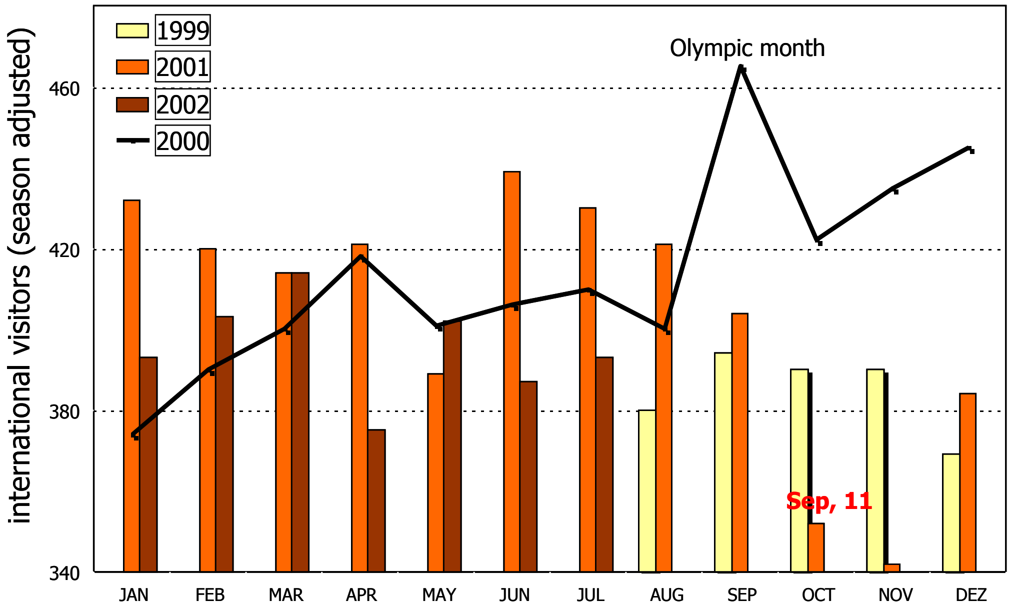
29 Jones Lang LaSalle Reports Top Five Olympic Legacies in Athens - The Emerging Re-Development of Athens and Recent Olympic Hosts

30 - Aspects of Olympic Tourism, 3rd Conference "Tourism & Development - Post-Olympic strategies for Greek Tourism, Prof. Dr. Holger Preuss

Figure 10.1: Number of international visitors (000's) before and after the Sydney Olympics



Source – presentation on Aspects of Olympic Tourism, 3rd Conference "Tourism & Development - Post-Olympic strategies for Greek Tourism, Prof. Dr. Holger Preuss

10.26 The Commonwealth Games are also credited with generating an impact in Manchester. Some of this is likely to have been stimulated by the promotion of the city during the Games, but there have been many other activities supported by the investment agency, through major regeneration and promotional campaigns. The STEAM data for Greater Manchester provides an indication of the potential scale of visitor number increases for this event. Between 2002 and 2003 it shows an increase of 8 per cent in visitor nights in serviced accommodation (other figures for VFR and non-serviced accommodation are relatively unchanged) and a further 5 per cent increase in day visits.

10.27 Another measure of performance in attracting inward investment is the Cushman & Wakefield Healey & Baker annual survey[31] of European locations which summarises the views of senior managers and Board Directors of 500 of Europe's top companies. This gives an indication of how major events can effect business and investors perceptions. While Glasgow's rank, based on a range of measures, slipped from 10th in 1990 (when Glasgow was Capital of Culture) to 24th in 2004, Manchester climbed from 19th in 2002 to 13th in 2003, just after the Commonwealth Games. Other cities hosting major events have similarly seen their profile rise in this survey.

10.28 MIDAS, the agency that handles inward investment in Manchester reported that the level of inward investment rose from £19 million in 2001 to £48 million in 2004, which includes the

[31] Cushman & Wakefield Healey & Baker annual survey 2005

period of the Commonwealth Games. It was stressed that this is not entirely down to profile generated by the Games, but it points to an important correlation.

Partner's views

10.29 The main Scottish agencies responsible for building on the profile generated by hosting the G8, VisitScotland, EventScotland and Scottish Development International have all expressed their views that, in the longer term hosting the G8 Summit will result in significant economic benefit. Although none were able to quantify the impact, the opportunity for these agencies to exploit this profile is recognised. For business tourism, hosting the G8 was seen as a "gold-plated case study to promote business tourism. It gets Scotland on the radar". EventScotland stressed that the Summit would "contribute to Scotland's events' vision – to become one of the world's foremost events destinations by 2015". The chairman of VisitScotland was confident that the economic benefits of hosting the G8 would repay the investment several times over, in the next couple of years.

10.30 Throughout, these agencies stressed the importance of seeing the bigger picture and that the impact of the Summit would only become clear over the next couple of years making a major contribution to tourism in particular. In our view it also provides a hook for promotional work adding value to existing or planned activities.

11 Summary and conclusions

11.1 The introduction to this report set out our view, and that of all the consultees, that the economic impact of hosting the G8 was not limited to the short term expenditure on the event, but should accrue over the medium or longer term. This report can only present the pattern of economic activity that took place in relation to the event itself and comment on the potential longer term opportunities.

Overview

11.2 A total of £60.1 million was invested in hosting the G8. The main measure of the benefit that this has generated for Scotland is the unprecedented media coverage generated. Across 10 countries, between the 2nd and 11th of July 2005, the report estimates that this coverage was worth £66.4 million. Using the longer term pattern of coverage achieved in the lead up to the Sea Island Summit in 2004, this would suggest a total value of £618 million over six months.

11.3 This provides a platform for Scotland to secure greater economic opportunity in the future. The scale of this benefit will depend on how effectively this platform is used by the public agencies and by individual businesses. There is confidence among these agencies that this impact will be substantial but it is too early to provide any indication of its scale.

11.4 In the short term, the investment in hosting the G8 generated a great deal of economic activity in Scotland through contracts with businesses and through overtime payments for the additional work by many people across the public services. In total the payments to businesses and employees in Scotland, by the public sector was £53.7 million. The Summit and related events attracted £20.5 million of new spending in Scotland through visitors and delivery of contracts for the FCO. After an adjustment for the tourism business that was deterred, hosting the G8 can be said to have directly supported payments of £64.7 million to businesses and employees in the economy.

11.5 We stress that this economic activity represents a pattern of short term expenditure rather than the contribution to the productivity or capacity of the Scottish economy. These payments support income and employment in the short term, but the output from this work is effectively the delivery of the G8. This is the investment and the genuine return from this will be the additional economic activity over the coming years.

Summary of short term expenditure

Table11.1: G8 investment and the benefits to businesses and employees in Scotland (£ million's)		
	Total investment (£ million's)	**New turnover for businesses in Scotland and overtime payments for employees (£ million's)**
New spending attracted to Scotland		
MPH, Live 8 and other events	-	10.5
Delegates and Journalists	-	5.5
FCO contractors	-	4.5
Total		**20.5**
Public sector investment		
Police costs (falling to the Scottish Executive)	52.0	46.9
Scottish Executive	1.4	1.3
Local Authorities	3.6	2.7
Other public sector	3.1	2.8
Total	**60.1**	**53.7**
Adjustment for displacement	-	-9.5
Overall total	**60.1**	**64.7**

Media

11.6 The clearest indication of the potential G8 legacy is the value of media coverage that Scotland received. The report estimates that in the 10 countries covered (the G8 countries, Spain and China), between the 2nd and 11th of July 2005, media coverage was worth £66.4 million. This covers both press and broadcast media and includes the top five newspapers and top five broadcasters in each country. Using the longer term pattern of coverage achieved in the lead up to the Sea Island Summit in 2004, this would suggest a total value of £618 million over six months.

11.7 An indication of the coverage achieved by the Gleneagles Summit is that it secured as much attention from the national US media as their own summit, at Sea Island, received the year before. This strongly indicates that overall coverage of the 2005 Summit was greater than 2004.

11.8 As would be expected, the vast majority of the coverage related to the content of the Summit and its themes. Across all the coverage, 94 per cent of the volume was considered to be neutral towards Scotland, 5 per cent positive and 1 per cent negative. In around 5 per cent of the material the coverage is judged to have related to key messages, Scotland's tourism assets, positive business environment and Scotland as a place to invest, live and work. This is very significant coverage and even within the sample, over the period of the Summit, this represents 122 million "opportunities to see". Projecting to include the six months lead time, this rises to 3.2 billion OTS.

11.9 We would conclude that even where coverage did not explicitly relate to these messages, there is an implicit value in simply being perceived as a country that has the capacity, capability and stature to host the G8.

Legacy

11.10 The coverage will also directly address the challenges identified in previous international perception research which shows that Scotland's image is much stronger in relation to culture and tourism than as a serious business location. It is also important that Scotland's key overseas tourism markets the US, Canada and Europe, which are expected to drive future growth in visitor numbers, are also the countries directly involved in the G8 and where residents are most likely to have followed the coverage.

11.11 There is very little evidence that quantifies the longer term economic benefits of hosting major events. The only examples relate to Olympic or Commonwealth Games and show how the increase in profile can increase tourism and investment. While the Summit is a very different event, the examples demonstrate the correlation. How this coverage impacts on the longer term economic opportunities will depend on how Scotland builds on this platform. We cannot anticipate the value of this legacy, but it would be reasonable to assume that the potential impact will decrease over time.

11.12 The G8 Summit also left legacies through the other events that took place. A total of 18,700 people took part in the 32 other events, excluding the MPH march, Live 8 and the other demonstrations and rallies. The events that involved school children contribute directly to education, cultural events have contribute to knowledge and understanding and MPH and Live 8 were events which brought people together to directly participate in and contribute to world politics.

11.13 One of the objectives of hosting the G8 was to raise awareness and debate and the press coverage of the two main themes of the G8 demonstrates this. From the 29th of June to the 7th of July, around 60 - 70 per cent of UK broadsheets front pages were related to the G8 and its themes.

Distribution

11.14 Hosting large scale events will nearly always result in changes in the patterns of expenditure either by attracting people from one area to another or shifting expenditure between sectors. The Summit and MPH events in particular had a major effect on the pattern of expenditure.

11.15 A large number of businesses in Scotland benefited directly from these events receiving £40.8 million in total. From this, 27 Scottish suppliers secured contracts in excess of £100,000 and these companies were collectively paid £8.2 million or 20 per cent of this total. A further £33.4 million was paid in overtime to existing public sector staff.

11.16 While the G8 events themselves attracted new visitors, delegates and journalists, they also deterred others from coming to Scotland. Based on occupancy data, the report estimates that around £6.5 million of potential tourism expenditure was lost in July. There were also major reductions in sales for businesses in specific areas. In Edinburgh, we estimate that around £7.4 million of sales were lost within the city centre. Although this expenditure is not lost to Scotland, it has significant effects on these individual businesses.

11.17 In addition, there were other costs associated with hosting the G8 Summit, through road closures and disruption. Businesses were unable to quantify these effects and the overall impact cannot be measured. In some cases, businesses managed disruption through changes in shifts and holiday patterns or working unpaid time, but there is likely to have been some effect on output.

11.18 In Perthshire, there were also distributional effects. Accommodation providers that were not hosting guests related to the G8 achieved lower occupancy rates. The businesses that responded to our survey in Auchterarder had, on balance, lost sales, although these are likely to have been displaced elsewhere. However, there was optimism about the longer-term effects of Auchterarder being "put on the map".

Conclusions

11.19 Hosting the G8 was a major investment for Scotland. The benefits relate to a wide range of areas including social, cultural, educational and political objectives and any assessment of its success or otherwise should recognise these factors. The economic benefit is only one of these strands and should not be seen in isolation.

11.20 It is too early to estimate the full economic impact of the Summit. The most important effects will occur over the next two or three years as the increased profile of Scotland takes effect and is used to create new economic opportunities. The best measure of this potential is the value of media coverage achieved. There was confidence among the agencies that the G8 'effect' will generate a substantial return.

11.21 At this stage, the research can only focus on how the short term investment was used to support income and employment within businesses in Scotland and through overtime payments to the staff that delivered the event. In total businesses and employees within the Scottish economy received payments of £64.7 million. The output of this activity was the delivery of the G8 Summit and the full economic impact will be the return that this produces for Scotland in coming years.