NEWS FROM S&P RATINGS GROUP

MEXICAN ECONOMY WILL SURVIVE NAFTA VOTE, SAYS S&P

Contact:
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Economic liberalization will continue in Mexico whatever the outcome of Wednesday's Nafta vote in the House of Representatives, according to a story in S&P's CreditWeek. The trade agreement is just one of many steps in Mexico's economic transformation, the story continues. Therefore, the chances are remote that the economic course Mexico has followed over the last several years will be abruptly reversed based on a rejection of Nafta.

The reforms which Mexico has introduced, including the lowering of tariffs, privatization of many state-run industries, deregulation, and the liberalization of investment laws, have made its economy one of the most open in the world. As a result, U.S. involvement in the Mexican economy has increased substantially since the mid-1980s. The story concludes that this trend will continue regardless of U.S. trade policy.

The process of economic reform began with Mexico's entry into the General Agreement on Trade and Tariffs (GATT) in 1987, the story continues. In a few years, average tariffs were reduced from 45% to 9% and many import licensing requirements were reduced. Mexico and Chile have also signed a free-trade pact which will phase out tariffs by 1998, and similar agreements are being negotiated with Colombia, Ecuador, and Uruguay.

Mexico has also privatized large parts of its economy, including the telephone company, the two national airlines, as well as extensive holdings in food processing, automotive products, petrochemicals and textiles. To date, more than 80% of Mexico's 1,155 state run companies have been sold, merged or closed.

Transportation, electricity, mining, and tourism are a few of the many industries which have been deregulated. Freight costs, for example, have dropped 25% since the trucking industry was deregulated in 1989. And labor productivity has increased 19% in the last three years.

Investors have responded vigorously to the government's economic policies and improved business climate. Capital is flowing from Mexicans who stashed it abroad and from foreigners investing both in Mexican financial instruments and directly in Mexican companies and manufacturing facilities. Foreign direct investment during the Salinas years, 50% of which comes from the U.S., topped $25 billion earlier this year. The last several years has also seen a steady growth in U.S. portfolio investment in Mexico, the story continues. In the 2nd quarter of 1993 alone, almost $3 billion of international bond issuance took place, the majority of which was purchased by U.S. investors.

The increase in U.S. direct investment in Mexico mirrors the growth of U.S.-Mexican trade. Since Mexico joined GATT in 1987 bilateral trade has gone from $27 billion to $77 billion. U.S. exports to Mexico have tripled over that period to $41 billion, making Mexico the U.S.'s third largest trade partner.

In sum, U.S. businesses and investors have over the last several years dramatically increased their participation in the Mexican economy through trade, portfolio investments, cross border alliances, and acquisitions. This trend will doubtlessly continue, the story concludes, as Mexico's efforts to reform economic policy and improve economic performance goes forward.

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NEWS FROM S&P RATINGS GROUP

YANKEE IMPACT ON NYC ECONOMY MINIMAL, SAYS S&P

Contact:
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For Release: JULY 26, 1993

Civic pride and fan loyalty aside, evidence suggests that the value of a sports franchise to a city is more myth than reality, according to a report in S&P's flagship publication CreditWeek. The Yankee situation supports this view when considering the limited direct financial benefit the ball club provides New York City.

According to the report, a Yankee move to New Jersey would have minimal financial impact on New York City. The Yankees only employ 200 full time and 1,200 to 1,300 seasonal personnel. The city (owners of Yankee Stadium) has received a total of $887,000 in rent from the Yankees over the last five years. This despite the team being the most valuable in professional sports (\$160 million) and having the most lucrative local television agreement in baseball ($486 million over 12 years).

The current indirect economic impact is difficult to quantify. However, a study in 1986 by the New York City's Office of the Comptroller estimated that the Yankees accounted for $47 million in indirect revenues from sales taxes on tickets, concessions, parking, hotels and retail activity. Accounting for inflation and higher ticket prices, it is still insignificant relative to the city's 1993 budget of $30 billion.

New economic activity generated during the baseball season is minimal according to the report, because the Yankee fan base is comprised primarily of local area residents. Money being spent at Yankee games is simply not being spent somewhere else in the area, such as restaurants, stores and leisure activities. A study of nine cities conducted by an economist at Lake Forest College in Illinois found that in all but one professional sports provided no significant economic benefit to the local area. The one exception was in Seattle, which because of its remote location and lack of competing franchises in nearby cities, drew a substantial number of fans from outside the Seattle area.

While losing the Yankees wouldn't have a material impact on New York City's economy, paying for a new stadium or renovating the existing one may prove to be problematic. The cost of improving the area around Yankee Stadium, including renovating the nearby Bronx Terminal Market, improving access roads and providing additional parking while substantial would only be part of the price the city may have to pay to keep the Yankees in the Bronx. The city has expressed a willingness to renovate Yankee Stadium to include a ring of additional luxury boxes around the stadium's top tier. Currently Yankee Stadium has only 19 compared to Shea Stadium's 46; Baltimore's Camden Yards has 72; and the new Cleveland Stadium, which is opening next year, will have 118. The suites which lease for a minimum of $92,000 a year at Yankee Stadium, are clearly a substantial revenue source for baseball owners.

How the city would pay for the improvements, given its constrained financial situation, has not been explained.

Alternatively, the cost of the proposed new stadium in Manhattan is estimated to be at least $300 million. The State of New York, owner of the land on which the stadium would be built, despite facing severe budget problems over the past several years, has indicated it might sell a bond issue backed by stadium revenues to facilitate financing.

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Manhattan Sports Final
New York Newsday
Edition

NEW YORK NEWSDAY, TUESDAY, JULY 27, 1993

Boss' Possible Move Has Little Bite

By Steve Zipay
STAFF WRITER

If George Steinbrenner moves the Yankees to New Jersey, it would have only a minimal financial impact on New York City's economy, Standard & Poor's said yesterday.

A three-page story in yesterday's edition of CreditWeek, S & P's flagship publication, questions the value of sports franchises to cities, and concludes that "putting aside fan loyalty and civic pride, the ballclub provides limited direct financial benefits to New York City."

Jon Lukomnik, assistant commissioner of the City Department of Finance, said all professional sports generated a total of $400 million for the city economy in 1985 and accounted for $10.8 million in direct revenue. Of that $400 million, the Yankees accounted for $47.7 million in indirect revenue from sales taxes on tickets, parking fees, concessions, hotel taxes and retail activity, and "accounting for higher ticket prices and inflation, even if you double that amount, it's still insignificant relative to the city's $30-billion budget," Lukomnik said.

Additionally, the Yankees only employ 200 full-time and 1,200 to 1,300 seasonal personnel and the city has received a total of $887,000 in rent from the team in the past five years, the report notes.

"The Yankees aren't really generating any new economic activity because the Yankee fan base is composed primarily of local residents," said S & P's Mark Goebel, who worked on the report. "So from a purely financial perspective, money being spent at Yankees games would be spent elsewhere." Certain Bronx retailers would be hurt by a move, Goebel said, but that's "a drop in the bucket when you take the entire economy into consideration."

New Jersey officials have said the state might be willing to build a baseball stadium in the Meadowlands, but have not made a formal proposal.

Gov. Mario Cuomo has suggested selling bonds backed by stadium revenues to finance a project, possibly on Manhattan's West Side.

Goebel agreed that a stadium on the West Side might "generate new money by drawing tourists into the New York area." And citing the success of Oriole Park in Camden Yards, Robert Durante, an associate director in S & P's municipal finance department, said "if a stadium is located near a downtown central business district, it tends to generate significant spinoff business for restaurants and retail establishments."

Paying for any new stadium might be a problem, the report notes. Richard Marino, a director in S & P's municipal finance department, said a "relatively small amount of bonds issued to support a new stadium would have no impact" on the state's A-minus rating, the lowest rating of any state. But taking on a "sizable" debt could affect the rating, because the state has $23.5 billion in outstanding tax-backed debt. So, at this point, Marino said, it "would be premature to judge what effect any proposed debt issuance might have."

A spokesman for State Comptroller Carl McCall said any stadium bond issue would "definitely have to go before the voters as a referendum."

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NEW YORK POST

LATE CITY FINAL

NEW YORK POST, TUESDAY, JULY 27, 1993

NO $LUMP IF YANKS TAKE A WALK

By PAUL THARP

The city wouldn't be hurt economically if George Steinbrenner moves the Yankees to New Jersey, a top financial firm said yesterday.

Standard & Poor's Corp., which rates the credit of top corporations and government agencies, said flatly: "The value of a sports franchise to a city is more myth than reality."

Steinbrenner's office declined to comment on the report. Steinbrenner has been threatening to move the team unless the city makes certain improvements around Yankee Stadium.

In its report, S & P said the city really doesn't make money from the Yankees — and its move out of the city would hardly be felt financially.

"A Yankee move to New Jersey would have minimal financial impact on New York City," S & P said.

Building a new stadium in Manhattan for upward of $300 million also might put unnecessary financial pressure on the city's ability to borrow money.

"The economic benefits of a new stadium are minimal compared to the potential costs," said one of the study's authors, Mark Goebel.

"A decision to keep the Yankees here would be an emotional one, not a financial one," he said.

What would be lost if the Yankees move is 200 full-time jobs and about $47 million in sales taxes, the report said.

The city collected just $887,000 in the last five years in rent from the Yankees, even though the team is the most valuable in baseball. The team's worth is pegged at $160 million — and it has reaped more than $486 million in TV rights since 1980.

"New economic activity generated during the baseball season is minimal because the Yankee fan base is comprised primarily of local area residents," the report said.

The report noted that the city has expressed a willingness to renovate Yankee Stadium and add a ring of luxury boxes around the stadium's top tier.

Yankee Stadium has just 19 luxury boxes, which give the city $92,000 a year in rent. By contrast, Cleveland's new stadium has 118 luxury boxes.

"How the city would pay for the improvements, given its constrained financial situation, has not been explained," the report said.

Goebel said spending $300 million for a new stadium might cause some controversy.

"There are other things some would want to spend the money on," Goebel said.

New York Post: Don Halasy

HOME REPAIR: *George Steinbrenner has been pressuring the city to improve Yankee Stadium.*