

The Impact of the Republican National Convention on the New York City Economy

The Republican National Committee (RNC) chose New York City as the site of the 2004 Republican National Convention for the first time in the party's history. The event will bring 4,853 delegates and alternates to Madison Square Garden from August 30 to September 2, 2004. The organizing committee expects the convention to draw 48,000 visitors, including 15,000 members of the press.

Convention supporters are touting the symbolic benefits of the convention for demonstrating the resiliency of New York City, in its recovery from 9/11, and the economic benefits to stem from the new spending that the convention will bring to the City. Mayor Michael Bloomberg said, "It will create thousands of jobs in the months and weeks leading up to and during the event, and generate as much as \$260 million in economic activity."

Estimating the Impact

The Beacon Hill Institute at Suffolk University has undertaken to provide an independent estimate of the economic benefits of the convention. We find that the convention will provide a positive economic benefit of \$163 million, \$97 million dollars less than the \$260 million figure quoted by Mayor Bloomberg.

Measuring the Benefits

The convention's economic benefit derives from the additional spending by the attendees and other visitors, by the convention host committee and federal reimbursement for security spending.

Spending by Visitors

The visitors will spend money on hotel rooms, dining, entertainment and shopping.² We calculate daily spending amounts for delegate and non-delegate visitors and present the

¹ Republican National Convention, "Mayor Michael R. Bloomberg, Homeland Security Secretary Tom Ridge and Governor George E. Pataki Announce Special Security Designation for New York City's 2004 Convention"; available at http://www.2004nycgop.org/2004nycgop_contents/newsroom/pr_070903.shtml; Internet, accessed May 25, 2004.

² "New York City Wins Bid for 2004 Republican National Convention"; available at http://www.nycvisit.com/content/index.cfm?pagePkey=872; Internet; accessed on April 15, 2004. The delegate hotel room figure includes \$11.34 per person per day for a hospitality suite.

breakdown in Table 1.³ We assume that convention visitors will stay in New York City for an average of 6.25 days, based on estimates from the 2000 Los Angeles Democratic National Convention.⁴ Multiplying daily spending by 6.25 and then by the number of delegates or non-delegates yields the total anticipated spending in the amount of \$98 million.

Table 1: Daily Spending by Convention Visitors (\$)

Expenditure	Delegate	Non-Delegate
Hotel	167.34	139.30
Food/Beverage	65.18	87.56
Retail	39.68	55.72
Transportation	34.01	51.74
Entertainment	36.84	51.74
Other	8.50	11.94
Total	350.55 ⁵	398.00

Spending by the Host Committee

The convention organizers will spend money on salaries, office space, construction, security, and other production costs. The Republican National Convention organizers declined to provide specific budget details to the Beacon Hill Institute. This lack of information forces us to make assumptions about the convention budget and spending allocations. In light of the different host committee spending figures cited in the media and conflicting information received from other sources we use the most conservative numbers available.

Funding to pay for the convention comes from four sources: private donations to the New York City Host Committee, the Federal Elections Commission, and the federal government, which will provide money to defray security costs. The host committee has budgeted some \$64 million,

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³"2004 Corporate Travel Index: Daily Cost of Doing Business, Business Travel News," *Business Travel News*, February 23, 2004, p. 6. The total per day spending figure from the 2004 Corporate Travel Index (\$445) was adjusted to reflect the delegate hotel spending figure (\$156 per night) cited in footnote #2 above. The figure was allocated to different visitor spending categories based on percentages (also adjusted for the \$156 per night hotel figure) to arrive at daily spending totals for each category. The total non-delegate visitor spending was calculated by dividing the total NYC visitor spending figure by the total visitors and adjusting for length of stay to get \$398 per day. This figure was then applied to the percentages of visitor spending by category to get a total dollar figure for each spending category. NYC & Company, "NYC Tourism Highlights-202," December 8, 2003, p. 4.

⁴ "Economic Impact of the Democratic National Convention 2000 in Los Angeles," PKF Consulting, Los Angeles, December 2003.

⁵ The difference between the hotel spending figure from the "2004 Corporate Travel Index" and the \$156.00 cited in footnote #2 (\$250.22 -\$156 = \$94.22) was used to reduce the total per day figure from the 2004 Corporate Travel Index (\$445-\$94 = \$351).

including \$15 million from the Federal Elections Commission.⁶ In order to allocate these expenditures into proper categories we utilize the percentages from the 2000 Democratic National Convention in Los Angeles.⁷

Spending for Security

New York City has budgeted \$76 million to cover security and safety costs with \$50 million reimbursed by the federal government. We consider \$26 million of the \$76 million to be a transfer, inasmuch as it will be defrayed out of local tax revenues. Therefore, we recognize only the \$50 million federal reimbursement as additional new security spending. For the purpose of modeling, we split this money between the local, state and federal government sectors, since each will have a role at the convention.

Total Spending

When we combine the \$98 million in spending by visitors with the \$64 million in spending by the host committee and with the \$50 million in spending by the federal government for security purposes, we get \$212 million in total spending.

Measuring the Costs

The convention's costs arise from lost productivity and tourism due to the threat of terrorism and from increased congestion and delays in and around Pennsylvania Station.

Lost Productivity

New York City officials will close streets and avenues around the convention venue, Madison Square Garden, for various parts of the week. While Pennsylvania Station will remain open for the duration of the convention, the plan calls for trains to be stopped prior to arriving at the station for a security inspection. In addition, the 8th Avenue access doors will be closed during convention week and commuters will be funneled through the 7th Avenue exit. These security

⁶ Randal C. Archibald, "G.O.P. Quick to Get Big Donors to Cover Cost of Convention," *The New York Times*, June 19, 2003, sec. A, p. 1. We assume the \$64 million dollar figure includes the \$15 million from FEC based on the DNC Boston experience.

⁷ PKF Consulting, "Economic Impact."

⁸ Timothy Williams, "NYC police security estimate for GOP Convention now \$76 million," WNBC; available at http://www.wnbc.com/politics/3289887/detail.html; Internet; accessed May 11, 2004.

measures will cause congestion, delays and ultimately economic losses due to lost productivity. We calculate that the convention security plan will cost \$19 million in lost productivity. The details of our calculations are presented below in Table 2.

Table 2. Economic Impact of Street Closings & Penn Station Train Searches

Road Closures	
West 31 st , 32 nd , and 33 rd (closed all day)	
Total car count per day	15,000
7 th and 8 th Avenues	
Total car count per day	48,304
Percent traveling after 5:30 p.m.	50%
subtotal	24,152
Total	39,152
Passengers per car	1.25
Total	48,940
Additional travel time (per person)	0.5 hour
Total increase in travel time (per day)	24,470
Total work-days of closure	4
Total hours of work lost	97,880
Productivity per hour	\$31.95
Total loss of productivity	\$3,127,266
Penn Station (PS)	
Number of Commuters at PS per day	500,000
Percent affected by convention	50%
Total	250,000
Additional travel time (per person)	0.5 hour
Total increase in travel time (per day)	125,000
Total work-days of closure	4
Total hours of work lost	500,000
Productivity per hour	\$31.95
Total loss of productivity-Penn Station	\$15,975,000
Total loss of productivity	\$19,102,266

Lost Tourism

The concern about terrorist threats, combined with the general crowding out effects of such a large event, will likely cause some tourists to avoid New York City during convention week. We calculate the city will lose \$27 million in tourist spending due to the convention.⁹

⁹ NYC & Company, "NYC Tourism Highlights-202," December 8, 2003, p. 6. We divided annual visitor spending by the number of weeks in a year to get the average tourist spending per week. We assume that 10% of tourists that would have normally come during convention week will be crowded and will not return during 2004.

Total Costs

We add the lost productivity figure of \$19 million and the \$27 million of lost tourism spending to arrive at a total cost of \$46 million.

Net Impact of Costs and Benefits

To determine the impact of new and lost spending to the City, we apply the Regional Input-Output Modeling System (RIMS II) of the Bureau of Economic Analysis, which enables the user to obtain detailed analyses of the direct and indirect economic impacts of different shocks to a local economy. RIMS II, which accounts for inter-industry relationships through the use of output, earnings and employment multipliers, is a widely-used tool for conducting regional economic impact analysis.

The data for the RIMS II tables are derived from BEA's national I-O table, consisting of nearly 500 industries, and BEA's regional economic accounts, which are used to adjust the national I-O table. The combination of these two sources of data results in a regionalized table capturing the local economy's industrial structure and trading patterns. RIMS II is available at the county level and can be used for a multiple county region as long as the counties are contiguous. We obtained RIMS II multipliers for the New York City area, which includes Bronx, Kings, New York, Queens and Richmond counties.

The Results

Table 3 contains net impact of the convention on the New York City economy. We combine the spending by the host committee, attendees and spending on security measures to obtain a total of \$212 million. Then, we determine from RIMS II the new value added that will result from this increase in spending and from the \$27 million in lost tourist spending. Value added is the appropriate measure of economic effect because it represents new economic activity that sticks to the local economy. Combining the values added for the two categories, plus the \$19 million in lost productivity, we get \$163 million in net economic benefits.

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¹⁰ For details, see Bureau of Economic Analysis, US Department of Commerce, "Regional Multipliers: A User Handbook For the Regional Input-Output Modeling System (RIMS II)," Third Edition, 1997.

Table 3. Net Economic Effect of Republican National Convention

Event /Closures	Change in Direct Spending	Total Value Added
	(\$mill)	(\$mill)
Events		
Republican National Convention	212.0	207.0
Lost Tourism	-27.0	-25.0
Closures & Delays		
Roads	NA	-3.1
Penn Station	NA	-15.9
Total Closures & Delays	NA	-19.0
Net Impact	NA	163.0



About the Beacon Hill Institute

Founded in 1991, BHI is an independent, nonpartisan economic research organization, located within Suffolk University in Boston, that applies a market-clearing approach to the analysis of tax, fiscal and regulatory issues. In addition to analyzing tax policy, we study issues including education spending, charitable tax incentives, universal health care, tort reform and economic competitiveness. BHI develops innovative solutions and applies economic analysis to public-policy issues affecting the states and the nation.