

The Real Effects of the National Political Conventions on the Boston and New York Metropolitan Areas



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The economic impact of the conventions remains a moving target as new information about the security plans and spending becomes available. Most recently two new pieces of information have emerged that change the impact of the conventions on the local economies. In light of the new circumstances, The Beacon Hill Institute has updated its estimates of the impact of both conventions to incorporate this new information.

Responding to a joint plea from the mayors of Boston and New York, the United States Congress approved \$25 million in additional federal money for each convention to help the cities cover rising security costs. The federal government has now pledged a staggering total of \$100 million, \$50 million for each city, toward security costs for both political conventions.

New York City officials, after many months of silence, finally began to release the details of their security plan for the Republican convention. The security plan will close streets and avenues around the convention venue, Madison Square Garden, for various parts of the week. While Penn Station will remain open for the duration of the convention, the security plan calls for trains to be stopped prior to arriving at the station for a security inspection using bomb-sniffing dogs and chemical detection devices. In addition, the 8th Avenue access doors of the station will be closed during convention week and commuters will be funneled through the 7th Avenue exit. These security measures will cause congestion, delays and ultimately economic losses due to lost productivity.

Net Impact: Boston

For Boston, the fresh \$25 million from the federal government reduces the net loss of economic activity to the local community from \$33 million to \$8.2 million. Since the \$25 million in new security money will come from a source that remains, for the most part, outside the local economy; we treat the funds as additional stimulus to the economy. Table 1 below summarizes the details.

Net Impact: New York

The Republican National Convention in New York City will also receive an additional \$25 million from the federal government to offset security costs that have seen estimates nearly triple to over \$73 million. Like Boston, the \$25 million will provide spending into the local economy that will not be borne by the citizens of New York and we treat it as additional stimulus.

Table 1. Net Economic Effect of Democratic National Convention

Event/Closures	Change in Direct Spending (\$mill)	Total Value Added (\$mill)
Events		
Democratic National Convention	138.1	147.7
Sail Boston 2004	-85.0	-95.6
U.S. Gymnastics Qualifying	-13.4	-15.0
Total Events	39.7	37.1
Lost Tourism	-7.5	-8.6
Closures		
Closing I-93 and other roads	NA	-33.8
North Station	NA	-2.9
Total Closures	NA	-36.7
Net Impact	NA	-8.2

The convention security plan will cause disruption and delays that will negatively impact the local economy. Also, 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. Using similar methodologies and assumptions as for the Democratic Convention in Boston, we find that New York City will still realize a net economic gain from the Republican National Convention. We estimate the net economic impact to be \$163 million, \$87 million less than the \$250 million recently quoted by Mayor Bloomberg. Table 2 below provides details.

Table 2. Net Economic Effect of Republican National Convention

Event /Closures	Change in Direct Spending (\$mill)	Total Value Added (\$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

Appendix I

**Table 3. 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

Table 4. Economic Impact of Closing I-93 and North Station

I-93 and other Road Closures	
Total car count per day	440,830
Percent traveling after 4 p.m.	50%
Total	220,415
Passengers per car	1.25
Total	275,519
Additional travel time (per person)	1 hour
Total increase in travel time (per day)	275,519
Total work-days of closure	4
Total hours of work lost	1,102,076
Productivity per hour	\$30.68
Total loss of productivity	\$33,811,691
North Station (NS)	
Number of Commuters at NS per day	25,000
Percent affected by convention	50%
Total	12,500
Additional travel time (per person)	1.5 hours
Total increase in travel time (per day)	18,750
Total work-days of closure	5
Total hours of work lost	93,750
Productivity per hour	\$30.68
Total loss of productivity-North Station	\$2,876,250
Total loss of productivity	\$36,687,941