



# **Economic Effects on the Boston Area of the 2004 Democratic National Convention: Update**

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## **Summary**

On March 30, 2004, we estimated that the Democratic National Convention, to take place July 26-29 in Boston, will contribute \$121.6 million to the Boston economy. In making that estimate, we ignored certain negative effects of the convention for which there was incomplete information at the time. Here we consider an updated scenario under which it turns out that Boston would *lose* \$12.8 million in economic activity as a result of the convention. This scenario is based on new information that we have acquired about events that will be displaced by the convention and about lost productivity that will result from the disruption of commuter activity.

## **Introduction**

On March 30, the Beacon Hill Institute at Suffolk University released a report, *The Democrats are Coming: What it Means to the Boston Economy*, in which it showed that the Democratic National Convention scheduled to take place July 26-29 in Boston, would bring \$121.6 million in

benefits to the Boston economy. That estimate considered only the effect of new spending, estimated at \$113.05 million, on that economy.<sup>1</sup> It also and explicitly omitted any consideration of “displacement of normal economic activity,” of “additional congestion” owing to traffic tie-ups and of other disruptions in commuter patterns.

Why did we ignore such effects? The answer is that we had incomplete information about them at the time. There were suggestions that major events previously scheduled for the convention week had been displaced by the convention. And there were suggestions of plans to close a portion of I-93 and North Station. Now that those suggestions have become firm realities, it is necessary for us to update our previous report in order to take them into account.

### **Spending Effects**

The convention has caused Boston to lose Sail Boston 2004 and the U.S.A. Gymnastics qualifying event. Given this assumption, we determined the lost spending and the lost benefits to the economy associated with each event. See Table 1.

<b>Table 1. Net Economic Effect of Democratic National Convention</b>		
<b>Event</b>	<b>Change in Direct Spending (\$mill)</b>	<b>Total Value Added (\$mill)</b>
Democratic National Convention	113.05	121.60
Sail Boston 2004	-85.00	-95.60
U.S.A. Gymnastics qualifying event	-13.39	-15.00
Closing I-93 and North Station	0.00	-23.80
<b>Net Effects</b>	<b>14.66</b>	<b>-12.80</b>

We used the IMPLAN model of the Boston area to determine the potential economic impact of the displacement of Sail Boston 2004 and the change in direct spending associated with the U.S.A. Gymnastics qualifying event. The estimated lost direct spending for these events was \$85 million for Sail Boston and \$13.9 million for the U.S.A. Gymnastics qualifying event.<sup>2</sup> The resulting lost value added, or economic activity, from these events is \$95.60 million and \$15.0 million, respectively.

<sup>1</sup> The economic impact differs from new spending for two reasons: (1) Not every dollar of new spending sticks to the local economy. (2) For every dollar that does stick, there is a multiplier effect, leading to further economic benefits.

<sup>2</sup> The Sail Boston 2004 spending was based on a spending estimate derived by the Boston Redevelopment Authority (BRA) for Sail Boston 2000 in June 2000. The value added figure associated with the U.S. gymnastics event was obtained from the Greater Boston Convention and Visitors Bureau. The spending by industry for both was based on the spending pattern in the BRA report.

## Lost Productivity

To compute the lost productivity of workers due to the closing of I-93 for the 2004 Democratic National Convention, we used the daily car count from the Massachusetts Highway Department for that stretch of road. We assumed that 50% of this count would be commuters affected by the closing. We then multiplied this figure by the average number of passengers per car, as estimated by the Texas Transportation Institute, to arrive at the total number of commuters affected. We assumed that commuters will, on average, lose one hour of productive work time per day due to the I-93 closing. We then used these figures to compute the total number of hours lost per day. Multiplying by the number of days (4) I-93 will be closed, we got the total lost hours of work. We then multiplied this result by our estimate (\$30.68) of the amount of production that is lost as the result of an hour of lost work. This gave us an estimate of the total loss of productivity in dollar terms due to the closing of I-93.

We used a similar method to calculate the productivity lost due to North Station closing. We (conservatively) assumed that 50% of the North Station users are commuting to work. We further assumed that each commuter will lose 1.5 hours of productive work time per day to obtain the total number of lost productive hours. We then multiplied by the total number of workdays North Station will be closed (5) to arrive at our total number of hours of lost work. By multiplying this result by our dollar figure for lost output, we got the total loss of productivity in dollar terms due to the closing of North Station.<sup>3</sup> See Table 2.

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<sup>3</sup> Table 2 contains the details of these calculations.

<b>Table 2. Economic Impact of Closing I-93 and North Station</b>	
<b>I-93</b>	
I-93 car count per day	272,535 <sup>4</sup>
Percent that are commuters	50%
<b>Total</b>	<b>136,268</b>
Passengers per car	1.25 <sup>5</sup>
<b>Total</b>	<b>170,334</b>
Delay in hours per person per day	1
<b>Total delay hours per day</b>	<b>170,334</b>
Total work-days of closure	4
<b>Total hours of delay</b>	<b>681,336</b>
Lost output per hour	\$30.68
<b>Total loss of productivity</b>	<b>\$20,903,388</b>
<b>North Station (NS)</b>	
Number of Commuters at NS per day	25,000 <sup>6</sup>
Percent effected by convention	50%
<b>Total</b>	<b>12,500</b>
Delay in hours per person per day	1.5
<b>Total delay hours per day</b>	<b>18,750</b>
Total work-days of closure	5
<b>Total hours of delay</b>	<b>93,750</b>
Lost output per hour	\$30.68
<b>Total loss of productivity-North Station</b>	<b>\$2,876,250</b>
<b>Total loss of productivity-I-93</b>	<b>\$20,903,388</b>
<b>Total loss of productivity</b>	<b>\$23,779,638</b>

<sup>4</sup>Massachusetts Highway Department, "Route Traffic Volume Counting List"; Internet; available at <http://www.state.ma.us/mhd/traffic/traffic.htm>; accessed on 8 April 2004.

<sup>5</sup>David Schrank and Tim Lomax, "2003 Annual Urban Mobility Report", Texas Transportation Institute, (2003); Appendix B, p. 23; Internet; Available at [http://tti.tamu.edu/product/catalog/reports/mobility\\_report\\_2003.pdf](http://tti.tamu.edu/product/catalog/reports/mobility_report_2003.pdf); Accessed on 08 April 2004.

<sup>6</sup>Raphael Lewis, "North Station may shut for the Parley" Boston.com (03 March 2004); Internet; available at [http://www.boston.com/news/local/massachusetts/articles/2004/03/03/north\\_station\\_may\\_shut\\_for\\_parley/](http://www.boston.com/news/local/massachusetts/articles/2004/03/03/north_station_may_shut_for_parley/); accessed on 08 April 2004.