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Conclusions

Learning objectives

- Learn the uses and limitations of traditional cost-benefit analysis (CBA)
- Be able to evaluate costs and benefits comprehensively using key impact indicators.
- Understand and be able to apply the BACE model of planning, evaluation and impact assessment to events and tourism.

9.1 Cost-Benefit Analysis (CBA)

The first part of this chapter is devoted to discussing CBA and offering a more comprehensive approach that employs selected Key Impact Indicators presented throughout this book. In the second part the BACE model is presented as a framework for integrating evaluation and impact assessment within a strategic planning process.

Often CBA is done only for the economic dimension, in monetary terms, and as part of forecasting or a feasibility study. The triple-impact-assessment method of Andersson and Lundberg (2013) has been developed to overcome the incommensurability problem (i.e., different measures for different impact objects), but it is not always acceptable to express all costs and benefits in monetary terms. The Event Compass, as discussed in the companion book, follows a goal-attainment approach that does not require comparable measures for each impact dimension.

According to Dwyer et al. (2010: 267) CBA does the following:

- ◆ Assesses all costs and benefits in monetary terms over the expected life of a project.
- ◆ Measures changes in all sources of economic welfare, both increases and decreases.
- ◆ Shows the estimated net effect of welfare changes, including comparing a hypothetical project to not taking any action; alternatives can be compared and ranked.
- ◆ Discounts future costs and benefits.

According to Dwyer et al., for a public-sector capital investment (or programme or policy) to be socially acceptable, the sum of benefits to society (both private and social benefits) must exceed the sum of the costs to society. However, this does not necessarily take into account distributional effects (i.e., equity).

There are eight steps in the CBA process, according to Dwyer et al. (p. 402):

- 1 Determination of the scope and objectives of the assessment
- 2 Consideration of alternatives (e.g., alternative events, investments, policies; doing nothing)
- 3 Identification of likely or realized impacts
- 4 Valuation of costs and benefits in monetary terms
- 5 Discounting of future costs and benefits
- 6 Application of decision rules (i.e., investment criteria can be evaluated using net present value, internal rate of return or benefit-cost ratio)
- 7 Sensitivity analysis (test for optimistic or pessimistic scenarios, such as attendance forecasts, inflation rates, exchange rates, etc.)
- 8 Post implementation review

Some risks are known, others cannot be estimated, so forecasts will include uncertainty. Post-event assessments should therefore be compared to forecasts.

Dwyer et al. (2010, p. 452-3) emphasize two major points in calling for improvements in event evaluation. The first is to use a CGE approach to estimating effects on output (GSP or GDP) and employment plus a cost-benefit analysis. There is also a need to consider inter-jurisdictional effects when government support is sought, because costs and benefits do not always respect borders. The second point is the need for a better institutional framework for 'event assessment'. Here they note that event development corporations (and this will include most DMOs) have too great an incentive to oversell and 'win' events. An appropriate body to evaluate bids and plans would have the mandate and means to assess alternative uses of money (i.e., opportunity costs). Evaluations should have to compare economic, social and environmental costs and benefits, plus risks have to be assessed and their management monitored closely.

Full CBA is probably too complex for most professionals considering the impacts of events and tourism, and will likely not be attempted in most event and event-portfolio management situations. A short-form is recommended below, utilizing some of the key impact indicators recommended in this book. From each chapter's lists of objects and subjects KIIs have been selected, but these can be substituted by users, appropriate to circumstances.

Figure 9.1 shows a range of suggested key benefit indicators on the left and key indicators of costs and negative impacts in the right-hand column. They do not match one on one, as benefits do not always offset costs, and vice versa (a discussion of this crucial issue ends the chapter). I have selected only a few indicators from each chapter to illustrate this analytical framework.