

Event Impact Assessment Instructor's Manual

8 Economic Impact Assessment

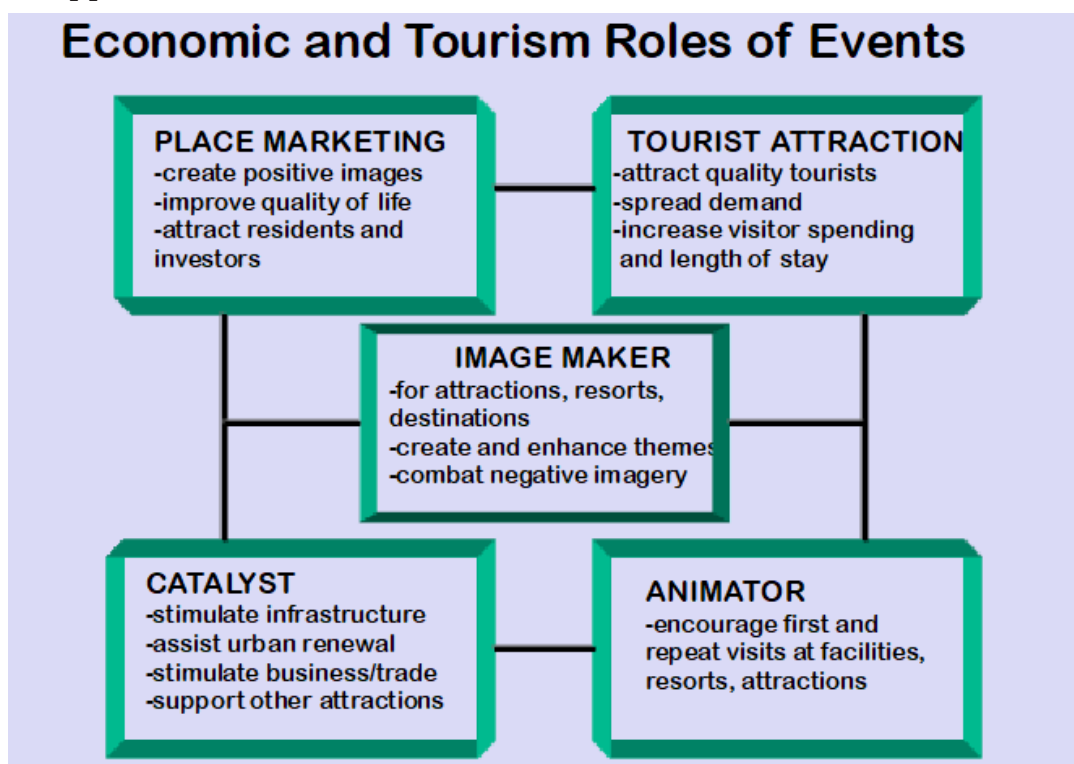
This is the instructor's manual produced to accompany the book *Event Impact Evaluation: Theory and Methods for Events and Tourism*, by Donald Getz, 2018, published by Goodfellow Publishers.

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Lecture 15

Since this is the most researched and published topic within event and tourism impact studies; there is no shortage of pertinent literature and real-world examples. I have picked out some of the common problems and weaknesses with traditional economic IA, and some principles that have to be emphasized, such as 'impacts do not equal benefits!'. All too often proponents of events and developments make a big deal of the purported benefits while ignoring costs and negatives. I also stress the equity issues, which I consider to be critical: who gains and who pays is the question to ask.

Below is a model I created to illustrate five major functions or roles of events in tourism, including place marketing. Measuring impacts in quantitative, monetary terms is really only easy in the 'attraction' role, which is where we use the Direct Economic Contribution approach.



8.2 Potential Economic Impacts of Events and Tourism

Two figures support this discussion. Figure 8.1 lists "Major Economic Development and Growth Goals and Specific Objectives", and these are the main purported economic benefits touted by proponents of event bids, mega events and venues. Some of them are well supported by evidence, for example the fact that many events attract tourists and they spend lots of money. But demonstrating how events and tourism might change a local economy for the better is a more difficult challenge. As portfolios of events in cities and destinations get bigger and better managed, demonstrating long-term, cumulative impacts will have to become a priority.

Figure 8.2 ("Major Economic Costs and Negative Impacts") will need elaboration in the form of definitions and examples. 'Externalities' are not always apparent, and are often ignored in IAs. 'Opportunity costs' are typically ignored in forecasting event impacts, but should be a major part of strategic impact assessment because there are always options for

public investments. Opportunity costs also raise ideological and ethical questions, such as “should governments invest in tourism and events at all? Why not invest in other policy fields, such as social, educational and health services”?

ROI and the worth of events is briefly discussed. This is one of the ‘value perspectives’ discussed in the *Event Evaluation* book and in the book *The Value of Events*. ‘Worth’ is a tricky subject, meaning quite different things to people. In societies devoted to capitalism, there is no need to question the value of events and tourism, it is normal business. ROI in those settings is a measure of economic benefits. Elsewhere, events and tourism are directed at other goals, or are being seriously questioned; evaluators will therefore want a composite measures of ‘worth’ from different value perspectives.

There is no separate section labelled Objects and Subjects, but it starts in the same way as in the other chapters, with economic impacts on individuals and families. I provided a bigger discussion of economic impacts from the perspective of tourist destinations, since there is so much literature on that subject. Consider the special issues for destinations, including definitions of ‘competitiveness and sustainability’, ‘seasonality’, ‘displacement’, ‘clustering’ and ‘export-ready’.

UK residents seemed to like the Olympic Games, according to a 2013 poll illustrated below, but did they really get the whole picture? Was there a comprehensive impact assessment conducted? For another view on London’s and other Olympics impacts read Zimbalist (2015) on long-term debt, and read McGillivray and Turner (2018) on how mega-events are ‘sold’ to the public and politicians. Selective reporting of opinion polls and impact assessments is a tried and true way to mis-direct the public.



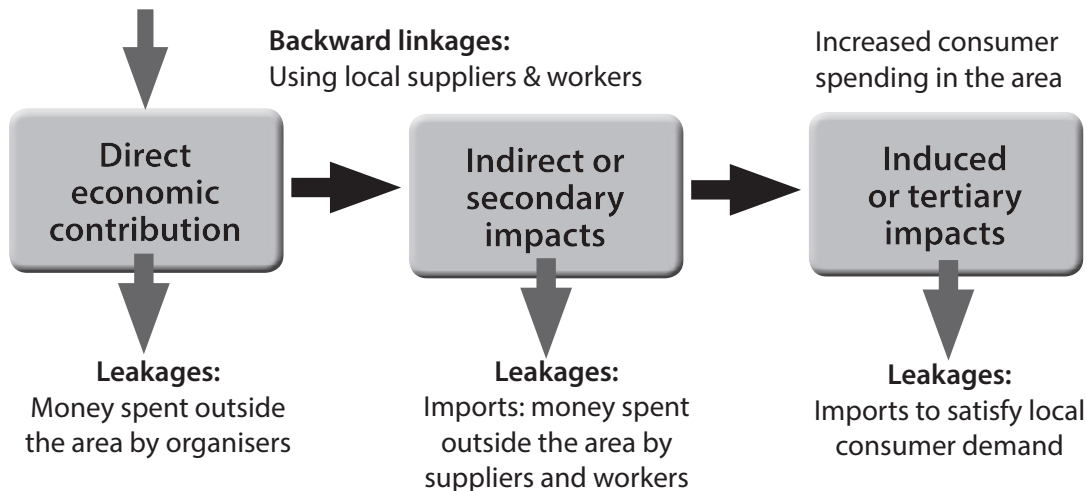
Lecture 16

8.3 Creating Economic Value with Events and Tourism

From a planning and economic development perspective this is the key question: how do we maximize the economic benefits of events and tourism (for local areas or regions or countries?). This is also discussed at length in my *Event Tourism* book, from which the model has been adapted. Figure 8.4 illustrates "The Direct and Indirect Contribution of Event Tourism", and several terms need careful explaining (see Figure 8.5). 'New money' (or incremental income) has to be explained in the context of the 'attribution problem' (or additionality), as we have to be cautious in attributing tourist spending and other new money to specific events, versus tourism in general. See the Edinburgh material for consideration of multiple events. 'Leakages' and 'linkages' have to be explained, and that is the essence of how multipliers are calculated - but I steadfastly refuse to use or recommend multipliers; it is sufficient to know how money flows through an economy. The fact is, the vast majority of economic benefit from most events will come from the first round of direct expenditure by dedicated event tourists - i.e., those who travelled because of the event.

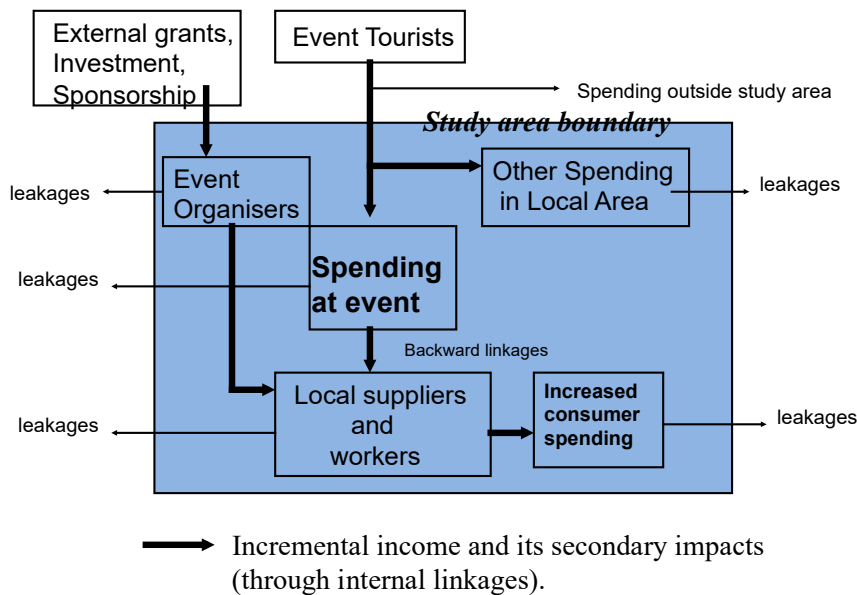
New money

or incremental income from event tourists, sponsors, grants etc. when attributable to the event



Here is another model, from my *Event Tourism* book. Maybe this one is easier to understand.

The Event Income Multiplier



Advice is given on how to maximize local benefits, based on an understanding of the model. In this context 'legacy' is discussed. All too often the term is associated with lasting benefits, but as the literature clearly shows the lasting impacts of many mega events are in the form of debt and white-elephant (meaning useless) facilities. Link this discussion with 'leveraging' which is the strategy and actions of maximizing benefits.



Edinburgh has studied its festivals and released impact data periodically, becoming more concerned about triple-bottom-line accounting as time passed.

You can easily find numerous articles and sites devoted to Olympic white elephants. Here is an excerpt from an online posting:

Olympic white elephants? Rio's got a herd of them Louis GENOT (AFP Feb 18, 2017, 12:37 AM)

"Rio de Janeiro (AFP) - Rio's Olympic organizers promised there'd be no white elephants after the crowds and athletes went home. Unfortunately, six months later there's a herd charging through Brazil's run-down second city.

From the dead grass at the world famous Maracana stadium to the unsold apartments in the 31 towers of the athletes' Village that were meant to become a new luxury neighborhood, you don't have to look far to see the unfulfilled promises of South America's first Olympic Games.

Even a year before the Games started, a top official in the mayor’s office, Pedro Paulo, promised: “We will leave no white elephants.” Right before the August 21 closing ceremony, then mayor Eduardo Paes repeated the assurance.”

The photo is from the site <https://www.dailymail.co.uk/news/article-2723515/Athens-Olympics-leave-mixed-legacy-10-years-later.html>



“Deserted: Built at a cost of £7billion, the venues played host to millions of spectators, athletes and officials. Above, the beach volleyball Olympic venue in Neo Faliró”

8.4 Considerations for Types of Events

This topic could be a book on its own, so I have only introduced some of the key differences. As an exercise, students could go into the literature on sports, business events, fairs, festivals, etc., and find documentation of impacts and impact assessment methods that are most appropriate, or at least being used.

Here is one typology of events, stressing their form, not their function.

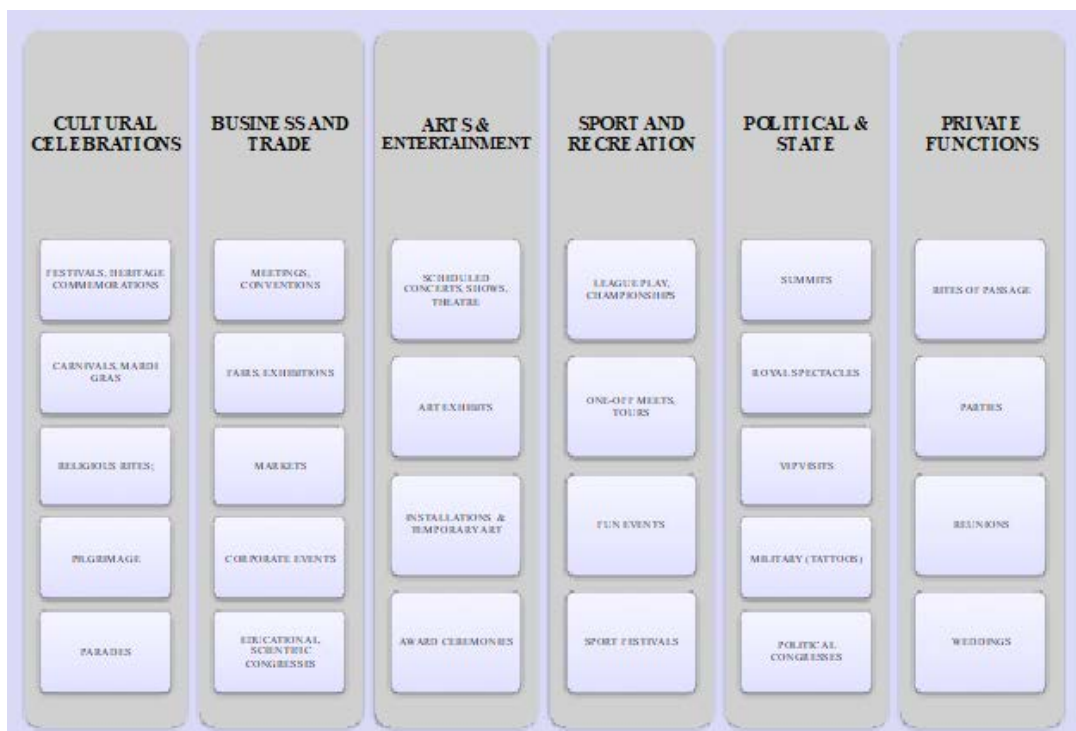


Figure 8.6 (“Special Considerations for Types of Events and Their Economic Impacts”) summarizes this section. In addition to types of events defined by ‘form’, I also consider the ‘functions’ of ‘mega events, hallmark and iconic events’ and how this influences economic impacts.



The iconic TransRockies events, for dedicated event tourists who are highly involved in their sports, brings economic benefit and publicity to small towns and remote areas in Alberta, Canada (mountain biking) and Colorado (running). See the case study in Event Tourism (Getz 2013) and two papers by Getz and McConnell (2011; 2014).

8.5 Methods for Economic IA

For details, see any of the Dwyer references, as he has repeatedly (alone and with others) explained CGE and I-O differences. I prefer the simplest method of all, the Direct Economic Contribution method, and that is all I will ever recommend.

Exercise: Students can act as consultants (hypothetically) to an event wanting to know its economic impact. Provide the methodology and prepare a survey for visitors to obtain the estimate of new money attributable to event tourism. This exercise is much more complex than it might seem, as students will have to have a profile of the event, understand its aims and its budget, and work out the logistics of doing research.

Alternatively, the EventImpacts calculator can be used to make a forecast, assuming different scenarios for attendance, segments and spending (i.e., a sensitivity analysis).

‘Forecasting’ is an essential part of IA, and in the case of DEC calculators it is critical to consider sources and margins of error, past experience, and possible complications that could make the forecasts inaccurate. Only with meta-analysis of many comparable impact studies will forecasting improve in accuracy for any given jurisdiction. An option is to use calculators to run sensitivity analyses, similar to comparing scenarios.

Figure 8.7 provides a “Sample Summary of the Economic Contribution of an Event” including both the DEC and the contribution of the event organisation. Some events will actually produce a negative economic impact, while others might try to hide costs or proclaim them to be benefits, so if you can ever find such a summary it is necessary to investigate the source data. Ideally all events in an area would produce the same documentation.



Be certain to consult the EventImpacts website for guidance and examples, especially regarding the Direct Economic Contribution.

Lectures 15 and 16 Assessments

Short Answers

◆ **Learning Objective:** Learn important principles for conducting economic IA

Q: What principles do you think should guide economic impact assessment for events and tourism?

A: The principles are listed in 8.1.1 and these have been themes running through the book: impacts do not equal benefits; comprehensiveness or TBL approach; equity or distributional issues; sustainability and responsibility; IA as an input to evaluation; keep it simple and use the DEC; the need for standardise methods and measures. Also mention transparency and accountability, which apply to all forms of IA.

◆ **LO:** Know the main potential costs and economic impacts (both positives and negatives) of events and tourism, and how to maximise local benefits

Q: Use the multiplier model (“the direct and indirect contribution of event tourism”) as a basis for recommending actions to maximise the local economic benefits of events.

A: There are too many potential economic costs and benefits to mention, but a few major examples should be given. I would always stress the equity issues. As to maximising local benefits, the starting point is understanding the multiplier model and using knowledge of DEC, linkages, and linkages to recommend a series of actions that include business leveraging and legacy creation.

◆ **LO:** Be able to plan and implement economic IA, including appropriate methods

Q: When conducting pre and post economic IAs for an event, what are the main methods and measures challenges?

A: You can simplify this question but focusing on pre or post event, rather than both. The pre-event (or forecasting IA) has to be based on knowledge of the event and its marketing and on comparables; hopefully results from meta-analysis is available in order to make forecasts, and sensitivity analysis should be undertaken using a DEC calculator. Post-event, the analysis of obtained economic impacts will hinge on the quality of available data from visitor surveys, the service industry and the event organisers.

◆ **LO:** Learn how to forecast and estimate the direct economic contribution of events

Q: Describe the direct economic contribution method and explain why it is the basic tool for economic impact assessment in the events sector.

A: This Q could also include illustration and explanation of the multiplier model as a way to explain the DEC, how to estimate it, and its importance. Students should be able to explain the data required and how to do the calculations. Otherwise use of a calculator will become a misleading black-box exercise.

Long Answers

1) Discuss the potential economic benefits and costs of bidding on and producing events, with emphasis on equity and distributional impacts.

A: There will have to be a separate consideration of bidding and of producing events. Bidding costs can be high, and risky, given the power of event owners to go where they want and make big demands of bidders. Cost overruns are common, and all too often the promised benefits are not realised and externalities and distributional effects ignored by those doing the bidding. Some people say there are benefits to bidding, such as learning how to do it better, and while this might be true it assumes an active bidding agency with resources committed to winning events. As to periodic events, the answer will include discussion of DEC and other benefits attached to the growth and development paradigm, balanced against displacement effects, externalities and opportunity costs. The cost of mitigating social, cultural and environmental damage could be mentioned in a really good answer.

2) Use your knowledge of how economic benefits are created from events and tourism to recommend a strategy for maximising local income and jobs. Provide a diagram to illustrate the inflows and outflows of money.

A: The inflows and outflows suggest the multiplier model, but also require consideration of how event organisations obtain and spend money. It is necessary to define and illustrate leakages and linkages, and the within-scope issue. The attribution problem has to be discussed. A good strategy will have goals, multi-stakeholder agreement on evaluation and IA indicators, and a clear action plan (i.e., it will have a TOC model!).

A really great answer will elevate the recommended strategy to the level of portfolio management in which events are assets and overall, cumulative outcomes and ROI are measured.

3) Describe the steps to be taken when conducting an economic IA, with details provided on how to forecast and, post-event, estimate the direct economic contribution.

A: This has been covered in the above questions, but could be added to any of them as an explicit requirement.