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G-20: Did Pittsburgh Come Out Ahead?

Pittsburgh's cheerleaders are lauding the benefits of hosting the G-20 summit with a claim the City and region reaped \$35 million in direct economic benefits as well as what amounts to \$100 million worth of free advertising from all the media coverage of the event. Are these claims an accurate description of what happened during the time leading up to and including the summit? Or are civic leaders, as usual, viewing this event through rose colored glasses—or perhaps blinders?

The head of VisitPittsburgh, Joe McGrath, claims the \$35 million in direct economic impact was the result of “spending on hotels, meals, taxi and limousine service, convention center set-up, and extras like the Japanese delegation’s request for 200 bottles of Pennsylvania red wine.” True, the delegates and their entourages, security, media, and protesters who came to town for the meeting used these services. However, the event also chased away normal patrons of the City’s restaurants, hotels, and shops and it’s not clear that spending by G-20 related visitors offset this loss. With well over 100,000 Downtown workers, most of whom were not Downtown for two and a half days—including evenings—eatery and retail sales must have taken a substantial hit. Employees at restaurants who are paid by the hour or depend heavily on tips sustained income cuts.

Then too, office worker productivity undoubtedly suffered. Companies will have to ask workers to put in more hours to get caught up. Some overtime could be involved. Have benefits estimators assigned someone to add up those numbers?

According to newspaper reports from May of this year, one of the conditions for hotels wanting to participate was to offer their best price for blocks of rooms—not market price but some discounted price world leaders were willing to pay. McGrath noted at the time “we had to go back to them (hotel operators) two or three times to get the rate we needed to make this work.” This implies that local hoteliers were subjected to heavy pressure to reduce prices to a level low enough to suit leaders of the G-20 economies. How did deeply discounted rooms affect the bottom line of hotels and was there a net loss or gain in revenue compared to the revenue that would have been derived from normal bookings at regular rates?

In any event, room sales numbers during G-20 are not the measure of benefits. Even if the sales for the G-20 period were higher than the amount those days would have ordinarily brought in, only the increase above a regular week would represent an actual G-20 benefit. That number should be fairly easy to derive if City hotels would report hotel tax receipts for the G-20 week and some regular weeks that would provide a reasonable estimate of what tax receipts would have been without the G-20 meeting. Benefit touters should get on with that task.

Of course lost business affects not only the firms and their workers, but also tax collections including Allegheny County's Regional Asset District (RAD) tax. With sales tax collections already down due to the recession, the two day loss of sales in Pittsburgh comes at a bad time. What's more, a news report noted that an outlet shopping mall in Mercer County and a golf course in Butler County reported "an abnormal surge in business Thursday and Friday." If workers who did not come to Downtown during the summit and instead went outside the area to spend money, it would represent a drain to Pittsburgh's and Allegheny County's retailers and RAD tax collections.

Without the daily stream of workers pouring into the City for two days, parking garages were largely empty as were many Port Authority trains and buses. Have G-20 boosters added up the parking tax loss and PAT fare losses? It's very unlikely that G-20 benefit claims took these losses into account.

Finally, was the media attention garnered by the City worth \$100 million of free advertising? Such claims are seat of the pants guesses at best. If news coverage was equivalent to positive advertising, the experience of the Steelers and Penguins playoffs would be far more important. Coverage of Pittsburgh by foreign news outlets will have little impact on foreign investment coming to the region. Any company or investor looking for a place to locate has access to far more thorough information about the region and knows or can easily learn about the experience of foreign firms already in the area.

Pittsburgh leaders are continually hoping that one of these events, such as hosting the G-20 meeting, will be able to do what they are unable to accomplish: attract new residents to Pittsburgh faster than population is leaving and generate significant job gains. However, every time the City hosts a high profile event, be it sporting or otherwise and there have been many over the years, we see no evidence of a sudden pickup in private sector economic activity. The City and region still languish in economic doldrums. The real antidote for the City's ills are not hosting summits or sporting events, but reshaping the tax and labor climate. Of course, that requires hard work and taking political risks.

Bottom line: Until the calculations of net benefits take into account reasonable estimates of totals for direct costs, and lost revenues for businesses and tax coffers, any figure claiming to be an estimate of benefits must be viewed with a huge helping of skepticism.

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