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Summing Up the G-20 Summit

Shortly after the conclusion of the September G-20 Summit, the head of VisitPittsburgh claimed the event's economic benefits to the City and region reached $35 million. As we pointed out in an earlier *Policy Brief*, that was a very dubious claim. Two months later data are available that call into serious question the notion the region enjoyed a $35 million boost in economic benefits. We now have a reading on the RAD (regional asset district) tax revenue for September, which is a gauge of retail sales in Allegheny County, as well as figures for hotel occupancy tax revenue for September, which allow us to calculate the dollars spent on hotel rooms during the month. By comparing the September 2009 data to September 2008 numbers and examining the pattern of year over year changes for 2009, it is possible to come to a reasonable conclusion about the G-20 meeting's direct impact on spending.

Obviously, this is only a partial measure of benefits. But by the same token, it does not take into account any of the costs borne by the City, County, the Convention Center, the airport and Port Authority. Nor does it take into account for the loss of productivity of non-retail businesses in the City that were closed for the duration of the Summit and the expense endured by college students who were forced to evacuate their dorms. And it does not take into account the massive inconvenience to residents and motorists.

Whether the Summit will have measurable, identifiable near term or long term benefits in terms of helping recruit foreign firms to locate in the City or County remains to be seen.

But as a reasonable approximation of the near term benefits the RAD tax and hotel tax will shed light on the value of hosting the meeting. First the RAD tax. Collected by the state and forwarded to the Regional Asset District (RAD), the monthly posting for September 2009 shows this tax generated $6.8 million. In September 2008 the revenue was $7 million. Thus, the year to year decrease was around $200,000 or 2.9 percent. Other year-to-year comparisons for the earlier months of 2009, show most were either down or flat from their 2008 levels. The exceptions were February and August (each up about 1.5 percent). Because August 2009 was higher than August 2008, it appears that the sales impact of the recession had perhaps run its course.

A look back over several years at September reveals a fairly flat trend. In 2005 the RAD collections were $6.7 million and in 2006 they were $6.9 million. In short, the September RAD tax revenue at $6.8 million was not only lower than in 2008, but also weaker than 2006. There is simply no evidence that retailers, restaurants, etc. in aggregate enjoyed an above normal September level of sales during September 2009. To show otherwise will require those who still argue there was Summit boost to sales to demonstrate that other factors would have made September sales even worse without the G-20. And since September was the month of the "cash for clunkers", that might prove difficult.

A second gauge of the Summit's benefits is the County's hotel tax revenue. Bear in mind that as a condition of hosting the Summit, local hotels had to offer their best (lowest) price for blocks of rooms rather than normal market price. In other words, a discounted price world leaders were willing to pay. Hoteliers were pressured to come up with deep discounts that could adversely affect their bottom lines as well as that of the County's hotel tax.

According to the County's Treasury Department, September's hotel tax revenue was just over $2.8 million. For September 2008 and 2007 collections were around $2.2 million. It appears the County's coffers may have benefited by about $600,000 from the G-20 Summit meeting. With the County's seven percent tax, an increase of $600,000 implies that an additional $8.5 million was spent at County hotels than in the previous two Septembers.

The only other months in 2009 not showing declines in year over year revenue were February and August (February had an increase whereas August was flat). Again, as with the RAD tax, it appears the recession effect on year over year changes could have largely run its course by August. Be that as it may, the increase in September could have been attributed to the Summit, but there was some probably also a boost from the large number of reporters and football fans who were in town for the NFL's kickoff celebration at the beginning of the month.

Certainly some hotels benefited in terms of gross revenues, but did they actually make more profit in light of the increased costs from adding staff and paying overtime for accommodating the two or three days of extra guests? If the hotel lost money, that loss has to be subtracted from the benefits of the extra pay received by full time and temporary workers. Certainly, at best, the $8.5 million additional hotel revenue is far short of the amount needed for VisitPittsburgh to make the claim of $35 million in economic benefits.

As is often the case with high-profile events such as the G-20 Summit, the benefits are touted before and during the event, but within weeks after they have come and gone there is little mention. How many times have the people of this region have been led to believe that hosting a playoff game, all-star game, or convention will lead to economic revival? And yet we still await the promised return to meaningful growth. Thus, despite the hoopla surrounding the G-20 Summit, it is unlikely the meeting will be any different in producing lasting economic benefits.

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