



## Convention center facts vs. fictions

By Charles D. Chieppo

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Hopes for a truly impartial study of the need for a new convention center were dashed last month when the Greater Boston Convention and Visitors Bureau and the Massachusetts Lodging Association chose PricewaterhouseCoopers to conduct a study of how to market the proposed facility. With the selection of PWC, the outcome of the debate over building the convention center now seems clear for the first time since the announcement of a projected \$100 million cost overrun threatened to derail the project last January. Unfortunately, it looks like another loss for taxpayers. Officials announced their intention to commission the study in March, on the heels of a Pioneer Institute report which found that market projections in an earlier feasibility study on which the decision to build the convention center was based had proven to be dramatically incorrect. Instead of demand for convention space outstripping supply, demand had plummeted in the midst of an historic national convention center building boom.

The new study was to first determine whether there was enough demand to support the 512,000 square foot convention center, and then look at how to market the facility if demand was sufficient. Over time, the appetite for conducting a real demand study seemed to evaporate, and the focus shifted toward yet another marketing study.

The selection of PWC confirms the movement away from taking an honest look at the project. Despite a national market in which the number of successful convention centers can be counted on the fingers of one hand, studies never recommend against building them. PWC is the undisputed leader among the relatively small cadre of companies that conduct these studies. They have done more fictional convention center studies than anyone else.

Those still holding out hope for a serious study need only look at the timetable. It is scheduled for September release. Meanwhile, in South Boston, the steel for the convention center is scheduled to go in the ground this month.

But we need not wait until September to know what the study will say. It will reassure us that there is more than enough demand to support the new facility. In a nod to the Massachusetts Lodging Association — they are, after all, paying part of the \$120,000 fee — it will find that we would realize even greater economic benefits if we "invested" in taxpayer-subsidized hotel development.

Put simply, the tourism industry is being handed a public subsidy, then asked to commission a study to reassure state officials that they deserve it.

Relieved at the results of the study, those officials will feel better about providing the taxpayer subsidies that will be necessary to finance even a headquarters hotel that would be physically attached to the convention center.

Proponents tout higher-than-expected revenues from the various hotel taxes and surcharges put in place to finance the facility, but the real test lies ahead. Revenues were expected to rise dramatically due to increased hotel development as we drew closer to the expected 2004 convention center opening. The plan called for 2,400 new hotel rooms to be developed in the area around the center by 2003. Right now, exactly zero of those 2,400 rooms are under construction.

The taxes and surcharges are levied in a special convention center zone that includes Boston and Cambridge. Faced with insufficient revenues to finance what will certainly be a \$1 billion project and loathe to jack-up hotel taxes even more, officials will likely opt to expand the size of the zone. All of Massachusetts may not be big enough to satisfy this beast's voracious appetite.

Bookings were scarce when the Hynes Convention Center prepared to re-open after expansion in 1988, so it offered free space for meetings that booked within a specified time. History will likely repeat itself, given that the national convention market is far tighter than in 1988. The problem will be exacerbated if the powers that be cling to the fiction that the Hynes can stay in business after the new center opens.

Giving away space will likely stave off embarrassment for the opening. With each subsequent year, booking numbers will be less newsworthy and more of the politicians who fought for the convention center will have faded from the scene. Two important changes in the way the commonwealth does business could prevent this scenario from continuing to repeat itself. First, a rational process should be instituted for choosing between competing infrastructure and economic development projects. Currently, those with the most political muscle behind them get done. Second, the actual performance of the projects selected should be made public and compared against projections. Making attendance at the new convention center and the hotel room nights generated by it known would go a long way toward keeping us from repeating our mistake.

With construction of the convention center, taxpayers will lose an important battle. But if these changes are implemented, we will have won the war.

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