

Convention center digs Hub in new hole

By Charles D. Chieppo

April 29, 2002

It's pretty much a given that convention center feasibility and marketing studies are carefully crafted fiction. But you've got to hand it to PricewaterhouseCoopers' new report on the Boston Convention and Exhibition Center (BCEC) truly pushes the envelope.

Since its September 15th due date, tourism officials have been telling us the report would be delayed to assess the impact of September 11th on the convention industry. Finally released more than six months later, the only reference to 9/11 is a copy of a letter dated September 12th that appears in an addendum.

In fact, the report doesn't contain a shred of 2001 data. Last year was perhaps the worst year the industry has ever seen. In the world of convention center studies, bad years are inconvenient, and therefore made to disappear. They're like wartime images of Josef Stalin with his military leaders; when a general falls out of favor, he's simply airbrushed out of the picture.

Ignoring 2001 allows PwC to describe the national convention market from 1990 to 2000. According to the report, "the industry's growth is correlated to the national economy." Starting with the bottom of the last recession and tracking the longest economic expansion in American history achieves the desired effect — even though signs of the 2001 crash became apparent around 1997. Despite bad years from '98-'00, overall numbers for the decade still look respectable, given the starting point. The idea behind the convention center is to attract people from out of state to stay in our hotels, eat in our restaurants, and shop in our stores; the best measure of success is the number of hotel room nights generated.

The 1997 feasibility study on which the decision to go forward with the convention center was based assumed that each attendee would stay 1.5 nights in a local hotel. Needing to make the numbers add up in the face of an imploding convention market, PwC increases that to 1.7 based on "the performance of comparable and competitive facilities."

It makes you wonder where they're looking. New York's Javits Center hovers between 0.2 and 0.3 room nights per attendee and Washington's ratio is just over one-to-one. They're certainly not looking here. During four of its peak mid-90s years, Boston's Hynes Convention Center averaged almost exactly one room night per convention and tradeshow attendee.

But fear not. The report claims that since Boston's hotel rates are so high, the BCEC can generate the same economic impact with fewer room nights. Expensive hotels a problem in this cost-conscious industry? Hell, no!

Another interesting recommendation is that we consider allowing the new center to host "gate shows," which are already held at two privately owned Boston venues. Gate shows are events like the boat show that charge admission, but are a wash for the commonwealth's economy. The thousands who packed the Bayside Expo Center for last month's flower show came almost exclusively from the area. If they hadn't spent their money at the flower show, they would have spent it at a local mall or movie theater.

And what about those 1.7 room nights per attendee? That number becomes even more fictitious if half of them are coming from places like Quincy.

The final eye-popper is the assumption that 3,000 convention-quality hotel rooms will be available within walking distance of the BCEC by 2006. No new rooms have been built in the area since the convention center was approved, none are currently

under construction, and developers have been unable even to find financing for an attached headquarters hotel.

Because of the lack of hotels, the report warns that the BCEC will have a longer ramp-up period than most new convention centers. "Stabilization" won't occur until "after 2009." You've got to credit PwC for knowing their customers. The extended ramp-up provides the politicians and tourism officials responsible for the project with plenty of time to land someplace else before being held accountable for this mess.

Last July, I predicted this report would call for taxpayer-subsidized hotel development. Right on cue, it concludes that hotel development in the area around the BCEC should be "encouraged" and "obstacles" to such development "addressed." Hold on to your wallets.

Perhaps most telling is that even after bending the facts to fit their conclusions, PwC could still do no better than to project the facility would eventually achieve a paltry 35-40 percent occupancy rate.

According to a *Herald* report, the true cost to taxpayers for this supposed \$800 million project will be more like \$2 billion once debt service, operating, and marketing costs are added in. It's the Little Dig, propped up by a glossy marketing study.

Charles D. Chieppo directs the Shamie Center for Restructuring Government at Pioneer Institute, a Massachusetts public policy think-tank