The Economic Impact of the 2014 Alberta Winter Games

Event Dates: February 6-9, 2014

Location:
Banff & Canmore, Alberta

Host Organization:
Banff-Canmore 2014 Alberta Winter Games Society

Survey and Data Management:
Discovery Research Ltd.

Modeling Software:
S.I.M.A. (Sport Impact Model—Alberta)
Developed by Econometrics Research Limited
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Introduction:

In 1976 the first Alberta Winter Games was held in Banff, Alberta. The 2014 Alberta Winter Games, therefore, represented both the 20th anniversary of the Alberta Winter Games and the return of the Games to the Banff/Canmore area.

The 2014 Alberta Winter Games provided 1,749 Canadian athletes between the ages of 11 and 17 with the opportunity to compete in a multi-sport Games against their peers from all over Alberta. It drew in well over 3,000 spectators and over 2,200 volunteers to make these Games a huge success.

This Report:

This report provides a conservative snapshot of the economic impact that can be attributed to hosting the 2014 Alberta Winter Games in Canmore/Banff. In addition to the economic impacts described in this report, this event also provided numerous sport development benefits including bringing together athletes, coaches and volunteers from across Alberta to work together in creating a quality set of sport competitions for young athletes between the ages of 11 and 17.
INTRODUCTION TO ECONOMIC IMPACT ANALYSIS

An economic impact study conducted around a sport event can provide a snapshot of the current and residual economic value an event may impart on local, provincial and national economies.

An economic impact study is used to report on the change in the economy resulting from hosting a sporting event. In general terms, this is done through calculations and modeling of all visitor expenditures, event operations revenues and expenses, and related capital projects undertaken as a result of hosting an event. More specifically, an economic impact analysis is a mathematical application that quantifies patterns and magnitudes of interdependence among a wide variety of sectors and activities and is predicated on two fundamental propositions:

1. Regardless of the inherent value of primary activities such as recreation or tourism, to the extent that activity involves the use of resources, they generate economic returns that can be measured and compared.

2. Economic impacts are only partially captured by assessing direct expenditures. All economies are complex with their own interdependent and interacting activities. Consequently, there are some indirect and induced impacts associated with all direct expenditures. These indirect and induced impacts can be larger than the direct impacts and are necessary to assess in order to capture a more accurate measure of the overall economic impact of an event.

Let’s suppose a tourist travels to Alberta and spends $100 at a gas station. In an economic impact analysis, the focus is not on the amount of sales (in this case $100), but rather the impact of those sales on the provincial/regional economy. If you consider:

- **Direct Impact**: The gasoline station owner must take part of the $100 spent by the tourist and buy more gasoline from a wholesale distributor, and pay wages and taxes.
- **Indirect Impact**: In the second round, the wholesale gasoline distributor buys additional items and pays salaries/wages with part of the $100.
- **Induced Impact**: The gasoline station employees and the employees of the wholesale distributor spend part of their salaries on groceries, rent, automobiles, and so on.

This ripple effect based on the initial amount of tourist spending circulates throughout the economy and creates a “multiplier effect”. In this analysis, the objective is to estimate and analyze the ripple effect of tourism spending in each Tourism Region and understand tourism’s vital economic contribution to every region of the province.
**Methodology**

The input data used were specifically derived to exclusively reflect the incremental expenditures of the event and the visitors to the event.

The input data were all adjusted to net out expenditures that would otherwise be made in the economy in the absence of the event and/or to net out expenditures that are likely to not be re-circulated through either the local or provincial economy. This was accomplished by concentrating on the expenditures that can exclusively be attributed to the event and that represent “new” money to the economy.

The economic impacts of incremental tourism from operational expenditures, capital projects and visitor expenditures were estimated separately and then rolled together to identify the total impacts of the event on the local, provincial and national economies.

**General Assumptions**

A best-efforts basis has been employed to ensure estimates in this report are conservative in nature in order to avoid overstating results.

The simulation model applied in these studies may create a theoretical picture of the future through the application of a series of assumptions, which may or may not hold true over time.

To the extent that attendees at an event spend their money on that event instead of on other activities in the local economy, the event results in reallocation of expenditures in the economy, rather than in a real net increase in economic activity. The methods used in these studies were designed to account for and remove to the greatest extent possible the influence of this substitution effect on the results of the analysis.

Impacts and new costs associated with traffic congestion, vandalism, environmental degradation and disruption of local resident lifestyles are not measured.

Impact benefits are not always expressed in monetary terms. For example, social, cultural, and sport development benefits and costs are often not easily measured. While this report does include information on some of these other impacts it does not attempt to attribute value to these benefits.
Economic Impacts Province-Wide:

Direct visitor spending and event operational expenditures attributed to hosting the 2014 Alberta Winter Games was approximately $2.7 million.

- These expenditures resulted in a net province-wide economic impact (value-added) of approximately $3.3 million.
- Approximately 44.5 person-years of employment were generated province-wide as a result of expenditures attributed to this event.
- Province-Wide, approximately $1.5 million in total taxation revenue accrued to all three levels of government as a result of expenditures attributed to this event. This included approximately:
  - $876,000 to the federal government
  - $446,000 to the provincial government, and
  - $177,000 to the local governments province-wide.

Economic Impacts Regional-ONLY: Banff-Canmore Area

Note: Regional-ONLY impacts are a sub-set of the Province-Wide impacts.

Direct visitor spending and event operational expenditures attributed to hosting the 2014 Alberta Winter Games was approximately $2.7 million.

- These expenditures resulted in a net regional economic impact (value-added) of approximately $2.29 million.
- Approximately 33.6 person-years of employment were generated regionally as a result of expenditures attributed to this event.
- Regionally, approximately $1.06 million in total taxation revenue accrued to all three levels of government as a result of expenditures attributed to this event. This included approximately:
  - $612,000 to the federal government
  - $322,000 to the provincial government, and
  - $128,000 to the local governments province-wide.
Visitor expenditure information is gathered through a careful examination of those attending the event. Through detailed “gate counts” and “visitor intercept survey” methods, the origin of visitors and how much they spent is tabulated before being modeled to calculate their respective contribution to the event economic impact. Expenditures by local residents are measured but not counted as in the calcula-tions of economic impact because these expenditures are not viewed as inputs to the local economy.
Tax Impact Summary

This impact system examines a variety of taxes (income taxes, GST, liquor and tobacco taxes, room tax, etc.) that are attributed to a given event, each of which is linked with the various levels of government. For example, the Federal government receives the proceeds from the GST tax and income taxes; the Provincial government receives the hotel room tax; whereas local tax impacts are not necessarily representative of the amount of money received directly by the local government. These figures do not discount any revenue contributions made by respective levels of government.

Impacts are generated in the economy on account of the expenditures of sport events (incomes, jobs, etc). At a local level, these incomes translate into an impact on property values. The impact linkage to “local government” is therefore based on a statistical relationship between income and property values. Given a mill rate, the implicit value increase occasioned by the impacts of sport related events and activities is translated into additional property and business taxes. Calculations of the local tax benefits are, therefore, predominantly based on the indirect and induced impacts.
EVENT REVENUE & EXPENSES

The following charts are provided to illustrate the distribution and sources of event operational revenue and expenditures. Revenues identified represent a consolidation of the Host Society’s financial operational statements and the estimated contributions in staff and expenses by the Alberta Sport Connection (ASC). This information helps to understand the scope and range of operational capacities and pressures. The operational expenditure information was used as part of the data set for modeling the economic impact of this major multi-sport event.
Attendance & Volunteerism

Attendance
The following attendance estimates are based upon date gathered from ticket sales, official event registration records.

Athletes, Coaches & Chaperones
There were 1,749 athletes, 306 coaches and 122 Chaperones.

Volunteers & Technical Officials
Approximately 2,259 volunteers and technical officials were required for an average equivalent of 4 full days each to make this event a success. This volunteer contribution represents over 70,000 hours of community volunteer engagement. Additionally, many of the attending sport officials will bring this valuable technical event hosting experience back to their home communities throughout Alberta.

Spectators
Based on ticket sales, there were 3,416 spectators attending the 2014 Alberta Winter Games. Approximately 7% of spectators were estimated to have been local (within 40km), 85% from elsewhere in Alberta, 7% attending from other Canadian Provinces, 1% attending from outside of Canada.

Media & VIP
There were an estimated 9 media visitors, and 143 VIP/special guests.

The following graph summarizes the attendance for all categories:
Direct and Indirect Effects

The initial expenditures of the visitors on food, beverage and accommodations are generally referred to as the initial (direct) effects. Subsequent purchases by suppliers of materials and services to sustain the original and derivative expenditures are called the indirect effects. These indirect effects are the ripple effect of additional rounds of re-circulating initial visitor’s spending.

Induced Effects

The increase in employment and household income that result from the economic activity fueled by the direct and indirect effects and emerge when workers in the sectors, stimulated by initial and indirect expenditures, spend their additional incomes on consumer goods and services including such things as household expenditures.

Multipliers

These are summary measures that represent the division of the total impacts (direct, indirect and induced) by the initial expenditures. For example, the income multiplier associated with incremental tourism expenditures is calculated by dividing the total income (value added) impact by the initial incremental tourism expenditures. The only exception is in employment multiplier where total employment is divided by direct employment in order to preserve the common units.

Initial Expenditures

This figure indicates the amount of expenditures directly made by the administrators running the event and by the visitors. It is these expenditures that drive the results.

Value Added (Gross Provincial Income)

This figure represents net output generated by the initial expenditures in the community, province or nation. It is typically the sum of wages, rent, interest and profits in addition to indirect business taxes and depreciation minus subsidies.

Employment

This refers to the total person years that can be attributed to an event’s impact.

Imports

These represent the goods and services acquired from outside the province to sustain the event and the expenditures of their visitors. They essentially represent leakages from the province.

Taxes Impacts

See Page 7 for detailed explanation.