

SOUTH PEACE COMMUNITY MULTIPLEX ECONOMIC IMPACT ANALYSIS

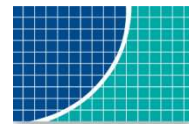
Prepared for:

Tourism Dawson Creek

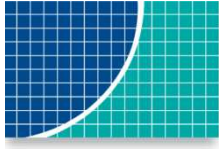
May 2010

Prepared by the:

Economic Planning Group



FINAL REPORT



Economic Planning Group

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May 4, 2010

Mr. Dustin Bodnaryk
Tourism Dawson Creek
10201 – 10th Street
Dawson Creek, BC
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Dear Dustin:

As contracted, we have completed an assessment of the economic impact of the South Peace Community Multiplex facility. This analysis included assessments of all three elements of the facility, namely: the EnCana Events Centre, the Lakota Agri-Plex, and the Kenn Borek Aquatic Centre.

The most significant economic benefits are generated by the EnCana Events Centre, which in 2009 staged 32 events, generating direct spending of approximately \$7.4 million. The Lakota Agri-Plex hosted several competitions and clinics, and generated direct spending of approximately \$400,000. The aquatic centre hosted 3 swimming competitions, and including operating costs produced a facility expenditure of \$1.5 million.

The total gross economic impact for the 2009 operating year is estimated to be \$11.0 million. The GDP effect is estimated at over \$5.5 million, while the total employment created is 130 full-time-equivalent jobs. Total government revenues generated by annual operations spending are estimated at just over \$978,000.

Thank you for involving us in this project. Please call if you have any questions.

Yours sincerely
Economic Planning Group

G David Hall, P.Phys.
Partner

BACKGROUND

Tourism Dawson Creek is interested in documenting the economic impact of the new South Peace Community Multiplex. Housed in this centre are three separate elements, namely: the EnCana Events Centre, the Lakota Agri-Plex and the Kenn Borek Aquatic Centre.

The EnCana Events Centre consists of a hockey rink with seating for 4,300, which can be increased to 5,000 for concerts. The Lakota Agri-Plex consists of a 24,000 square foot riding arena and 96 horse boarding stalls. The Kenn Borek Aquatic Centre includes a leisure pool and a 25 meter swimming/competition pool.

These facilities have an impact on the economy of Dawson Creek and the Peace Region due to the spending by patrons attending events and by the spending to operate the facilities. Tourism Dawson Creek wishes to analyze and quantify the size and nature of the economic impact of the Centre over an operating year. The year 2009 is the first full year of operations and is the timeframe for this analysis.

OBJECTIVES AND METHODOLOGY

The overall purpose of the project is to estimate the economic impact of the Multiplex. This benefit is to be measured by tallying the spending generated by the events staged at the Multiplex and by operating the facility. The specific tasks undertaken are as follows:

- Accessed and reviewed usage statistics provided by Tourism Dawson Creek and the Multiplex for 2009
- Talled the total usage of the events centre, agri-plex and swimming pool
- Estimated the split in patronage between local residents, regional residents and non-residents
- Developed a methodology to measure the spending by local residents, out of town participants, and facility operators
- Created an estimate of direct spending by participants for the three elements of the facility
- Obtained information on facility and building operation costs.
- Obtained anecdotal information from selected Dawson Creek businesses on the effects of the facility events on their business.
- Utilized the BC Input Output model to estimate the indirect and induced effects of participant spending
- Reported the findings.

ANALYSIS PROCESS

Economic impact analysis is based on the premise that the spending of money creates economic impact within the region where the expenditures take place. Consequently, all of the analysis is based on tracking expenditures not revenues. This analysis is based on a detailed estimate of direct spending by participants at events staged in the three components of the facility plus the facility operating costs. This included the following categories for each facility.

EnCana Events Centre

- Spectators/Attendees
- Facility Operators
- Civic Expenditures

Lakota Agri-Plex

- Competitors/Clinic Participants
- Spectators
- Facility Operators
- Civic Expenditures

Kenn Borek Aquatic Centre

- Competitors
- Spectators
- Civic Expenditures

Direct expenditures are separated into four categories of geographic origin including: residents of Dawson Creek, South Peace Region residents, Albertans, and persons from elsewhere.

To this direct spending by participants is added the spending by the facility operators and the spending by the City of Dawson Creek to operate the building. This analysis produced separate totals for the EnCana Events Centre, the Lakota Agri-plex, and the Kenn Borek Aquatic Centre.

The analysis described above produces an estimate of direct spending by facility participants. These direct expenditures are then used as input for the BC Input-Output Model (BCIOM) to estimate the overall effects of hosting events at the Multiplex.

This model replicates the provincial economy and can be used to calculate the effects of various kinds of economic activity. It uses spending information as “input” and based on this expenditure, calculates the “output” effects on the provincial economy.

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Four key measures are used to assess the resulting economic effect. These are:

- **Gross Economic Impact:** The sum of all industry revenues in the BC economy that result from the direct spending to patronize and to operate the facility. It is sometimes referred to as Output.
- **Gross Domestic Product (GDP):** A measure of the value added of goods and services purchased as a result of operating the facility. It eliminates the double counting included the gross economic impact figure as money flows through the economy.
- **Employment:** the number of full time equivalent jobs that are created by operating the facility.
- **Tax revenues:** an estimate of taxes generated, separated in to following jurisdictions:

| | |
|------------------|---|
| Canada | Federal personal income taxes, Corporate income taxes, Gasoline taxes, Federal excise taxes, Goods and services taxes |
| British Columbia | Provincial personal income taxes, Corporate income taxes, Licences, fees and permits, Property tax |
| Dawson Creek | Licences, Dues, Permits, Business taxes |

The BCIO Model measures these economic effects at three different points in the expenditure chain. These are as follows:

- **Direct effects** measure the change in provincial economic activity resulting from the initial expenditures. For this operations analysis, it includes the purchase of all goods and services, and the payment of wages and salaries.
- **Indirect effects** measure the change in provincial economic activity generated by spending within the sectors that supply goods and services used in the direct activities. These are often referred to as secondary or spin-off effects as they measure expenditures that occur subsequent to the initial direct expenditures.
- **Induced effects** measure the impact created by additional income accruing to individuals whose work was created by the direct and indirect activities described above. It reflects the spending of salaries paid to persons who work for the firms supplying goods and services to the operation of the facility.

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It is noted that economic impact analysis involves a series of calculations based on descriptive information of the project or facility being analyzed. This Multiplex analysis has utilized detailed and accurate figures from agency financial statements for operation of the building and for the costs of staging events at the Event Centre. These figures were made available to the analysts for use in the analysis.

Less accurate are the estimates of attendee/participant/competitor/spectator spending. These estimates have been calculated based on assessments of participant origin, proportions overnighing, and per diem expenditures. No original participant surveys were undertaken and all estimates were based on secondary source information.

That said, the assumptions and estimates are deemed reasonable, and the resulting economic impact values are expected to be accurate to within +/-10%.

Per Diem Spending Estimates

No original surveying of event patrons was conducted; consequently, spending information has been obtained from current tourism industry research descriptive of tourism in the region. The key source was the South Peace Region Value of Tourism Study, published in November 2009. This study was conducted utilizing Tourism British Columbia's Value of Tourism model, and the data was analyzed by the Tourism BC Research Department. The project was a partnership of:

- South Peace Economic Development Commission
- Tourism Dawson Creek
- Tourism BC
- Northern BC Tourism Association
- Northern Rockies Alaska Highway Tourism Association

This study quoted the following per diem expenditures for a range of traveller types:

- | | | |
|----------------------------------|--|-------|
| - Leisure Traveller | For out of town concert patrons staying overnight in commercial accommodations. | \$107 |
| - Business Traveller | For out of town convention delegates and meeting participants staying in commercial accommodation. | \$147 |
| - Visiting Friends and Relatives | For out of town multiplex patrons who stay with friends or relatives and do not incur a commercial accommodation charge. | \$53 |

The detailed origin information maintained by the Centre indicates that the vast majority of attendees are either local or regional residents.

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Due to the local and regional draw of the EnCana Events Centre events, nearly all attendees do not stay overnight as a result of attending an event. However, a small number of concert goers would stay overnight, and for the purposes of this analysis, 10% of the non-local market has been assumed to overnight. This includes some persons from the Grande Prairie area and from persons outside the 150 km radius of Dawson Creek. On average this 10% of the non-local market represents approximately 2% of the total event centre customer base. This proportion is deemed a conservative estimate for the purpose of this study and is based largely on the limited availability of hotel/motel rooms during the study timeframe.

Persons staying overnight as a result of attending a concert could be either staying in commercial accommodation (hotels or motels), or in the homes of friends or relatives. For the purposes of this analysis, the assumed split is 80% commercial accommodation and 20% with friends and relatives.

Furthermore, a portion of persons coming to Dawson Creek to attend an event and who are staying overnight, are likely to be staying more than one night. These would be people taking advantage of being in Dawson Creek to conduct other business, to shop, or to visit with friends and relatives. For the purposes of this analysis, a length of stay of 1.2 nights has been used.

As noted, virtually all concert-goers do not stay overnight as they are either local residents or reside close enough to Dawson Creek to return home after the event. However, event-related costs are still incurred for such purchases as food & beverage, fuel, souvenirs and other incidentals. An average pre and post event spending per person of \$30 has been assumed.

DESCRIPTION OF IMPACTS ON DAWSON CREEK BUSINESSES

The analysis above has addressed the direct expenditures incurred by event attendees, by businesses and individuals purchasing event centre services, and by the operation of the event centre itself. However, this numerical analysis has provided limited understanding of the actual effects on local businesses. To address this issue, interviews were conducted with the operators of twelve local businesses including four hotels, three restaurants, plus a grocery store, a furniture store, a bank, a print shop, a realtor, and the casino.

Based on these interviews, the greatest beneficiary of pre and post event related spending is the food and beverage sector. Restaurant operators reported significantly increased sales in the hours before and after event centre events. Common responses were that weekday events created Friday night-type sales volumes. Generally, in the hours before the event, sales would be 50% to 100% greater than the typical volume for that time period. Often, additional staff are also brought in to cover these shifts.

The commercial accommodation sector reported a much less significant effect, typically due to the lack of available rooms. This situation is particularly the case for the larger/more modern facilities that experience high occupancies due to oil and gas sector crews. However, the bigger name entertainers were responsible for generating more room revenue than the less popular acts as the geographic draw was wider, bringing more out of town customers.

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Some increase in business accrues to the casino, while little or no direct benefit was experienced in the downtown retail sector as reported by the grocery store, the bank and the print shop. It is noted that these businesses do not supply products or services that would be in demand by short-term visitors. Although not included in this brief series of interviews, convenience stores and gas stations would also be expected to benefit from increased sales on event nights.

An interesting economic linkage between the Multiplex and the economy relates to the housing sector. In this context, the Multiplex is viewed as a significant community amenity and is being used by the real estate sector to encourage people to move to the community. It was reported that it is becoming common for the oil and gas companies to use the existence of the Multiplex as a reason for employees to relocate to Dawson Creek or for prospective employees to join their Dawson Creek based operations.

Summary of Business Impacts

| <u>Sector</u> | <u>Economic Benefit</u> |
|-------------------|-------------------------------|
| - Food & Beverage | Very significant |
| - Casino | Significant |
| - Gas Stations | Significant |
| - Accommodation | Modest |
| - Real Estate | Modest (but expected to grow) |
| - Groceries | No direct impact |
| - Other Retail | No direct impact |

TOTAL ECONOMIC IMPACT

As noted earlier, total economic impact is the sum of direct, indirect and induced effects of the initial direct expenditures described above. The direct spending totals for the three elements of the South Peace Community Multiplex are as follows:

| | |
|----------------------------------|--------------------|
| - EnCana Events Centre | \$7,381,000 |
| - Lakota Agri-Plex | \$400,000 |
| - Kenn Borek Aquatic Centre | <u>\$1,511,000</u> |
| Total Direct Expenditures | \$9,292,000 |

This total direct expenditure includes all monies that have been spent in connection with the operation of the Multiplex. This includes money that “leaks” out of BC for the purchase of goods and services. This leakage is estimated at approximately 30% of the direct spending total. (Source: *Economic Impact of BC Place*, Economic Planning Group, March 2010. Confidential.)

Applying this economic leakage to the Multiplex total direct expenditures results in a direct gross economic impact of \$6,504,400. This value produces the following economic effects.

Table 1: Economic Impact Measures of the South Peace Community Multiplex

| Measure | Direct | Indirect | Induced | Total |
|------------------------|---------------|-----------------|----------------|---------------------|
| Gross Economic Impact | \$6,504,000 | \$3,276,000 | \$1,221,000 | \$11,001,000 |
| Gross Domestic Product | \$3,403,000 | \$1,426,000 | \$692,000 | \$5,521,000 |
| Employment (FTEs) | 96 | 23 | 11 | 130 |
| Tax Revenue | \$522,000 | \$232,000 | \$224,000 | \$978,000 |

The Gross Economic Impact is the total amount of economic activity that has been created by people attending Multiplex events and by operation of the facility. The Gross Domestic Product is the net effect of this spending. The employment reflects full-time-equivalent jobs, while due to the seasonal/part-time nature of the event related work, the actual number of jobs would be higher. The tax revenue is a combination of federal, provincial and regional/municipal taxes.

OBSERVATIONS AND CONCLUSIONS

Overall Summary

- The South Peace Community Multiplex has a significant impact on the local and regional economy generating an estimated \$11.0 million of economic activity. It is also responsible for supporting 130 full-time-equivalent jobs, and for \$978,000 in federal, provincial and municipal tax revenue.

EnCana Events Centre

- The largest economic contributions by far are due to the EnCana Events Centre. This facility hosted nearly three dozen ticketed events in 2009 which drew over 53,000 attendees from Dawson Creek and from around the Peace Region.
- Individual analysis of these events indicates that attendees spent a total of just over \$1.9 million. Area and regional residents returning home after the events spent approximately 80% of this total while the 2% of attendees who stayed overnight contributed nearly 20% of the total.
- The EnCana Events Centre opened in the spring of 2008, making 2009 the first full year of operations. As the facility evolves, the number of events is expected to expand, drawing a larger number of attendees, and generating increased spending and economic impact.

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Lakota Agri-Plex

- The Lakota Agri-Plex hosted 30 competitions and clinics with a total of 69 event-days. These events involved approximately 1,250 competitors or clinic participants, and approximately 1,200 spectators. The direct spending of competitors/clinic participants was estimated approximately \$100,000, with spectators contributing an additional \$26,000.
- The year 2009 was also their first full year of operations, and as the number of event-days increases, so will the economic impact of the facility.

Kenn Borek Aquatic Centre

- The Kenn Borek Aquatic Centre is fundamentally a community swimming pool. As such, it is a civic recreation amenity and not intended to be an economic generator. However, swimming competitions bring in competitors and spectators from out of town who will contribute to the local economy. This analysis has indicated a modest expenditure of approximately \$7,000 for competitors and \$5,000 by spectators from the three swimming competitions.
- If additional competitions or staged events are hosted in the future, the number of participants and spectators will increase, and so will the economic impact.

The Analysis Process

- This analysis has created a benchmark estimate of the economic benefit of the Multiplex. This report will allow future analyses to be undertaken to measure performance against this base 2009 value.
- If future economic analysis is considered, it is recommended that management of the Agri-Plex and Aquatic Centre encouraged to maintain statistics about their event attendees/competitors/spectators. This process would alleviate the difficulty of trying to recreate these statistics at the end of the year. A record keeping template should be created and utilized by facility managers. (It is noted that the Events Centre keeps detailed records of their events and attendees.)
- Per diem expenditures by attendees and event participants are a key component of the economic impact analysis process. No original surveys of participant spending was conducted for this project, and estimates were made based solely on secondary sources and anecdotal information. It would be advisable to conduct customer surveys to support future economic analysis of the Centre.