

Canadian Sport Tourism Alliance



Alliance canadienne du tourisme sportif

2013 Cape Breton Celtic Classic

Sydney, Nova Scotia

Economic Impact Assessment

December 2013

The following analysis details the economic impact of the PGA Tour of Canada 2013 Cape Breton Celtic Classic hosted at The Lakes Golf Club in Sydney Nova Scotia from Sept 2-8, 2013 as generated by the Sport Tourism Economic Assessment Model – Professional Version.

Economic Impact Assessment Funding Partner

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1.0 Background

The inaugural Cape Breton Celtic Classic was held at The Lakes Golf Club from September 2-8, 2013. President's Choice Financial was the presenting sponsor of the tournament that featured a \$150,000 prize purse and attracted some of the professional golfers from Canada and around the world. In total, the tournament featured 155 professional golfers and 205 Pro-Am participants, with the overall winner being MacKenzie Hughes of Dundas, Ontario.

With hundreds of players and spectators coming to Sydney to take part in the event, Cape Breton Celtic Classic (CBCC) also provided a considerable boost in the economic activity of the community and the province, which is the subject of this report.

In measuring the economic impact of the golf tournament, participants and spectators at the event were surveyed as to their role, origin, length of stay, and spending in Sydney, with the survey methodology and results being the subject of the next section. Section 3 details the investments made by the event organizers in hosting the tournament while section 4 reports the STEAM-PRO¹ results from the combined expenditures of the participants and spectators, as well as the event organizer's operational expenditures. The appendices include more details about STEAM PRO, the economic impact assessment model used and a glossary of terms.

¹The Canadian Sport Tourism Alliance's (CSTA's) **Sport Tourism Economic Assessment Model**, Professional version (STEAM

2.0 Methodology/ Survey Results

Information regarding the composition and spending of spectators at the Cape Breton Celtic Classic was collected through the administration of a face-to-face intercept survey. The survey captured essential information to determine the origin of the professional golfers, the pro-am participants as well as spectators attending the event. Out of town visitors were also asked questions about their visit and the expenditures while in the region. The survey was conducted using iPod Touch PDAs running Survey Analytics' Survey Pocket software.²

Survey Results

A total of 119 parties were approached on various days of event, with all agreeing to participate in the survey, while one person had been previously surveyed (1%), for a total of 118 valid surveys. Of those surveyed, 40% were from the Cape Breton region (under 40km), 14% from other parts of Atlantic Canada, 24% from other parts of Canada, 18% from the U.S. and 3% international (Table 2.1).

Table 2.1 Event Origin

	Spectator	ProAm Participant	Pro Golfer	Other	Total
<i>Total Surveys</i>	16	53	38	9	118
Cape Breton (under 40km)	81%	51%	5%	44%	40%
Other Nova Scotia	6%	19%	3%	11%	11%
Other Atlantic Canada	0%	4%	0%	22%	3%
Other Canada	13%	26%	26%	22%	24%
U.S.	0%	0%	55%	0%	18%
International	0%	0%	11%	0%	3%

The typical spectator attended the tournament for 2.2 days, thus suggesting there were a total of 2,240 unique individuals attending the event. The survey found that 19% of spectators travelled more than 40km to attend the event for a total of 420 spectators. The tournament also featured 155 professional golfers and 205 Pro-Am participants.

²The survey and methodology were prepared in consultation with the "Guidelines for Measuring Tourism Economic Impact At Gated Festivals and Events", available at:

<http://www.tourism.gov.on.ca/english/tourdiv/research/resources.htm>

Visitor Spending

Out-of-town visitors were asked questions about their trip to Cape Breton. The average length of stay was quite high as compared to many events, but not too surprising given the nature of the golf tournament. The typical spectators spent more than 7 nights in region and spent \$1,156 per person.

Table 2.2 Visitor Spending per Person

	Pro Am Visitor	Pro Golfer	Spectators	Total
<i>Avg party size</i>	2.2	1.6	1.4	1.8
<i>Average nights</i>	3.2	6.6	7.4	5.6
Accommodation	\$211.04	\$338.95	\$522.78	\$305.88
Restaurants	\$236.25	\$122.54	\$207.56	\$172.19
Grocery / Other Food & Beverage	\$93.06	\$38.71	\$60.38	\$61.77
Recreation & Entertainment	\$116.16	\$34.43	\$129.40	\$81.24
Shopping	\$123.72	\$10.24	\$87.99	\$81.23
Car Expenses	\$80.88	\$54.27	\$103.86	\$68.33
Other Transportation	\$61.98	\$144.23	\$43.99	\$101.39
Total	\$923.10	\$743.37	\$1,155.96	\$872.04

Combining the attendance estimates of Table 2.1 with the average spending per person from Table 2.2 shows that visitor spending to the Cape Breton Celtic Classic reached \$719,000 in Sydney.

Table 2.3 Aggregate Visitor Spending

	Pro Am Visitor	Pro Golfer	Spectators	Total
<i>Visitors</i>	109	164	430	702
Accommodation	\$22,912	\$55,534	\$224,793	\$303,240
Restaurants	\$25,649	\$20,078	\$89,250	\$134,976
Grocery / Other Food & Beverage	\$10,104	\$6,342	\$25,965	\$42,411
Recreation & Entertainment	\$12,611	\$5,641	\$55,641	\$73,893
Shopping	\$13,432	\$1,677	\$37,837	\$52,946
Car Expenses	\$8,781	\$8,891	\$44,661	\$62,333
Other Transportation	\$6,729	\$23,631	\$18,917	\$49,277
Total	\$100,218	\$121,795	\$497,064	\$719,077

3.0 Operational Expenditures

Operations

An analysis was also made of the operational expenditures made by the event organizers in hosting the Cape Breton Celtic Classic. The total budget was \$316,000, which was spent on a wide variety of goods and services associated with hosting the golf tournament including costs such as rental of the venue, tents, food and beverage costs, staging, etc.

In addition, the tournament was supported by more than 290 volunteers whose tireless efforts contributed greatly to the success of the event.

4.0 Economic Impact Results

The spending of event participants and spectators and the event organizers in hosting the Cape Breton Celtic Classic totalled \$1.0 million generating a net economic activity (GDP) of \$1.1 million in the Province of Nova Scotia, of which \$656,000 occurred in Sydney. These expenditures supported \$722,000 in wages and salaries in the Province and an estimated 24 jobs, of which 19 jobs and \$478,000 in wages and salaries were in Sydney.³ The total economic activity (industry output) supported by the event was \$2.3 million in the Province, with \$1.5 million occurring in Sydney.

The total tax revenues supported by the 2013 Cape Breton Celtic Classic reached \$463,000. Of this total, \$201,000 was attributable to the federal government while provincial tax revenues reached \$209,000 and municipal taxes were \$53,000, of which \$42,000 were in Sydney.

³ Jobs reported in this study refers to the number of jobs, vs. full time equivalent (FTE: two people working half time would represent two jobs, or one FTE).

Table 4.1 Total Economic Impact

	Total Nova Scotia	Local Area Sydney	Rest of Nova Scotia
Initial Expenditure	\$1,046,077	\$1,046,077	\$0
Gross Domestic Product			
Direct Impact	\$352,953	\$352,953	\$0
Indirect Impact	\$481,152	\$183,911	\$297,241
Induced Impact	\$291,876	\$118,792	\$173,084
Total Impact	\$1,125,981	\$655,656	\$470,325
Industry Output			
Direct & Indirect	\$1,713,522	\$1,279,232	\$434,290
Induced Impact	\$619,483	\$252,113	\$367,369
Total Impact	\$2,333,005	\$1,531,345	\$801,659
Wages & Salaries			
Direct Impact	\$265,851	\$265,851	\$0
Indirect Impact	\$278,181	\$139,689	\$138,491
Induced Impact	\$177,734	\$72,669	\$105,065
Total Impact	\$721,765	\$478,210	\$243,556
Employment (Full-year jobs)			
Direct Impact ⁴	11.7	11.7	-
Indirect Impact	7.1	4.0	3.1
Induced Impact	4.9	3.1	1.8
Total Impact	23.7	18.8	4.8
Taxes (Total)			
Federal	\$200,935	\$132,121	\$68,814
Territorial	\$208,659	\$145,793	\$62,867
Provincial	\$53,397	\$41,838	\$11,559
Total	\$462,991	\$319,752	\$143,239

⁴ Direct employment impact is generally extra shifts or overtime for existing workers rather than new employment.

Appendix 1: Economic Impact Methodology – STEAM

Background

Briefly, the purpose of STEAM is to calculate both the provincial and regional economic impacts of sport tourism. The economic impacts are calculated on the basis of capital and operating expenditures on goods, services and employee salaries, and on the basis of tourist spending within a designated tourism sector. The elements used to measure the economic impacts are Gross Domestic Product (GDP), Employment, Taxes, Industry Output and Imports. STEAM measures the direct, indirect & induced effects for each of these elements.

Technical Description of the Impact Methodology used by STEAM

STEAM and many other impact studies are based on input-output techniques. Input-output models involve the use of coefficients that are based on economic or business linkages. These linkages trace how tourist expenditures or business operations filter through the economy. In turn, the coefficients applied are then used to quantify how tourism related activity in a particular region generates employment, taxes, income, etc. The input-output approach indicates not only the direct and indirect impact of tourism, but can also indicate the induced effect resulting from the re-spending of wages and salaries generated.

All impacts generated by the model are given at the direct impact stage (i.e. the "front line" businesses impacted by tourism expenditures), indirect impact stage (i.e. those industries which supply commodities and/or services to the "front line" businesses) and the induced impact stage (induced consumption attributable to the wages and salaries generated from both the direct and indirect impact). In this sense, the model is closed with respect to wages. Imports are also determined within the model, so the model is closed with respect to imports. Exports are not endogenized (i.e. additional exports are not assumed with the induced impact) which consequently generates more conservative impacts. Another assumption of the model, which leads to more conservative impacts, is that not all commodities and/or services purchased are assumed to have at least one stage of production within the province. This assumption is crucial for souvenirs, gasoline and other commodities.

Taxes and employment are key economic considerations. However, as these concepts fall outside of the System of National Account Provincial input/output tables, their impacts must be calculated separately. Current tax and employment data for each region is used to econometrically estimate a series of coefficients and rates. These coefficients and/or rates are then applied to measures determined within the input-output framework of the model, yielding the final tax and employment figures.

Regional (Sub-Provincial) Impact Methodology

The method used to simulate intraprovincial commodity flows and ultimately regional impacts follows directly from regional economic principles. The principle is referred to as the "gravity model". Basically the "gravity model" states that the required commodity (& service) inputs will be "recruited" in a manner that takes into consideration economies of scale (i.e. production costs), transportation costs and the availability of specific industries. Economies of scale (i.e. lower production costs) are positively correlated with input demand while greater transportation costs are negatively correlated with input demand. Fulfilling that demand from other provincial regions is contingent on the fact that the specific industry does actually exist. An advantage of using the "gravity model" to simulate intraprovincial commodity flows is that as the industrial composition of the labour force changes, or as new industries appear for the first time in specific regions, the share of production between the various sub-provincial regions also changes.

By following this principle of the gravity model, all sub-provincial regions of a province are assigned a coefficient for their relative economies of scale in each industry (using the latest industry labour force measures) as well as a coefficient to represent the transportation cost involved to get each industry's output to the designated market. One variation on the "gravity model" principle involves the estimation of "relative trade distances" by incorporating different "weights" for different modes of transport. Once these coefficients are generated for all regions and over all industries, a measure of sensitivity (mostly relative to price, but in the case of service industries also to a "local preference criteria") is then applied to all commodities. Another variation on the strict "gravity model" approach is that the measure of sensitivity is adjusted by varying the distance exponent (which in the basic "gravity model" is 2) based on the commodity or service required. The variation in distance exponents revolve, principally, around two research hypotheses: (1) the greater the proportion of total shipments from the largest producer (or shipper), the lower the exponent, and (2) the greater the proportion of total flow which is local (intraregional), the higher the exponent.

Appendix 2: Glossary of Terms Used by STEAM

Initial Expenditure - This figure indicates the amount of initial expenditures or revenue used in the analysis. This heading indicates not only the total magnitude of the spending but also the region in which it was spent (thus establishing the "impact" region).

Direct Impact - Relates ONLY to the impact on "front-line" businesses. These are businesses that initially receive the operating revenue or tourist expenditures for the project under analysis. From a business perspective, this impact is limited only to that particular business or group of businesses involved. From a tourist spending perspective, this can include all businesses such as hotels, restaurants, retail stores, transportation carriers, attraction facilities and so forth.

Indirect Impact - Refers to the impacts resulting from all intermediate rounds of production in the supply of goods and services to industry sectors identified in the direct impact phase. An example of this would be the supply and production of bed sheets to a hotel.

Induced Impact - These impacts are generated as a result of spending by employees (in the form of consumer spending) and businesses (in the form of investment) that benefited either directly or indirectly from the initial expenditures under analysis. An example of induced consumer spending would be the impacts generated by hotel employees on typical consumer items such as groceries, shoes, cameras, etc. An example of induced business investment would be the impacts generated by the spending of retained earnings, attributable to the expenditures under analysis, on machinery and equipment.

Gross Domestic Product (GDP) - This figure represents the total value of production of goods and services in the economy resulting from the initial expenditure under analysis (valued at market prices).

NOTE: The multiplier (A), Total/Initial, represents the total (direct, indirect and induced) impact on GDP for every dollar of direct GDP. This is a measure of the level of spin-off activity generated as a result of a particular project. For instance if this multiplier is 1.5 then this implies that for every dollar of GDP directly generated by "front-line" tourism businesses an additional \$0.50 of GDP is generated in spin-off activity (e.g. suppliers).

The multiplier (B), Total/\$ Expenditure, represent the total (direct, indirect and induced) impact on GDP for every dollar of expenditure (or revenue from a business perspective). This is a measure of how effective project related expenditures translate into GDP for the province (or region). Depending upon the level of expenditures, this multiplier ultimately determines the overall level of net economic activity associated with the project. To take an example, if this

multiplier is 1.0, this means that for every dollar of expenditure, one dollar of total GDP is generated. The magnitude of this multiplier is influenced by the level of withdrawals, or imports, necessary to sustain both production and final demand requirements. The less capable a region or province is at fulfilling all necessary production and final demand requirements, all things being equal, the lower the eventual economic impact will be.

GDP (at factor cost) - This figure represents the total value of production of goods and services produced by industries resulting from the factors of production. The distinction to GDP (at market prices) is that GDP (at factor cost) is less by the amount of indirect taxes plus subsidies.

Wages & Salaries - This figure represents the amount of wages and salaries generated by the initial expenditure. This information is broken down by the direct, indirect and induced impacts.

Employment - Depending upon the selection of employment units (person-years or equivalent full-year jobs) these figures represent the employment generated by the initial expenditure. These figures distinguish between the direct, indirect and induced impact. “Equivalent Full-Year Jobs”, if selected, include both part-time and full-time work in ratios consistent with the specific industries.

NOTE: The multiplier (B) is analogous to Multiplier (B) described earlier with the exception being that employment values are represented per \$1,000,000 of spending rather than per dollar of spending. This is done to alleviate the problem of comparing very small numbers that would be generated using the traditional notion of a multiplier (i.e. employment per dollar of initial expenditure).

Industry Output - These figures represent the direct & indirect and total impact (including induced impacts) on industry output generated by the initial tourism expenditure. It should be noted that the industry output measure represents the **sum** total of all economic activity that has taken place and consequently involve double counting on the part of the intermediate production phase. Since the Gross Domestic Product (GDP) figure includes only the **net** total of all economic activity (i.e. considers only the value added), the industry output measure will always exceed or at least equal the value of GDP.

Taxes - These figures represent the amount of taxes contributed to municipal, provincial and federal levels of government relating to the project under analysis. This information is broken down by the direct, indirect and induced impacts.

Imports - These figures indicate the direct, indirect and induced final demand and intermediate production requirements for imports both outside the province and internationally.