



The Boston Convention Center's shrinking market

Legislative testimony by Charles Chiello

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Over four years ago consultants told us that if we built this convention center it would generate 6,841 new jobs, 794,000 hotel room nights, attract an annual \$436 million into our economy, and raise \$45 million in new tax receipts each year for the Commonwealth. Those projections were part of a 1997 feasibility study on which the legislation to build this convention center was based. Now that four of those five years have passed, we can look at how the consultants did in their projections.

The study said that over the five years subsequent to 1997, demand for convention space in this country would increase by 23 percent while the supply would only increase by 12 percent. Let's look at the supply side. In 1989 there were three cities in this country that had convention centers with 500,000 square feet or more of exhibit space. By 1998, there were 23. According to Tradeshow Week, which is the bible of this industry, by 2005 there will be 25 percent more convention space than there was even in 2000. Right now, there are 94 convention centers being built or expanded in the United States.

So the consultants didn't do so well on supply, but let's look at the demand side because that's where the real problem is. They said that by 2000 there would be 140 million people in this country attending conventions and that that number would continue to rise. Well, in 2000 126 million people attended conventions in this country--10 percent less than they said.

But that's the good news because Tradeshow Week says there will be less than 75 million people who attend conventions in the United States this year--a drop of more than 40 percent in one year. Just a few days ago, a survey of corporate travel managers found that 64 percent of them are planning to cut their travel budgets in the coming year. But these kinds of fluctuations that are associated with normal economic cycles are the least of our problems--they certainly don't account for a more than 40 percent drop in convention attendance in one year.

Conventions are prohibitively expensive for businesses to send their people to and the fact of the matter is that in this age of technology, webcasting, and teleconferencing, those things are making it unnecessary for businesses to have nearly the number of conventions as there have been in the past. Building this convention center is the functional equivalent of spending a billion dollars on a printing press in 2001. This market is not coming back.

Convention center proponents say that Boston is somehow different and that it's immune from these trends. The facts say otherwise. In 1997, Coopers and Lybrand went to meeting planners and handed them a list of eight cities and said to them, "List the appeal of these cities as a convention destination assuming each city has equal facilities." Only one city finished below Boston.

But the very best evidence is right in our backyard. When an expanded Hynes Convention Center opened in 1988 after being closed for three years, it hosted no more meetings than it had prior to its closing. Its impact in terms of city hotel usage, hotel development, and hospitality industry employment was virtually nil. And that was in a convention market that was far more favorable than

today's. Just this year, both the number of bookings and the number of hotel room nights generated by the Hynes have dropped markedly.

Those who say Boston is different overlook the fundamental difference between a great tourist destination--which we are--and a great convention city--which we decidedly are not. The market has changed since 1997, but it hasn't just shrunk; it has shifted. The cities that are still making it in this industry--and you can count them on one hand--have a recipe that includes year-round warm weather, resort or destination locations, lots of inexpensive hotel rooms within walking distance, and abundant airline access.

I don't have to mention what Boston's weather is like or the problems that we face with Logan Airport. Hotel rooms in this city currently cost more than twice the national average. And even the most cursory look at this industry will tell you that hotel development in Quincy, Revere, East Boston, and Chelsea just won't do it--it's got to be hotels within walking distance of the convention center if you want to have hope of competing in this business.

The evidence is abundant and it all points in the same direction. Four years from now, when this legislature is appropriating funds for the first of what will be endless operating subsidies for the convention center, no one will be able to claim that they couldn't see it coming.