

**Economic Activity Associated With
the 33rd Annual
Palm Beach International Boat Show**

– March 22-25, 2018 –

Prepared by

THOMAS J. MURRAY & ASSOCIATES, INC.

In Conjunction with

The University of Florida

June 2018

On behalf of

INFORMA

And

Marine Industries Association of Palm Beach County

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EXECUTIVE SUMMARY

MAJOR FINDINGS:

- Total sales for all Palm Beach International Boat Show (“the Show”) participants are estimated to be \$277.5 million.
- Total estimated sales resulting from the Show by Palm Beach exhibitors was \$36.3 million; Tri-County (Palm Beach, Dade, Broward counties) companies generated \$183.1 million, and all Florida companies completed an estimated \$219.2 million of sales of marine products.
- The Show generated \$682.7 million in economic output throughout the state of Florida, including \$84.2 million in Palm Beach \$344.4 million in the Tri-County area, as a result of the infusion of out-of-state purchases and expenditures at the Show.
- The equivalent of 4,394 full-time jobs is associated with the economic output throughout Florida, including 577 jobs in Palm beach and 1,983 in the Tri-County area.
- Total excise and sales taxes generated within Florida as a result of the Show was \$32.8 million including \$4.1 million in Palm Beach and \$13.5 million in the Tri-County area.
- Labor income impacts of \$228.0 million were associated with the economic activity stemming from the 2018 Show statewide, including \$26.4 in Palm Beach and \$105.5 million in the Tri-County area.

Total value-added of \$363.4 million was contributed throughout Florida as a result of the Show; including \$42.0 million in Palm Beach and \$162.1 million in the Tri-County area.

Boat show visitors bring in new dollars to the region and the State.

- Over 50,000 visitors attended the 2018 Palm Beach International Boat Show including exhibitor personnel.
- The average expenditure by out-of-town visitors (hotels, restaurants, retail spending, local transportation, etc.) at the Show was \$202.00 per day.
- Non-local visitor expenditures totaled an estimated \$5.3 million the local area.

Boat Show exhibitors spend to promote their company and products.

- 60% of exhibitors were from Palm Beach, Broward, and Dade Counties.
- Exhibitors expended \$2.8 million on local goods and services, such as hotels, restaurants, and local transportation. Such expenditures were the beginning of economic impacts in Palm Beach County and throughout the State.

The economic activity arising from the Show results in significant fiscal impacts.

- Business-related taxes generated are estimated to be \$4.1million in Palm Beach County; \$13.2 million in the Tri-County region; and \$32.8 million for the State as a whole.

INTRODUCTION

The Palm Beach International Boat Show (“the Show”) has been held annually for thirty-three years. It is produced and managed by INFORMA, located in Fort Lauderdale.

This study has been completed by Thomas J. Murray & Associates, Inc., on behalf of INFORMA and the Marine Industries Association of Palm Beach County, to evaluate the economic activity and impacts arising from the show at three levels:¹

- Palm Beach County;
- Tri- County (Palm Beach, Dade, Broward Counties), Florida
- The State of Florida

Based upon information gathered from INFORMA the author’s knowledge of the regions marine industry, and implementation of conventional input-output modeling techniques, we have analyzed the economic impacts of the Show.

THE SHOW

The Show has grown to include 485 exhibitors represented by thousands of personnel at the 2018 event; with 50,780 visitors attending the four-day event.

The intent of this study is to prepare current estimates of the economic impacts of the Palm Beach International Boat Show which include the following sources:

- Expenditures by both visitors and exhibitors in the Show
- Sales of boats and other marine products as a result of the Show

The 33rd year of the Palm Beach International Boat Show was widely reported to be a success. The Show featured hundreds of boats on land and boats in the water, ranging in size from 10’ to 200’. The displays were located along Flagler Drive from Banyan Street to Okeechobee Blvd. To accommodate the boats in the water, a 923,000-sq. ft. temporary floating dock marina was constructed for the Show. The accessory displays included 38,000 sq. ft. of covered exhibit space, of which about 1/3 was air-conditioned exhibit area; additional tenting was utilized to accommodate 360 10’x10’ and 8’ x 10’ booths displaying various marine accessories. Also featured were continuing show seminars on various fishing and educational features such as the “Kids Fishing Clinic”.

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ECONOMIC IMPACT ANALYSIS

Economic impact analysis begins with introducing a change in the output of goods and using the multiplier model to analyze the effects on a region's economic base. The standard input-output model estimates the direct, indirect, and induced economic implications of some basic economic activity. The secondary effects (the indirect and induced impacts), along with the basic economic activity estimates, provide an estimate of the "multiplier" effects from the basic activity (direct impact).

In the standard input-output model, measures of aggregate economic activity are used as a basis for estimating the total economic impact of the subject activity. For example, measures of direct employment or total sales in an industry are obtained, and these are then used as a basis for evaluating the total impact. In this report estimates of the primary sales by category were obtained and used as the base measure of the "direct impact" of the industry.

Given this measure of the direct purchases of the boat-related industry, an estimate is made of the indirect impacts using information on the interactions between these industry sectors and other economic sectors that are, to varying extent, dependent upon such boat-related industry.

For example, suppliers of materials into the boat-related products manufacturing, transportation, storage, marketing and distribution are also dependent upon the sales of boat-related goods and services. These added sales or impacts are referred to as the "indirect impacts." Such "indirectly" dependent sectors include hundreds of other types of manufacturing and trade, for which industrial classifications range from "Boat Building and Repairing" to "Plastics & Resins".

Ultimately, the direct sales activity, and the resulting indirect activity, generates some increases in the general level of employment and income in the study area. The extra income generated in this way leads to a third "wave" of economic impact through greater household expenditures on goods and services. Much of this additional "responding" will also occur within the study area, further expanding economic activity. These effects are referred to as the "induced impacts" of the industry.

ECONOMIC INPUT-OUTPUT MODEL APPLICATION

Most regional input-output studies attempt to characterize either the economic impacts of specified changes in final demand for a given set of products, services, and industries, or, the economic significance of specific industries in a regional and national economy. The research described herein accomplishes the latter task. It assesses the economic significance of the Show upon boat-related industries located in Palm Beach County, the Tri-County area (Palm Beach, Broward and Dade Counties) and the state of Florida.

Because of the interrelationships among the many sectors of an economy, any new basic economic activity (such as sales induced by the Show) will generate additional waves of economic impact. By stimulating the expenditures by out-of-region visitors and the export sale of marine products, the Show initiates such rounds of economic impact.

For example, the marketing of boat-related goods and services from these regions calls forth additional activity among the suppliers of necessary inputs as well as among distributors of boat-related products, warehouses, and retailers. The impact of the sale of a dollar of boat-related goods and services generates activity not only for the retail sector, but also indirectly generates economic activity for suppliers, accountants, and programmers whose employment supports the operation of the retail enterprise. In an analogous way, the activities of boat-related marketers and consumers will generate multiple rounds of economic activity.

As mentioned above, economic impact analysis is an attempt to provide an estimate of the total impact of any economic activity in any region, including, not only the primary economic impact, but also secondary and tertiary impacts.

THE IMPLAN MODEL

Many economic impact studies use information from the Regional Inter-Industry Impact Model – (IMPLAN). This model was developed using a combination of direct survey data obtained through national surveys of inter-industry interaction, and then, a “sharing down” of the inter-industry relationships to the local or regional level, based upon the structure or employment structure of industries in the state or region. The IMPLAN model used herein includes industry linkages specific to Palm Beach and the state of Florida.

From these government derived regional inter-industry relationships; output, income, value added and employment multipliers are estimated.

Thus, in terms of simple analysis of the aggregate impacts of activity on the regional economy, published government estimates of the multiplier are used. The use of the “IMPLAN” multipliers for the present analysis is considered reasonable.

To perform the impact analysis, initial information on the level of primary or “basic” economic activity for the industry studied is needed. As mentioned above, measuring the total economic impact of any product, good, or service such as the Boat Show first requires an estimate of the volume of the goods sold by virtue of the Show.

DIRECT IMPACTS

The direct economic impact begins with the infusion of “outside” dollars into the region. Again, for the sake of this study there are three economic regions modeled: Palm Beach County, the Tri-County region and the state of Florida. As outlined above, these dollars come from two sources:

- Purchases of marine products from companies located within these regions, and
- Expenditures of non-local visitors and exhibitors associated with the Show.

Marine Product Sales

Reportedly over \$1.0 Billion of boats, equipment and accessories were on display at the Show. The total value of marine product sales at the Show in 2018 was estimated to be \$277.5 million for all exhibitors. Much of those sales were made by exhibitors located in the study region. Six of every ten exhibitors are south Florida companies. Total sales by Florida companies during the Show were estimated to be \$219.2 million, with the Tri-County companies contributing \$183.1 and Palm Beach \$36.6 million in marine products sales.² A summary of the type and location of businesses reporting sales at the Show appears in Table 1.

It is important to understand that not all of these sales generate economic impact in the study region. In view of the fact that 20% of the exhibitors were from outside Florida, sales by those firms do not have the same impact as sales by similar types of firms within the study regions. For example, the sale of a new vessel by a boat manufacturer from California does not stimulate Florida’s economy as an equal dollar sale by a Florida boat manufacturer.

The information on origin of Show sales was utilized to adjust the gross Show sales information for economic impact assessment. Such a “sharing” of sales to within and outside the study areas is required for realistic estimates of net impacts on local areas, such Palm Beach County and the state of Florida.

Similarly, the fact that the sale of a fabricated good is made by a firm within the study area does not mean that all of the impacts of the sale accrue to that region. The IMPLAN model assesses the industry sector and computes from the gross output, or sales amount, how much of the necessary expenditures to produce the good are locally acquired for the sake of multiplier analysis. The purchases of inputs from outside the study area, in a sense, are “leakages” from the local economy.

² An internet based exhibitor survey was conducted in a two-month period following the 2018 Show. The results noted here is an expansion of that survey information which reported \$188.0 million in Show sales.

<i>Business Location</i>	<i>Total</i>	<i>Boat Manufacturers</i>	<i>Boat Brokers</i>	<i>Boat Dealers</i>
Palm Beach	\$36,630,000	\$25,183,125	\$8,791,200	\$2,655,675
Palm Beach & Tri-County	\$183,150,000	\$125,915,625	\$43,956,000	\$13,278,375
Florida Counties	\$219,225,000	\$150,717,188	\$52,614,000	\$15,893,813
Outside Florida	\$58,275,000	\$43,706,250	N/A	\$14,568,750
Total Show Sales	\$277,500,000	\$194,423,438	\$52,614,000	\$30,462,563

Expenditures by Non-Local Visitors and Exhibitors

As seen in Table 2, total expenditures by exhibitors were estimated to be \$2.88 million.

This was primarily on travel-related goods and services such as hotel rooms, meals, local transportation, etc. Additionally, part time help and expenditures directly related to the Show itself add to total spending in the area. Table 3 reflects additional direct expenditure impact of \$5.33 million in similar expenditures by visitors attending the Show.³

<i>Category</i>	<i>Total</i>
Lodging (including Show Management)	\$577,125
Meals & Entertainment	\$432,844
Local Transportation	\$144,281
Local Service (decorator, etc.)	\$159,607
Exhibit & Part Time Help	\$1,731,375
<i>Total Exhibitor Spending in Area</i>	<i>\$2,885,625</i>

<i>Category</i>	<i>Total</i>
Lodging	\$2,772,588
Restaurant/bar	\$1,320,280
Gifts/shopping	\$501,706
Entertainment	\$184,839
Local travel	\$554,518
<i>Total Visitor Spending</i>	<i>\$5,333,931</i>
Total Exhibitor & Visitor Spending	\$8,219,556

³ For allocation of the marine product sales by region the location of the exhibitors and relative sales were obtained from the survey responses and estimated from the Show's "Official Marine Products Source Guide & Show Directory." The expenditures do not include the significant spending by the Show sponsors. See Qualifications p. 12. Visitor expenditures were allocated to local and non-local according to the origin of the ticket purchaser. (2,3).

The direct economic impacts of the Show manifest themselves in other economic growth measures as well. Total direct employment associated with the output was the equivalent of full-time jobs in Palm Beach County, and for the state.

Similarly, the direct impacts include increases in personal (“labor”) incomes earned throughout the region. For the same regions, the personal income associated with the Show sales activity was \$million in Palm Beach County, and \$million statewide.

Table 4 below summarizes these types of direct economic impacts of the Show, and further distributes, as a hierarchy, the impacts to the two study regions using five traditional economic base indicators. For all of the measures the impacts in Palm Beach and the Tri-County are included in the State impacts.

Table 4. Direct Economic Impacts of the 2018 Palm Beach International Boat Show			
<i>Impact Type</i>	<i>Palm Beach</i>	<i>Tri-County Area</i>	<i>Florida</i>
Output	44,484,313	\$144,472,762	\$227,079,310
Employment (FTES)	285	630	1,183
Employee Compensation	11.164,502	\$33,609,096	\$67,792,761
Total Value-Added	16,881,185	\$42,265,653	\$93,191,829

To summarize, in addition to direct impacts, two other types of impacts are estimated:

- indirect impacts, which measure the change in output production in backward linked industries caused by the changing input needs of directly affected industries;
- induced impacts, which measure the change in regional household expenditure patterns caused by changes in household income.

INDIRECT ECONOMIC IMPACTS OF THE BOAT SHOW

Having calculated the first (“direct”) effects of the Show on various measures noted above, the further “ripple” effect of the initial change can be quantified using the input-output model.

Based upon information on the interrelationships among the sectors of the regional economy, the values of the inter-industry “multipliers” are generated by the IMPLAN. That is, quantifying from which industries the subject sector buys its production inputs, and to which sectors its final products are sold, enables estimates of the multiplier effects to be made. Understanding both the purchases of inputs and sale of goods and services by the marine products sectors allows the “forward” and “backward” linking of the sector’s economic activity. This permits the tracing of expenditures as they “multiply” throughout directly and indirectly impacted sectors.

<i>Impact Type</i>	<i>Palm Beach</i>	<i>Tri-County Area</i>	<i>Florida</i>
Output	\$10,899,962	\$55,467,689	\$85,646,565
Employment (FTES)	68	307	494
Employee Compensation	\$4,223,956	\$20,212,696	\$29,092,793
Total Value-Added	\$6,741,723	\$32,440,520	\$47,946,225

INDUCED ECONOMIC IMPACTS

As a result of the added employees’ compensation and personal income directly generated from Show sales, and similar growth in indirect (supply) industries, overall income levels rise, further initiating expenditure and economic activity.

<i>Impact Type</i>	<i>Palm Beach</i>	<i>Tri-County Area</i>	<i>Florida</i>
Output	\$28,872,007	\$144,550,130	\$370,000,883
Employment (FTES)	225	1,045	2,717
Employee Compensation	\$11,087,223	\$51,711,831	\$131,172,122
Total Value-Added	\$18,383,264	\$87,466,018	\$222,286,480

For example, as reflected in Table 8, the increases in household incomes also bring about economic activity in non-boating sectors such as “Eating & Drinking Establishments,” “Banking,” “Hospitals,” “Real Estate,” etc.

TOTAL ECONOMIC IMPACT OF THE PALM BEACH INTERNATIONAL BOAT SHOW

In reality, most of the input-output model’s 528 sectors are either directly, indirectly or through induced expenditures, impacted by the boating-related business resulting at the Show.

Summing up the direct, indirect, and induced impacts, an estimate for the total economic impact of the Show in 2012 is illustrated in the table below.

Table 7. Total Economic Impacts of the 2018 Palm Beach International Boat Show – By Region –			
<i>Impact Type</i>	<i>Palm Beach</i>	<i>Tri-County Area</i>	<i>Florida</i>
Output	\$84,256,282	\$344,490,580	\$682,726,759
Employment (FTES)	577	1,983	4,394
Employee Compensation	\$26,475,680	\$105,533,622	\$228,057,677
Total Value-Added	\$42,006,172	\$162,172,191	\$363,424,534

FISCAL IMPACTS

Finally, by virtue of the fact that businesses receive increased sales, and households receive increased incomes, more taxes are paid. The overall measure of “Indirect Business Taxes” includes items such as sales taxes, and reflects the business generated by the Show throughout the State. These business-related taxes are estimated to be to \$4.1million in Palm Beach County; \$13.2 million in the Tri-County region; and \$32.8 million for the State as a whole.

QUALIFICATIONS

Any estimate of economic impacts is only as good as the basic information entered into the input-output model. In performing the research, the best information available was used to attempt to fully characterize the level and mix of spending generated by the Show. There is nothing more detrimental to the overall value of research of this nature than exposure to claims of partiality or subjectivity, or the appearance of partiality or deliberate bias. To maintain the integrity of this study, the authors have been careful to impart a downward bias to our estimated Show impacts.

While attempting to account for all potential spending generated by the Show, caution was exercised in order not to artificially bias the estimated economic activity upward with unrealistic assumptions and unfounded assumptions.

Several examples of the caution we have taken in generating our estimates of the economic impact are given here:

- Assignment of the net direct economic impact estimates, which involved “margin” sectors such as sales by boat brokers and boat dealers, were closely scrutinized. Based upon discussion with the industry and review of one previous study of the brokerage sector, benchmark respective commissions of 10-20% are considered to be reasonable. The use of the total sale amount would significantly exaggerate the firm’s value-added and resulting economic impact.
- In addition to the reduction in direct impact estimates for the “used-boat” (brokered) sales resulting from the Show, also excluded are the significant expenditures such vessel sales generate in vessel repair, refurbishing, maintenance, dockage, accessories, services, etc.
- The future potential sales activity noted by survey respondents frequently exceeded the actual Show sales reported. While obviously a great benefit arising from the Show, this potential activity has not been included in these economic impact estimates.
- It is believed by the authors that the visitor expenditures and resulting impact estimates may be understated due to a lack of direct survey data. The authors relied upon published average daily visitor expenditure estimates from the local tourist development authorities. This figure was applied to only non-local Boat Show attendees likely further understating the direct impacts used for the analysis.
- The impact estimates do not include the expenditures made in Palm Beach County by INFORMA. These expenditures are not reported to prevent disclosure of confidential information.

CONCLUSION

It is perhaps most difficult to quantify the positive amenity values or externalities which arise by the continuing success of the Show. In bringing boating enthusiasts to Palm Beach County, the community both enhances and reinforces its identity as a boating and leisure destination.

Finally, although the economic impacts outlined above are clearly significant, they should be considered to be the most immediate impacts only. Given the region's business base that includes virtually all boat-related sectors, the initial Show sales will continue to generate future "long run" activity.

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