

Heywood Sanders Presentation Transcribed: 5-5-09 MCTF Meeting

- Mr. Cushman, Ms. Kendrick, Ms. Wallace, task force members, it is a pleasure to join you. There is way more stuff here than there should be for 20 minutes. The co-chairs emailed me 15 fairly elaborate questions, which I got fairly late. So I tried to deal with some of them. We'll see what happens. Feel free to pursue them if you'd like. So if that's alright, we're off to the races.
- Let's start with an overview of the industry. Beginning with a study that was done by a joint committee of the destination market association, the international organization of convention and visitors bureaus, and the professional organizations of assembly managers, that's the professional organization of convention centers and public facility managers on best practices of convention center sales and marketing. This is the cover page, you'll see it was done in August 2007. Were probably going to have a hard time for the audience reading that highlighted material. Unless you have a paper copy in front of you. My regards to SDSU for the screen.
- What this committee found is that as new communities develop, new and expanded convention centers, the amount of available space as exceeded demand, resulting in a buyer's market. I'd like to go over some of the components of that buyer's market if I might. The first is an enormous increase in the stock of convention center exhibit hall space that we've seen around the country. That's a total that has grown enormously from the early 1990s, and continues to grow. As Phoenix just finished almost tripling their space, and Ms. Wallace's counterpart in Seattle at the Washington State Center is proposing a 766 million dollar expansion, and San Antonio is talking about doubling their space as well. At the same time the number of events and a few folks might recall when you had Michael Hughes in here a few weeks ago, he talked about the top 10 cities. And showed you some bar graphs on those cities. This is a count of the events from which that total is drawn. The annual Tradeshow Seek Data Book. In this case, unlike what he presented you, excluding local consumer shows. So were looking purely at traditional convention and tradeshow. And as you can see those numbers have been ineffectively flat back to early 1990s.
- There is another measure he presented you of exhibit space use by the largest 200 exhibit and tradeshow each year. That's measuring the 200 biggest in regards to exhibit space use. As you can see, there was a major decline after 2000. That has largely returned to about the peak level of 2000 in terms of exhibit space use. I want to stress that this is just exhibit space use here. In terms of attendance, however, the black line traces total attendance as Tradeshow Week has reported it for these 200 major events. I think you will see these total attendance numbers through 2008 remain well below the peak years of the mid and late 1990s. There is a technical issue I don't want to get into at this juncture because of time that makes the last 2 years the 2006 and 2007 not entirely comparable. Those two red dots adjust for those events included in the 200. The bottom line here is for this measure, while space use has gone up, there are no more people going to these big events. That has essentially flattened and it remains below where the industry was in the mid to late 1990s.

- Now we want to talk about another phenomenon that you may have seen- that is looking at major centers for which San Diego competes, and PricewaterhouseCoopers, and you had a PricewaterhouseCoopers consultant here a few weeks ago as I recall. PricewaterhouseCoopers looks at what they call gateway cities. Those are major cities with 30,000 metro area hotel rooms. This particular chart is a little dated, it's from their expansion study for Indianapolis, but that top gold colored line will give you the sense of growth in available center square footage for those major gateway cities.
- I want to take some material now that was in the convention center draft plan, a study that I think you all have had available, you had the executive study available for you as I recall, this is from the full one. I want to draw your attention to what is in there. This is a graphic from that PricewaterhouseCoopers study, You want to look at this middle line, it is conventions and tradeshow. We want to not focus on the local consumer events- the auto and boat and garden shows. This is a measure for these large gateway communities for exhibit space, and I think you can see how much it dipped down after 2000, and were not quite back to where we were in terms of occupancy percentage overall at the end of the 1990s. What is really striking here is if you see we start here on the far left in 1999 at about an average convention attendance of 600,000, do you see where we are now? It's not my graph, it's Rod's. He kind of pulled them out horizontally. We're hovering there about 400,000, so on average these centers are doing no better, actually, they have yet to make up all their loss in the 2000/ 9-11, post 2001 period. On the 2003 convention center report the average attendance for conventions and tradeshow, for gateway centers, that's your category- 523,000 in 2003 and in 2008: 419,300. If we switch to their classification to the very large centers, over 500,000 sq. ft.: 750,000 in 2003 and 569,700 most recently in 2008. Those 2008 numbers are not in the PricewaterhouseCoopers report that you have because they came out subsequently.
- Just to give you a sense as we start talking about other cities, I just pulled this off the web from the health care exhibitors association. This is a ranking in terms of total reported meetings. Some of these are purely in hotels and some are in convention centers. I want to give you as sense as we talk about other cities, as I will in just a minute. I want to focus on those that are doing very well in the category that I know San Diegans care about, which is the medical and health care category. You'll note in this listing that San Diego comes in tied for third with Washington, a little bit above Las Vegas and Boston and below Orlando and Chicago.
- Now let me talk about some specific cases of cities. I want to talk about mine for a minute, partly because San Antonio is often viewed as a competitor, but it's a reasonable case. San Antonio in the early 1990s was contemplating an expansion. They had a consultant come in 1990 and examine the feasibility of an expansion. They noted that in 1989 the center had 336,966 delegates, that was right after an expansion in 1986. So they had circa 360,000 convention delegates there in 1989. Their consultant, Gladstone, projected that the 7% solution of 660,000 attendees, a reasonable solution consistent with national growth rates, was what they anticipated when the center doubled in size in San Antonio. So having done that in 2000, completed in 2001. Jumping ahead, this is a study that San Antonio received last year from the CSL consulting firm about the feasibility of an expansion of the Henry B. Gonzalez Center. And again, we have wonderfully tough to make heads or tail numbers. And you want to focus again on the

conventions part of the bar. The 262,000- we'll round up 246, 230, 286, 283, 259, 159. I think you can see, having doubled its size, it's pretty consistently not even where it was reported to be in 1989. That's an intriguing phenomenon. So we want to take a look at that in some other cases, and we'll look at that in a minute.

- I wanted to give you a sense of another facility that may be relevant. This is not an expansion case, let me make that clear. This is Moscone Center in San Francisco. This traces the convention and tradeshow attendance at Moscone in fiscal year since the mid 1990s for the original facility. It doesn't look at the impact of their new Moscone West building. And I think it's pretty clear here what the dynamic of the market has been in recent years. Moscone continues to struggle to do the business that it used to do. This is another facility, the Washington State Convention and Trade Center in Seattle. They completed an expansion. You will note that after the expansion they were basically back to where they used to be. That is until last fiscal year. That measures out-of-state attendance in Washington for the Seattle Center. So were largely tracking hotel generating activity
- Let me skip ahead a little bit if I might, assuming this will catch up. Let's do a couple of these in San Diego. This is the Orlando Orange County Convention Center. The impact of their expansion is shown here. When they opened an expansion in 2004 that doubled the size of the Orange County Center from 1 to 2 million square feet. They gained, depending on which year you look at, somewhere on the order of an 8-12% increase of convention center attendance. This is Las Vegas which also doubled the size of its center from 1-2 million square feet. Again, depending upon which year you're looking at, you're looking at between a 17-22% increase in convention attendance in a center that doubled its size.
- This is your event count numbers for primary events at the SDCC. Some folks had asked me about going into the top ten, and your gain on events from the late 90s, prior to the expansion is something on the order of 70-80 year. So this is not what drove you into the top ten. If you'd like to talk about this I'd be glad to. These are the figures for primary event attendance and total hotel room night generation by year provided to me by the SDCC. What is intriguing about these to me is after the expansion, how the primary attendance number rises very rapidly, but the hotel room night number does not show much of an increase from the peak years in the 1990s. This has for me, for a very long time presented an intriguing kind of analytical conundrum. Part of the reason, obviously, and this is taken from the PricewaterhouseCoopers report is that several large events, notably Comic-Con, the two ASR trade expos and the Rock N' Roll marathon, generate large attendance volumes without necessarily generating very many hotel room nights. Indeed Comic-Con, for all its size, appears to generate the hotel room night demand, according to the convention center's numbers, of about a 7,000 attendee medical event. If I pull those numbers out of the attendance numbers, that Steve Johnson of the Center was kind enough to give me, but the Center could only generate after 2000. You'll see what the expansions impact actually looks like on that black line labeled adjusted attendance. Then we have some information on the attendance and room night generation for a number of large recent events. I didn't highlight the Comic-Con numbers there but I think you can see these numbers are rounded. They are from the PricewaterhouseCoopers report. They are slightly different from the Center's numbers because they rounded them. Comic-Con at 123,000 attendees with 20,300 hotel room nights. And then

you'll see right above it the American College of OBGYNs, 7,000 attendees at 21,000 room nights.