

LAS VEGAS CONVENTION AND VISITORS AUTHORITY

Economic Impact Series

Volume I | Issue II



**The Economic Impact of
Southern Nevada's
Tourism Industry and
Convention Sector**



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Applied Analysis was retained by the Las Vegas Convention and Visitors Authority (the “LVCVA”) to review and analyze the economic impacts associated with its various operations and southern Nevada’s tourism industry more generally. This is the second in a series of reports detailing the findings of our review and analysis; it is specific to the economic impacts associated with the southern Nevada tourism industry, its convention travel segment, and convention travel specifically served by the Las Vegas Convention Center (the “LVCC”).

FINDINGS IN SUMMARY

Southern Nevada’s Tourism Industry

Although southern Nevada’s economy has become increasingly diversified during the past 10 years, the region remains among the narrowest economies of its size in the United States. Southern Nevada’s hotels and casino-hotels directly employ approximately 178,800 workers, or 19.3 percent of the total workforce.¹ The broader tourism industry is estimated to directly support an additional 54,400 employees, who work in venues within hotel casinos that may not be owned by the hotel or hotel-casino operator directly (e.g., restaurants and retail outlets), businesses designed to provide services principally to non-resident consumers (e.g., Las Vegas Strip retailers) and other enterprises facilitating the industry generally (e.g., air and ground transportation and meeting planning). Combined, tourism-related employment is estimated to total just over 233,000 workers, or 25.2 percent of the region’s workforce. (Please see Exhibit I)

In total, these direct workers earn incomes of \$9.0 billion annually. This figure is 23 percent of the \$39.0 billion in wages and salaries paid to all employees and 26 percent of the \$34.2 billion paid to private sector workers during 2007.² Hotel-casino workers reported average annual compensation levels of \$37,336, which was 88.1 percent of the \$42,382 overall average for all workers in all sectors.

In terms of economic output, southern Nevada’s tourism industry also ranks first. Spending in Clark County’s 160 non-restricted gaming locations with \$1 million or more in revenues totaled \$22.0 billion in 2007 and aggregate visitor spending was estimated to total \$28.0 billion in that year.³ During

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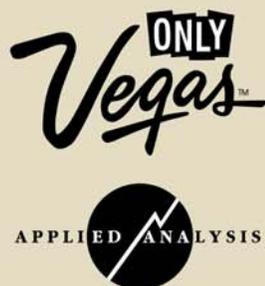
¹ See, Nevada Department of Employment, Training and Rehabilitation, *Nevada Employment and Unemployment Estimates for June 2008*; see also Nevada Gaming Control Board, *Gaming Abstract 2007* (noting a total employment of 163,288 for Clark County’s non-restricted gaming licensees earning \$1 million or more per month in gross gaming revenue).

² See, Nevada Department of Employment, Training and Rehabilitation, *Quarterly Survey of Employment and Wages (Q4 2007)*.

³ See, Nevada Gaming Control Board, *Gaming Abstract 2007*; see also, Las Vegas Convention and Visitors Authority, *Visitor Profile Study and Clark County Resident Profile Study*; see also, Nevada Commission on Tourism, *Room Tax Collections by Jurisdiction*; see

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2007, the United States Bureau of Economic Analysis estimated that Nevada's gross product was \$127.2 billion.⁴ Although these are not perfectly aligned concepts or geographic areas, the fact that southern Nevada's gaming industry directly generated consumer activity at a level equal to 22 percent of the State's aggregate product is nothing short of impressive.

Simply stated, the analysis above suggests that southern Nevada's tourism industry directly accounts for 25 percent of the region's workforce, 23 percent of all wages and salaries paid to workers and 22 percent of its economic output. When the indirect effects are considered, these impacts increase considerably. Indirect, or secondary, impacts are often referred to as the "ripple" effect, respecting the reality that an industry's impact reaches beyond just those workers showing up to a company's worksite. Suppliers of goods and services providing everything from food to uniforms to casino chips and even bathroom soap create jobs and economic activity. Many of these suppliers are based in southern Nevada, keeping those dollars in the region and stimulating job growth in other sectors of the economy. Employee spending also impacts the local economy. When a dealer, food server, guestroom attendant or limousine driver spends their paycheck at the local grocery store, gas station or movie theater, that also creates jobs and economic activity that would be unlikely to exist if not for that hospitality worker.

Applying relatively conservative multipliers suggests that southern Nevada tourism industry directly and indirectly supports more than 382,400 jobs (41.2 percent of the workforce); \$13.4 billion in wage and salary payments (\$0.34 out of every \$1 paid to employees); and \$42.9 billion in aggregate economic output (34 percent of Nevada's state product). It is worth noting that this analysis assumes a direct-to-indirect employment ratio significantly less than 1:1 and indicates that for every \$1 in economic output generated by the industry, \$1.53 is generated throughout the community. Reasonable arguments could certainly be forwarded that the industry's impact is actually more pervasive, particularly if one was to consider its one-time construction activity impacts. Even under these conservative assumptions, this analysis clearly depicts southern Nevada's reliance on its core tourism industry.

also, Nevada Department of Taxation, Taxable Retail Sales Activity Summary for the 12 Months Ending December 2007. Analysis assumes an average spend per trip of \$715 based on analysis of these data.

⁴ See, Bureau of Economic Analysis, U.S. Department of Commerce, Gross Domestic Product by State 2007.

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The Convention and Meeting Segment

The convention and meeting segment is a component part of the broader southern Nevada tourism industry analyzed in the preceding section. Convention and meeting visitors account for approximately 15.8 percent of all visitor trips, or roughly 6.2 million trips annually. Although these factors are not treated comprehensively in this brief, convention and meeting visitation has also been credited with increasing average daily room rates and smoothing out the seasonal ups and downs of leisure travel patterns.⁵ There is also evidence that these travelers spend more money per trip than do other segments.⁶

Southern Nevada's convention and meeting segment is truly an industry unto itself, larger in size and greater in impact than overall tourism in many U.S. communities. The sector is estimated to directly employ 46,300 southern Nevada workers, a figure which increases to 75,900 when direct and indirect impacts are combined. These employees earn a total of \$2.7 billion in wage and salary payments each year, roughly 7.0 percent of the total paid to all Clark County's workers in 2007. In terms of economic output, the convention and meeting sector directly contributes an estimated \$5.6 billion annually and produces total economic output of \$8.5 billion inclusive of its ripple effect. (Please see Exhibit II)

The Impact of Conventions, Meetings and Expositions Held at the Las Vegas Convention Center

The final element of this analysis considers the tourism-industry impacts of activities hosted by the LVCC. During 2007, the LVCC hosted 62 events with a combined attendance of 1.6 million. This accounted for 4.0 percent of all visitor trips to the region and roughly 1 in 4 non-leisure trips to southern Nevada.

These 1.6 million event attendees generated economic output of \$1.4 billion while in Clark County, supporting 11,600 jobs and stimulating \$450 million in direct wage and salary payments. When indirect impacts are also considered, total supported employment increases to nearly 20,000 positions, wage and salary payments increase to \$664 million annually and economic output totals \$2.1 billion. (Please see Exhibit III)

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⁵ See, Las Vegas Convention and Visitors Authority, 2007 Clark County *Visitor Profile Study*. (2008) and Monthly and Year-to-Date Visitor Statistic (1980 to Present).

⁶ Travel Industry Association, U.S. Domestic Business and Convention Travel (May 2007).

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METHODOLOGY

Baseline travel volume and consumer spending data for this report was obtained from several publicly-available sources including the Las Vegas Convention and Visitors Authority, the Nevada Gaming Control Board, the Nevada Commission on Tourism and the Travel Industry Association. Additional data on industry-specific employment levels and wage and salary payments were obtained from the Nevada Department of Employment, Training and Rehabilitation and the U.S. Department of Commerce, Bureau of Economic Analysis.

To identify the interrelationships in a regional economy, the IMPLAN (Impact Analysis for Planning) software and databases were used. IMPLAN is one of three generally accepted applications that are used to model how industries within an economy are interrelated. Simply stated, the model attempts to demonstrate mathematically how the outputs of one industry, be those wage payments or widgets, become the inputs of other industries.

IMPLAN employs a regional social accounting system that is used to generate a set of balanced accounts and multipliers. The social accounting system is an extension of input-output analysis. Input-output analysis has been expanded beyond market-based transaction accounting to include non-market financial flows by using a social accounting matrix framework. The model is designed to describe the transfer of money between industries and institutions (e.g., households) and contains both market-based and non-market financial flows, such as inter-institutional transfers. IMPLAN uses regional purchase coefficients generated by complex econometric equations that predict local purchases based on a region's characteristics. In this case, the region is Clark County, Nevada. Output from the model includes descriptive measures of the economy including total industry output, employment and value-added contributions for over 500 industries.

ANALYSIS LIMITATIONS

This analysis used the best available data to analyze the economic impacts of southern Nevada's tourism industry. In many cases baseline data are either incomplete or inconsistent. Efforts were taken to minimize the impacts of these challenges, and we believe the analysis provides a fair and reasonable response to the principal questions presented.

Input-output models, as is the case with all economics-based models, are not without their limitations. The static model used in this analysis, IMPLAN, for example, assumes that capital and labor are used in fixed proportions. This means that for every job lost or created, a fixed change in investment, income and employment will result. In reality, developers, operators, consumers and governments deal with a changing economy in very complex

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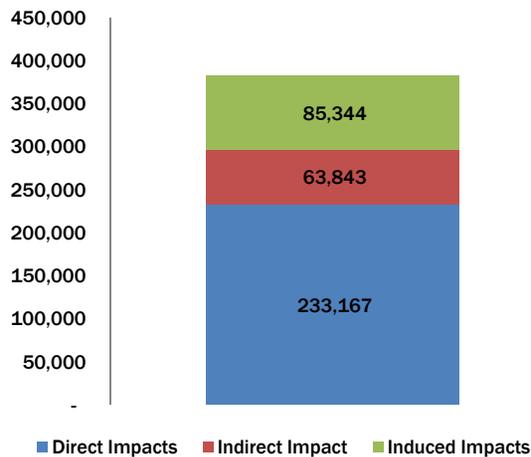
ways, constantly altering their mix of capital, labor and levels on investment. That said, this analysis was asked to specifically consider the current impact of the hospitality industry, making IMPLAN an appropriate tool.

Finally, it is important to note that this is a preliminary undertaking that will be supplemented by on-going and future analyses. This report is not intended to be comprehensive and may not be appropriate for all purposes.

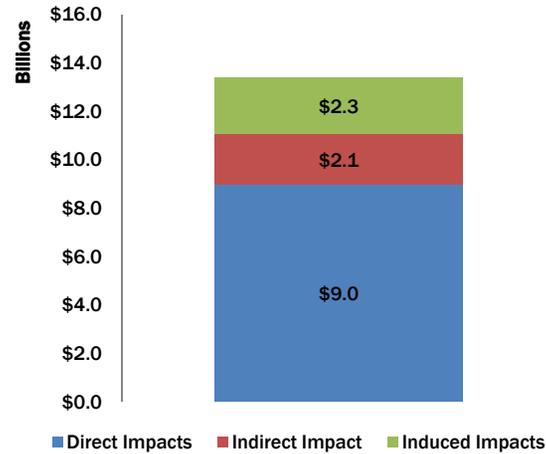
Exhibit I: Economic Impact Summary
Impact of the Southern Nevada Tourism Industry

	<u>Direct Impacts</u>		<u>Indirect Impact</u>		<u>Induced Impacts</u>		<u>Total Impacts</u>	
Total Employees	233,167		63,843		85,344		382,353	
Total Wage & Salary Payments	\$	8,976,905,088	\$	2,089,880,659	\$	2,311,722,109	\$	13,378,507,856
<i>Wages Per Employee</i>	\$	38,500	\$	32,735	\$	27,087	\$	34,990
Total Economic Output	\$	27,963,436,504	\$	6,787,065,518	\$	8,164,546,633	\$	42,915,048,656
<i>Output Per Employee</i>	\$	119,929	\$	106,309	\$	95,667	\$	112,239

Employment Impacts



Wage & Salary Impacts



Economic Output Impact

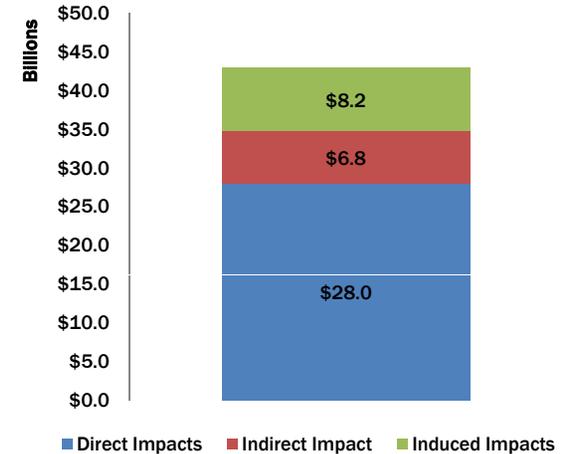
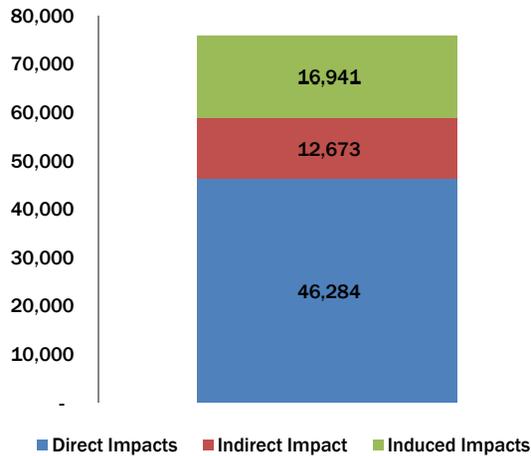


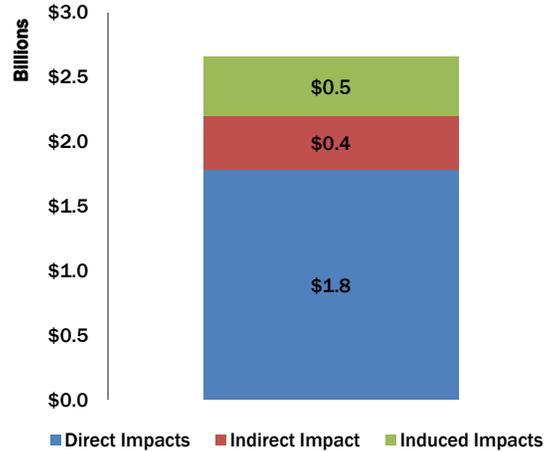
Exhibit II: Economic Impact Summary
Southern Nevada's Convention and Meeting Tourism Segment

	<u>Direct Impacts</u>		<u>Indirect Impact</u>		<u>Induced Impacts</u>		<u>Total Impacts</u>	
Total Employees	46,284		12,673		16,941		75,897	
Total Wage & Salary Payments	\$	1,781,920,282	\$	414,842,387	\$	458,878,029	\$	2,655,640,698
<i>Wages Per Employee</i>	\$	38,500	\$	32,735	\$	27,087	\$	34,990
Total Economic Output	\$	5,550,756,544	\$	1,347,236,000	\$	1,620,666,710	\$	8,518,659,254
<i>Output Per Employee</i>	\$	119,929	\$	106,309	\$	95,667	\$	112,239

Employment Impacts



Wage & Salary Impacts



Economic Output Impact

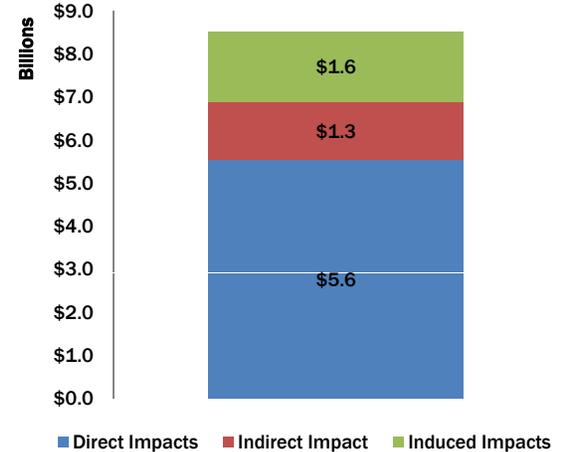
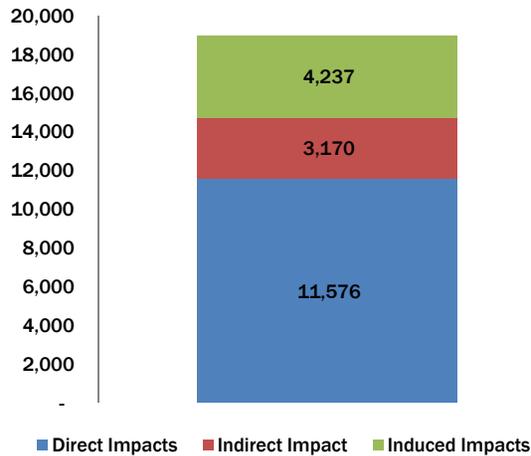


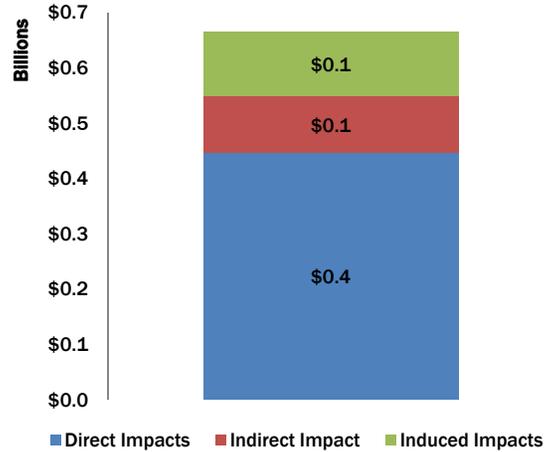
Exhibit III: Economic Impact Summary
Impact of Activities Hosted by the Las Vegas Convention Center

	<u>Direct Impacts</u>		<u>Indirect Impact</u>		<u>Induced Impacts</u>		<u>Total Impacts</u>	
Total Employees	11,576		3,170		4,237		18,983	
Total Wage & Salary Payments	\$	445,686,910	\$	103,758,750	\$	114,772,772	\$	664,218,433
<i>Wages Per Employee</i>	\$	38,500	\$	32,735	\$	27,087	\$	34,990
Total Economic Output	\$	1,388,333,450	\$	336,965,383	\$	405,354,799	\$	2,130,653,632
<i>Output Per Employee</i>	\$	119,929	\$	106,309	\$	95,667	\$	112,239

Employment Impacts



Wage & Salary Impacts



Economic Output Impact

