Economic Impact Studies and Methodological Bias: The Case of the National Arts Festival in South Africa

A thesis submitted in fulfilment of the
requirements for the degree of

MASTER OF ECONOMICS
of
RHODES UNIVERSITY

by

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December 2010

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Abstract

Over the course of the last three decades, it has become popular practice to evaluate tourism events like cultural festivals in financial terms, through the use of economic impact studies. This can be attributed at least in part to the notable growth in the number of festivals being held globally and, as such, a higher level of competition between festivals for the limited funding which is available. Economic impact studies, and the resultant findings, have thus become powerful tools for the lobbying of sponsorship, and it has become increasingly important that the impact calculations be as accurate as possible, so as to effectively allocate both government and private resources to projects which will be of the greatest benefit to the host region.

The allocation of funding is especially vital in an area like the Eastern Cape Province of South Africa, which is faced with many financial difficulties. The allocation of public funds to an event like the National Arts Festival, which is hosted in a relatively wealthy part of the province, might be weighed against initiatives which directly benefit the poorer parts of the region. Although it is acknowledged that the benefits which are felt by the host community of a cultural event go beyond that of the financial, it is often on this basis that festivals are most easily compared.

The primary goal of the thesis was to analyse the various forms of methodological bias which can exist in the economic impact analyses (EIA) associated with cultural events. Theoretical considerations were discussed, specifically regarding economic impact as a method of measuring

value. Various forms of bias (including data collection, the calculation of visitor numbers, multipliers, defining the area of interest, inclusion of visitor spending, and accounting for benefits only, not costs) are put into a real-life context, through the investigation of economic impact studies conducted on three selected South African festivals (the Volksblad, the Klein Karoo Nasionale Kunstfees, and the National Arts Festival), and one international festival (the Edinburgh Festival).

An in-depth comparison of two separate studies conducted at the National Arts Festival (NAF) in 2004 (by Antrobus and Snowball) and 2005 (by Saayman *et al.*) was made, focussing on the manner in which the economic impact was calculated. Having considered the common forms of bias, and assessing several possible reasons for the difference of approximately twenty million Rand in the advertised economic impacts, it was concluded that, most likely, the miscalculation of visitor numbers was the cause. This was confirmed when the Antrobus and Saayman methods were applied to the 2006 NAF data, and noting that the economic impact figures arrived at were strikingly similar. As such, it is advisable that extreme caution be taken when calculating visitor numbers, as they can significantly influence the outcome of an economic impact study. It is recommended that each study should also have transparent checks in place, regarding the key calculation figures, to ensure that less scrupulous researchers are not as easily able to succumb to the pressure event sponsors might impose to produce inflated impact values.

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List of Acronyms

ANC – African National Congress

BASA - Business and Arts South Africa

CE - Choice Experiments

CGE - Computable General Equilibrium

CVM - Contingent Valuation Method

EIA - Economic Impact Analysis

EIM - Economic Impact Method

GDP - Gross Domestic Product

GVA - Gross Value Added

HPM - Hedonic Pricing Method

KKNK - Klein Karoo Nasionale Kunstefees (Klein Karoo National Arts Festival)

NAF - National Arts Festival

SAM - Social Accounting Matrix

TCM - Travel Cost Method

WTA - Willingness To Accept

WTP - Willingness To Pay

Acknowledgments

I would like to thank the following people for their help in completing this work:

Prof. J.D. Snowball, Supervisor (Department of Economics, Rhodes University)
Prof G. Antrobus, Co-supervisor (Department of Economics, Rhodes University)

I acknowledge that all references are accurately recorded and that, unless otherwise stated, all work herein is my own. I certify that this thesis has not been submitted for a degree at any other university. However, the following article, based on this research, has been presented:

Bragge, B. and Snowball, J. (2007). *Why arts proponents love economic impact studies and cultural economists hate them.* Presented at the 9th International Conference on Arts and Cultural Management, Valencia, Spain.

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B. R. Bragge

Chapter 1

Introduction

Since the 1980‟s, the use of economic impact studies as a method of valuing cultural events has grown in scope and acceptance (for example, Davies, 1989; Antrobus *et al.,* 1997a; Wagner, 1997; Heaney and Heaney, 2003; Litvin and Fetter, 2006; Lobo de Carvalho and Lamas, 2008). This can be attributed at least in part to one of the most basic economic concepts - that of scarcity. Whilst scarcity traditionally refers to the limited resources available with which to achieve society‟s collective wants and needs (Lipsey and Harbury, 1992:6), it can relate also to taxes, which when collected from the public, cause great scrutiny as to their allocation. When these tax funds are used to sponsor tourism events, one method of measuring the value generated by these festivals, is to carry out economic impact assessments.

Included in the tourism events which have formed the basis of economic impact studies are arts festivals (for example, Antrobus *et al.,* 1997b; Saayman *et al.,* 2005, Navarro *et al.*, 2010). Using economic impact to value cultural events has caused a great deal of debate in academic circles as to the validity of the method. The main concern is that regarding the ability of the method to measure value accurately, and its suitability to cultural events specifically (Snowball and Antrobus, 2002; Madden, 1998; 2001). One of the reasons that there is doubt surrounding the method is that there are various forms of bias which might affect the outcome, including the way the multiplier size is calculated, unnecessary expansion of the traditional impact area, and the inflation of visitor numbers, amongst others. Crompton *et al.* (2001:80-81) conceded that economic impact analysis is an “inexact” process in which estimates are arrived at regarding the full value that will be returned to the host and organizing community, which serves to emphasize the sometimes perceived unsuitability of the method.

South Africa, following the international trend, has experienced a boom in the number of cultural festivals in recent years, as Hauptfleisch (2007:80) reported that in 2004 there existed more than 140 annual cultural events, and more recently Kruger *et al.* (2010:81) stated that there were more than 300 festivals held every year in South Africa. However, there seemed to have been a general

declining trend in terms of public support for the arts, and this was borne out by the South African government in 2006 being by far "the leading client and investor in the (arts and culture) industry - 16 billion Rand was generated between 2003 and 2004 in this industry, and 65% of this revenue came from Government" (DAC, 2006:2). Hauptfleisch (2007:81) suggested that the instability of the South African cultural festival system stemmed from the collapse of the old state-funded theatre structures, the "disappearance of the „cultural struggle" support for anti-apartheid theatre", and the rise of a mostly freelance theatre industry which necessarily values commercial success over „arts for the sake of arts".

The benefits which accrue to a host region from the staging of a cultural festival are often only thought of as economic, or more specifically, financial. However, McCarthy *et al.* (2004:13) explained that the benefits of the arts can be broken down into at least two categories: instrumental and intrinsic. Economic growth as a result of a festival would fall into the instrumental category, in addition to other measurable benefits like student learning for example, as these are seen to be of value to all citizens, not only those directly involved with, or affected by the arts (McCarthy *et al.*, 2004:11). The intrinsic benefits of the arts are those which specifically enrich the lives of those who come into contact with the arts themselves, and as such are of a more private nature than the instrumental benefits. Getz (2008:419), too, voiced the opinion that the benefits of staging a cultural festival go beyond the economic and emphasised the need to examine the cultural and environmental impacts at both the personal and societal levels. It has been argued that focussing too much attention on the financial impact of these festivals could be the reason for the stunted development of "suitable and convincing measures of economic impact and value" (Getz, 2008:419).

Often, communities will only be willing to collectively invest in the hosting of an event if there is a sound economic and financial reason to do so, and if it is anticipated that there will be a resultant injection of wealth into the region. This is due to people wishing to "see" the positive returns on their tax spending; to attempt to quantify the economic effect of an arts festival on the host community is a far easier task than trying to aggregate the full intrinsic benefit which the same festival has had on each member (McCarthy *et al.*, 2004:13). Thus, the attraction of economic impact studies "rests largely on the fact that they produce a quantifiable monetary

measure of the value of a project as opposed to a less easily valued qualitative study" (Snowball and Antrobus, 2002:1297).

There are several methods which are also sometimes employed in carrying out an economic impact study, as briefly discussed below:

Size analyses consist of quantifying the size a certain sector holds as a percentage of the GDP, and are determined by adding together related income and expenditure created as a result of the event. This facilitates the comparing of different sectors, and the relative impacts on the economy that these sectors create (Myerscough, 1988). Often, this type of analysis is used persuasively to attract government support for arts events, as it can bring attention to the relative size of the sector (Casey *et al.,* 1996).

Flow-on analysis aims to measure the financial effects which are the result of the event or festival; that is, the amount of income which is injected, or wealth created, in the host city. The wealth that is created takes the form of direct expenditure as well as employment creation. Madden (2001:163) summed up these analyses most succinctly: "the objective of a flow-on analysis is to measure spending that would not have occurred in the absence of the festival".

Multipliers are used to estimate the local value added, which in the case of arts festivals represents payment for rent, local services provided, as well as salaries and wages, amongst other factors (Heaney and Heaney, 2003:259). The multiplier effect recognizes that an increase or decrease in the spending in a specific sector will result in an increase or decrease in the level of economic activity in other affected sectors. This could be termed a „ripple effect", which occurs throughout the economy due to a change in a particular sector (or sectors); the Keynesian multiplier was discussed in more detail with regard to its use in economic impact studies by Crompton (1995:18). Snowball and Antrobus (2002:1304) questioned the accuracy of the quantum of such multipliers at times, due in large part to the complexity that the method encompasses, and suggest this as a possible source for bias in an economic impact study. Quite simply, the difficulty associated with calculating the size of a multiplier often results in

researchers choosing to „adopt“ a figure which it is predicted will capture the indirect spending of an event.

Several other models have been developed in order to capture the overall economic effect of an individual investment project on the host community, including Black“s (2004:1069) basic model to calculate the “multiplied increase in the gross domestic product of the region” in which a new capital investment has occurred. Getz (2008:420) points out that studies utilizing income and value-added multipliers have recently been joined in the field by those researchers opting to use econometric modeling, and even General Equilibrium Models (like that used by Dwyer, Forsyth, and Spurr, 2006).

In terms of the basic model outlined by Black (2004:1069), two factors need be considered in calculating a multiplier for a specific event: leakages from the system, and the size of the impact area in which the festival is held (Snowball and Antrobus, 2002:1304). A leakage can be defined as the money which is spent in the impact area due to the staging of an event or festival, but which is not retained in that region. As such, the host region“s economy (and, more importantly, the community) does not feel the benefit of this particular portion of the expenditure, as expanded on by Towse (2010:531). Generally speaking, the greater the size of the impact area, the fewer leakages should occur, and as such, there will be seen to be a larger multiplier effect, as is noted by Baaijens and Nijkamp (2000:844).

For the purposes of this study, the indirect spending associated with the National Arts Festival (NAF) is accounted for using the multiplier method. Despite this method“s stated short-comings with regard to the difficulties of determining the correct size of the multiplier, it has been chosen mainly due to wide usage in the field, as well as its incorporation into several of the previous studies which have been conducted on the NAF. Assessment of previous studies has not only given a rough indication of what size the multiplier should be (assuming the previous studies estimated the multiplier relatively accurately), but has also allowed for a comparison of this study“s results with those conducted in the past.

1.1 The National Arts Festival

One of the oldest and most widely known festivals in South Africa is undoubtedly the National Arts Festival (NAF) held annually in Grahamstown. The inaugural NAF was held in 1974 when the 1820 Settlers National Monument was officially opened, and was designed to conserve the English heritage of the settlers, against the backdrop of the increasingly Afrikaans culture prevalent at the time (Snowball and Webb, 2008:154).

The NAF was from its inception a project of the Grahamstown Foundation, a non-profit-making body that was established "to enrich the cultural and educational life of South Africans", but in 2002 it became a Section 21 company in its own right (NAFEST, 2006:2). In addition to income accrued, substantial sponsorship is required to mount this large event. In 2009, the total sponsorship figure came to over R14.5m, and the 2010 sponsorship budget totalled almost R25m (NAF Statistics, 2010:1). In recent times, presumably with the festival organisers under increased financial pressure, open advertisement of the exact sponsorship figures in the media has become less commonplace than in the past, when these figures could even be accessed on the festival webpage. However, it was reported in 2009 that Business and Arts South Africa (BASA) contributed R200 000 to two of the NAF"s projects which mainly benefited the Fringe artists – the CUE Fringe supplement, and the Hands on! Masks off! programme (NAFEST, 2010:1). BASA is a joint initiative of the government and the business sector which has as its main aim to promote and sustain business-arts projects ultimately to benefit the community at large.

Grahamstown itself is a small town situated approximately an hour and a half by road from Port Elizabeth (the closest large metropolitan city), in the Eastern Cape Province of South Africa. Historically the region has seen much of the racial conflict which South Africa has had to endure, but this has resulted in those cultures which crossed paths here – the Khoi, Xhosa, British, and the Boers – leaving their mark, thus creating a unique environment. This is purposely brought to the fore at festival-time when these cultures are allowed to be contrasted against the international acts present. According to Reynolds (2009:39), the adult population of Grahamstown was been estimated at just under 62 000 in 2001, and the Coega Development Corporation (ca2007) estimated that approximately only 10% of the Grahamstown residents

were white[1]. However, the small percentage of the local white residents is disproportionate to their relative financial wealth holdings, which is illustrated by the majority of the black residents still residing in the poorer Grahamstown East area.

Snowball and Webb (2008:159) reported that slow but notable progress had been made in terms of diversifying the NAF audience, borne out by the proportion of English first-language visitors falling from 85% to 54% between 1987 and 2004. Efforts to diversify have not been limited to the audience however, as the Festival Committee included non-European-origin members for the first time in 1991, and the Festival Program has also reflected the inclusion of many more African-origin artists and acts in recent years.

Taking into account the various economic impact studies which have been conducted on the NAF (Davies, 1989; Antrobus *et al.,* 1997a; Snowball and Antrobus, 2001; 2003; 2004; Saayman *et al.* 2005) it is clear that the festival has become a vital part of Grahamstown‟s economy. With the extraordinary poverty found in the Eastern Cape - high unemployment rates contribute towards its status as the second poorest region in South Africa - although skewed slightly due to the inclusion of the poverty-stricken former Ciskei and Transkei regions - the influx of visitors gives local businesses a much-needed annual boost and creates employment. Some of these jobs run for the duration of the NAF, while others start months in advance of it.

As economic impact studies have become an increasingly useful tool for the lobbying of public and private funds, it is obvious that the findings need be as reliable as possible, so as to effectively allocate government resources, and attract private sponsors, to the projects which will give the most benefit to the host region. This is especially true in a province like the Eastern Cape, and the allocation of public funds to an event like the NAF (which is hosted in a relatively wealthy part of the province) should be weighed against projects which might directly assist the less affluent parts of the region.

[1] It should be noted, though, that the total population estimates for Grahamstown by Reynolds (2009) and Coega (ca2007) are significantly different. What remains relevant, however, is the proportion of white residents in the community.

1.2 Research Question and Goals

The primary goal of this thesis is to analyse the various forms of methodological bias which exist in the economic impact analyses associated with cultural events. Chapter 2 is a review of the existing literature and will discuss the arguments for and against the use of economic impact analyses on conceptual grounds. This section also highlights and elaborates on some of the most common methods used, and investigates the main criticisms of these methods.

Previous case studies of three South African festivals (namely the NAF, Klein Karoo Nasionale Kunstefees[2], and Volksblad), and one international festival (Edinburgh) will be analysed and compared in Chapter 3 in terms of the extent to which impact studies conducted on them have been subject to methodological bias. This allows theoretical concepts to be viewed in light of existing festivals, and explores to what extent these types of bias are likely to affect the estimated value - as well as being able to highlight some of the methods which researchers have used in order to try prevent certain forms of bias.

In order to establish the economic impact of the NAF, data collected for a consumer survey which was conducted during July 2006 using face-to-face interviews and self-completion questionnaires of over 650 people, will be used in Chapter 4. A comparison of two studies conducted on the NAF which were carried out only one year apart by different researchers (Saayman *et al.,* 2005; Snowball and Antrobus, 2004) is made in order to illustrate the alternate outcomes which may be arrived at due to methodological differences in calculating impact. The researchers estimated the economic impact with a discrepancy of approximately R20m between the 2004 and 2005 festivals, and various factors are assessed to determine the cause for the significant difference. Finally, the methods used in 2004 and 2005 NAF studies are applied separately to the 2006 NAF data in order to illustrate the relative effect that each of these methods would have had on the estimated economic impact.

[2] Directly translated, this means Little Karoo National Arts Festival.

Lastly, Chapter 5 concludes by providing a brief summation of the main issues discussed and outcomes achieved, and provides suggestions regarding economic impact policy within the context of the field at large.

Chapter 2

Theoretical Review: Economic Impact Analysis

While it is true that economic impact analysis as a method to attach value to cultural events has grown in use since the 1980s (Davies, 1989; Wagner, 1997; Heaney and Heaney, 2003; Litvin and Fetter, 2006; Lobo de Carvalho and Lamas, 2008; Martin *et al*., 2010), this has not been an entirely smooth progression. There have been several criticisms of the method on both a conceptual and a more mechanical level, and Bowitz and Ibenholt (2009:5) have proposed that the popularity of the method is, as a result, now beginning to wane. Essentially, there are those who hold that this method is not theoretically sound enough to provide a reliable valuation of cultural festivals specifically and those who argue that while economic impact analysis is conceptually trustworthy, it falls short in reality, as it is unable to capture the true economic value of a cultural event. Each of these criticisms will be discussed in turn.

2.1 Value and Valuation Methods

> "The formal precision of modern economics, with its theoretical abstractions, its mathematical analytics and its reliance on disinterested scientific method in testing hypotheses about how economic systems behave, might suggest that economics as a discipline does not have a cultural context, that it operates within a world that is not conditioned by, nor conditional upon, any cultural phenomena" (Throsby 2001:7).

It is argued that the suggestion that modern economics exists separate to culture does not stand up to scrutiny. Firstly, the various schools of thought which comprise the full complement of economic science, as it has evolved over time, are themselves made up of individual sets of cultures or sub-cultures, with each being defined as a set of beliefs and practices which are able to bind the school together (Throsby, 2001:8). As such, the very existence of these schools as discernable entities serves to prove that indeed culture and economics are concepts that cannot, and do not, exist separately.

Secondly, it is suggested that the impact of culture on the thinking of economists is profound, due to the cultural values they inherit or learn as human beings, and often confers an unacknowledged influence on their perceptions and attitudes (Throsby, 2001:8). This is simply an extension of the notion that the ideological standpoint of the observer influences the way that he or she sees the world, a concept which is not dissimilar to the idea that an individual's religious and moral beliefs are reflected in almost every facet of their lives, consciously or otherwise. Also, due to the cultural context in which economics as a discipline exists, it relates "not only to the conditioning of its practitioners, but also to the methodology of its discourse" (Throsby 2001:8). The processes by which economic ideas are developed, discussed, assessed, and transferred, have clear cultural ties, due in the simplest terms to the idea that economic agents live within a cultural environment.

It is clear then that "culture" and "economics" are concepts which are not to be considered independently. Indeed, Getz (2008:412) points out that cultural celebrations, like festivals, are often subsumed in the sub-field of economic literature called cultural tourism. The economic valuation of cultural goods and services has become more and more necessary in the context of the recent global economic downturn as attempts are made to give all goods and services, regardless of whether they have their own market or not, some comparative worth. However, attaching value to a cultural good is no simple task. As Klamer (in Towse 2003:465) suggests, this stems from both „value" and „culture" having various meanings, and thus the concept of the „value of culture" potentially having a variety of interpretations.

Value can refer to economic value, and in this instance it could be the return on investment in cultural goods, or the economic impact of government subsidies for the arts that would need to be taken into account. It may also, however, refer to worth in a social and cultural sense, which serves to extend the definition of the value of the arts beyond merely the economic, and may refer more specifically to the improvement of the integration of minorities, educational benefits, the fostering of further personal development, and so on. Throsby (2001:29) explains how such social values could include the aesthetic, sacred, and even the spiritual.

The most generous interpretations of „value" and „culture" suggest that culture may stand for both the arts and culture in an anthropological sense, and „value" for economic value, as well as social and cultural values (Klamer, in Towse, 2003:466). This means that if a cultural good were to be valued only in terms of its economic worth, it may be an underestimate (if it holds more intrinsic worth to certain individuals). However, market valuations may still be important if used as indicators of cultural value even if the economic value attributed to any specific asset has to be adjusted to account for the social and cultural value it possesses.

Bowitz and Ibenholt (2009:1) state that economists attempt to approach the value of culture from at least two viewpoints. First, it is said that economists try to determine the value of various aspects of culture – these aspects often do not have a market value, or if they do, the market price would likely not capture the true value of the good to society, due to the complex nature of the good. Secondly, economists may attempt to determine the positive effects on the economy of investing in cultural goods, like festivals. The difficulty with this approach is accounting for the external effects on the local economy. Throsby (2010:108) outlines a more detailed approach to the economic value of cultural goods, and breaks it into three categories – use values, non-use values, and externalities.

Thus, it is clear that the worth of a particular cultural asset might not be immediately obvious and equal to everyone. For example, if it were financially profitable to demolish a building of cultural heritage in favour of the erection of some new structure, those who consider value only in the monetary sense would support such a project. However, someone who favours the social or cultural benefits over the economic might not support the demolition, but prefer the site to be restored. In this way, support of social values means that non-market values (as well as externalities) are able to be taken into account, which might have been overlooked if an event was assessed solely from a financial viewpoint. This is what was meant by Andersson and Getz (2009:849) as they asserted that to view the arts and culture as purely a "product for sale" results in a good with inherent social and cultural value becoming "commodified".

2.1.1 The Arts and Culture

Klamer (in Towse 2003:466) raises the question of how the arts affect culture, and what exactly the relationship between the two is. It is suggested that governmental support of the arts (or the creative industries), through its chosen cultural policy, is needed to enhance the culture of a particular country. Mermiri (2010:3) purports that healthy levels of government spending stimulates the arts industry to produce interesting and attractive content, which in turn would generate increased earned income. The higher levels of revenue would serve to attract more private investment, and creative innovation would be accelerated further.

If Florida‟s (2005:3) notion that fostering cultural education has direct productivity benefits for the economy as a whole is accepted, then if the culture within a certain country is allowed to flourish by way of arts-specific government policies and funding, it is assumed that the country as a whole will benefit as a result. The practical implications, however, are fairly involved as Ray *et al.* (2006:439) have pointed out that the existing definitions and descriptions of what constitutes cultural tourism are far from consistent – so if policy dictates that cultural industries be given extra support, the question that is raised is who should receive, and who should not?

2.1.2 Economic Impact and Cultural Value – An Introduction

When attaching an economic impact figure to a cultural asset/good (like a festival for example), Seaman (in Towse, 2003:224) states that there are several broad categories under which the economic impact might fall. Firstly, there is the consumption value of the asset, which includes the value received by both visitors, and those who do not directly visit the event itself; clear links can be drawn to Throsby‟s (2010:108) use and non-use values. An easily observable example for users would be the total ticket sales by the visitors to an event, but some consumption values are not as easily captured. For example, consumer surplus and the amount of travel and related expenditure which is directly linked to the consumption of the cultural good, like a festival. Consumer surplus in this case refers to the difference between the maximum that someone would be willing to pay for a certain amount of a good - say three performances at a festival, say - and

the actual amount paid to the suppliers of a good. Consumer surpluses can be estimated (with sufficient appropriate data) by methods such as Willingness to Pay methods (Throsby, 2010:109).

Non-users, or those who do not actually visit the event itself, can still derive non-use consumption value, which is reflected by their potential willingness-to-pay for the option of directly consuming the cultural good (visiting the festival directly) in future (Seaman, in Towse 2003:225). This non-use value can either be derived from the indirect quality-of-life benefits which they receive simply through the existence of cultural assets in their community (existence value), from individuals wishing to preserve a cultural good so that they might directly consume it in future (option value), or through their interest in the preservation of the quality of culture for their offspring (bequest value) (Throsby, 2010:110).

Another method, in which a cultural asset might be valued, is that of hedonic pricing. These benefits arise primarily through the long-run increases in productivity and economic development which are linked to the cultural asset. In a community with desirable cultural features, hedonic values are reflected by increases in property values and rents, or lower business labour expenses (as a result of workers being willing to accept lower wages in exchange for being able to reside in locations having sought-after cultural features) (Humavindu and Stage, 2003:392). Florida (2005:3) built on this idea in acknowledging that individuals linked to the creative industries might be willing to relocate to smaller, more remote cities, or work for less well known companies if the community in which they are based has cultural features which that particular individual finds attractive. Direct productivity benefits which result from the educational value of cultural goods in a certain area are more difficult to take into account, but must also be considered.

Both the consumption value and hedonic pricing methods take into account the long-run effects which are linked to the consumption value of cultural assets, and can generate potentially measurable economic impacts on the „real" economy, in the form of expanded population and economic growth. However, there are also short-run net increases in economic activity related to the net injections of new spending into the region as a direct consequence of a cultural asset.

These are normally measured in output, income and job creation. Seaman (in Towse, 2003:225) states that the total impact of a cultural asset includes the intermediate-run indirect multiplier effects of the new spending in the region, which in turn is the direct result of the cultural asset:

Total Impact (TI) = Non-market Consumption Impact (NCI) + Short-run Spending Impact (SRS) + Long-run Growth Impact (LRG) (1)

Frey (1997) and Seaman (2003:224) argue that there are three primary ways in which to measure the value of the arts. Each of the approaches focuses on a separate component of the total impact equation has its own set of strengths and weaknesses, and each has been controversial. Firstly, the contingent valuation survey method (CVM) is used in an attempt to capture the non-market consumption benefits linked to use value (for example, consumer surplus), and non-use value (like those of option and existence values) (Hanemann, 1994:20). According to Cuccia (in Towse 2003:119), CVM basically consists of asking directly selected samples of the population, in survey or experimental settings, what their willingness-to-pay (WTP) for qualitative and quantitative increments in non-market goods is, or what their willingness-to-accept (WTA) qualitative and quantitative decreases in non-market goods is. Herrero, Sanz, and Devesa (2010:5) succinctly sum-up CVM as a method used to "directly estimate declared preferences for a good which is not traded on the market". Either WTP or WTA can be used to measure the individual demand for the non-market good. Once the demand curve has been estimated through the CVM, the area under the demand curve can be identified as the consumers" surplus.

The second non-survey indirect willingness-to-pay methods mentioned by Frey (1997) and Seaman (in Towse, 2003:224) include the hedonic pricing method (HPM) discussed above, and the travel cost method (TCM). According to Alpizar and Caelsson (2003:607), the TCM allows for the estimation of potentially observable travel expenses, which can serve as proxies for the value of the cultural asset in question. The HPM approach is clearly a long-run method, as there is need for data on indicators like housing prices to adjust over time to changes caused by the existence of the cultural asset. When this time has elapsed, however, the non-market cultural good can be given a related market value through the adjusted values of the surrounding marketed goods.

The term „economic impact study" is most commonly used to describe the conventional approach which is focussed on the third type of impact, namely the short-run effects of the additional economic activity generated by holding an event in the area of impact (Navarro *et al*., 2010:9). Tyrell and Johnson (2006:3) state that economic impact analysis is a "broad category of analytic methods including some of the most common tools for travel and tourism planning". Seaman (in Towse, 2003:225) traces the foundation for economic impact models (EIM) back to John Maynard Keynes" work in the 1930's, when emphasis was placed on income and expenditure flows as the key determinants of at least short-run real output variations, which in turn also popularised the concept of multiplier analysis and the search for demand-based sources of economic vitality. In the case of a special event, like that of a cultural festival which is held for only a certain period of time in any given year, these short-run effects will be the only component taken into account when calculating the economic impact unless there are more permanent effects felt by the local community as a result thereof. However, in the case of a cultural asset which is present and accessible year-round, it must be kept in mind that the short-run spending impact component of equation (1) is only one of the three components of total impact.

2.2 The Disadvantages of Economic Impact Analysis

Before progressing any further, the question of whether or not economic impact studies are a useful way of valuing cultural events specifically is to be addressed. Each and every method which is used to attach value to a cultural good has its methodological flaws, but the costs and benefits of an economic impact analysis of a cultural event should be assessed on separate grounds. Madden (1998, 2001) specifically draws attention to this issue and states that, generally speaking, "economic analyses are habitually, consciously flawed" (Madden, 1998:4). Lind and Gronstad (2010:1) contend that economists now tend to agree that not only is proving the economic impact of culture complicated, but it is almost impossible to calculate accurately and therefore, not particularly useful as far as policy-making is concerned (interestingly, almost a decade after Madden voiced these concerns).

Clearly, these are attacks on the conceptual validity of economic impact studies as a measure of culture, and should be viewed in light of the sentiments of Throsby (2001) in section 2.1. Whilst Throsby"s (2001:8) argument is that economics and culture should not be seen as mutually exclusive concepts, Madden (1998:4) takes the stance that, whilst this may be true, the question of whether an analysis of a cultural event conducted within an economic framework is able to be reasonably accurate and a useful indicator of value, should not be overlooked.

Madden (1998:10) sees fault with economic impact analyses from the point of view that economics as a discipline is concerned with more than merely the transfer of funds, and is rather a system in which economic benefit is exchanged. If indeed "money exists for art, and art does not exist for money" (Madden, 1998:10) then the rationale behind any economic impact analysis is skewed, because many of the true benefits of the arts, like "expanded capacity for empathy", "cognitive growth", "creation of social bonds", and "the expression of communal meanings", for example (McCarthy *et al*, 2004:16), will not be accounted for under normal circumstances. Navarro *et al.* (2010:10) describe the dilemma of evaluating cultural and artistic activities by way of an economic analysis as a moral one, and draw attention to the fact that whilst the method is usually applied to "mundane productive activities", it seems inappropriate to use it in the cultural sphere.

Madden (1998:14) suggests that while those with the power to distribute public funds might be swayed by arguments which display the level of financial flows which are associated with artistic activities, the results of such practices have at times been to the detriment of the arts, not the benefit. In a later paper, Madden (2001:164) expanded on the issue of political interference with the arts by noting that most economic impact studies of cultural events are funded by those organisations which have a special interest in the promotion of the arts. It is suggested that this refers to organizations which stand to gain financially from the promotion of the arts, or of an arts festival specifically.

Crompton (2006:69) expressed a similar concern regarding the weaknesses of economic assessment method, specifically to do with economic impact figures which are upwardly biased in order that the sponsors of the study are satisfied with the outcome. In the case of the festival

organizers being the sponsors of the study, normally a large final impact figure would be favourable in order that the event is given a higher status in the industry, and to make a strong case for public and private sponsorship. Bowitz and Ibenholt (2009:5) refer to the inclination for some studies to produce inflated impact amounts, and believe that the low quality of these studies have threatened the meaningful discussion around the economic effects of cultural events, mentioning that some academics have become so disillusioned with the method as to recommend their discontinuation.

Madden (2001:174) has labeled economic impact analysis somewhat "self-defeating" when it comes to arts festivals, and suggested that these reports cause poor policy responses from decision-makers, as they are tempted to view cultural policy as a tool of economic policy. This means that while the arts are indeed central to development, the true benefits to be reaped from the arts do not necessarily fall under an economic, or perhaps more correctly financial, banner. This can be termed as something of a systemic shortfall of the theory behind economic impact analysis, at least when applied to a cultural event: by their very nature the tools used with the primary objective of measuring the value of a festival are unable to do so, because of their focus on the financial effects, and neglect for the "arts for the sake of arts" point of view.

The argument of Goldman *et al.* (1997:48) set the trend for the views of Madden (1998, 2001). A major flaw in the bulk of economic impact studies was that they were primarily concerned with "fiscal analysis of local government costs and revenues", and that they largely neglected a more holistic valuation (Goldman *et al.*, 1997:48). What this suggested was that the overall effect on the host community"s environment should be considered, and when an economic impact study is carried out, impacts on "social, biological, and business" factors, not to mention "jobs, income and housing" should be taken into account (Goldman *et al.*, 1997:48).

Hojman and Hiscock (2009:2) introduce the idea of the corollary to the Coase Theorem – that resource allocation is affected by transaction costs and uncertain property rights. The relevance of this concept within the context of economic impact analysis stems from the negative externalities of an event, which are often neglected in favour of the benefits, and suggests that bargaining between the aggrieved and the event organizers should take place to reach

equilibrium. If only the benefits have been quantified and there is too little information regarding the negative impacts, then the event will take place regardless of the suffering of the victims of the externalities, and these individuals will not be able to be compensated sufficiently by the event organizers. In this way, due in part to the shortcomings of the economic impact assessment, the social optimum – the point at which "the decreasing marginal benefit of more festival, and the rising marginal cost from additional amounts of the externality are equal" – will never be reached (Hojman and Hiscock, 2009:3).

Dwyer *et al.* (2005:351) previously voiced a similar opinion that input-output analyses like economic impact assessments contained an inherent bias which overestimated the effect of the positives like output and jobs, and provided insufficient information on the adverse effects associated with an event. Crompton (2006:67) argued that what is important is to measure those benefits which accrue to the community which hosts a cultural festival, as opposed to those benefits which are enjoyed only by the local city council, or even the sponsors of the festival themselves. Cohen *et al.* (2003:17) took this point further still, and argued that arts festivals should be supported because of the intrinsic value they hold for society, not purely for the tangible benefits which sponsors receive as a result of their existence.

Madden"s (2001:165) opinion regarding the valuation of cultural festivals by way of conducting an economic impact study was that it was "clearly a misuse, a misinterpreted authority", and should thus have been discontinued. This can be attributed at least partly to the idea that the generic treatment of economic impact studies allows the uniqueness of each individual study (and indeed event) to be obscured. Because economic impact studies allow comparisons to be made between, for instance, a cultural festival and a casino, the "intrinsic, functional aspects of such diverse options" becomes misplaced (Madden, 2001:171). This is so, because when only the net financial effect of the two projects is taken into account, the arts festival loses its initial goal; the true (culturally-based) reasoning behind such an event beyond that of the financial is lost. One of the major shortcomings, therefore, to do with economic impact studies as a measure of the value of culture, lies in the idea that this form of analysis is unable to account for the promotion of culture which is so central to the logic behind the staging such festivals; thus it can at best be described as a partial analysis of the value of cultural events.

As briefly alluded to in Chapter 1, McCarthy *et al.* (2004:13) elaborated on the different benefits of the arts that can be broken down into at least two separate categories: instrumental, and intrinsic. Instrumental benefits of the arts are said to be measurable benefits like economic growth, and student learning, and are seen to be of value to all citizens, not only those who are directly involved or affected by the arts (McCarthy *et al.*, 2004:11). Such benefits are "instrumental" in the sense that "the arts are viewed as a means of achieving broad social and economic goals that have nothing to do with art *per se*" (McCarthy *et al.*, 2004:11). However, policy advocates admit that these are not the only benefits to be realised from the arts, and that an important component to consider is that the arts are able to enrich the lives of those who come into contact with them. These "intrinsic" benefits are of a more private nature than those of the instrumental, and tend to affect individuals more personally, rather than society and the economy in a broader sense. These concepts are illustrated graphically with the use of examples in Figure 2.1 below:

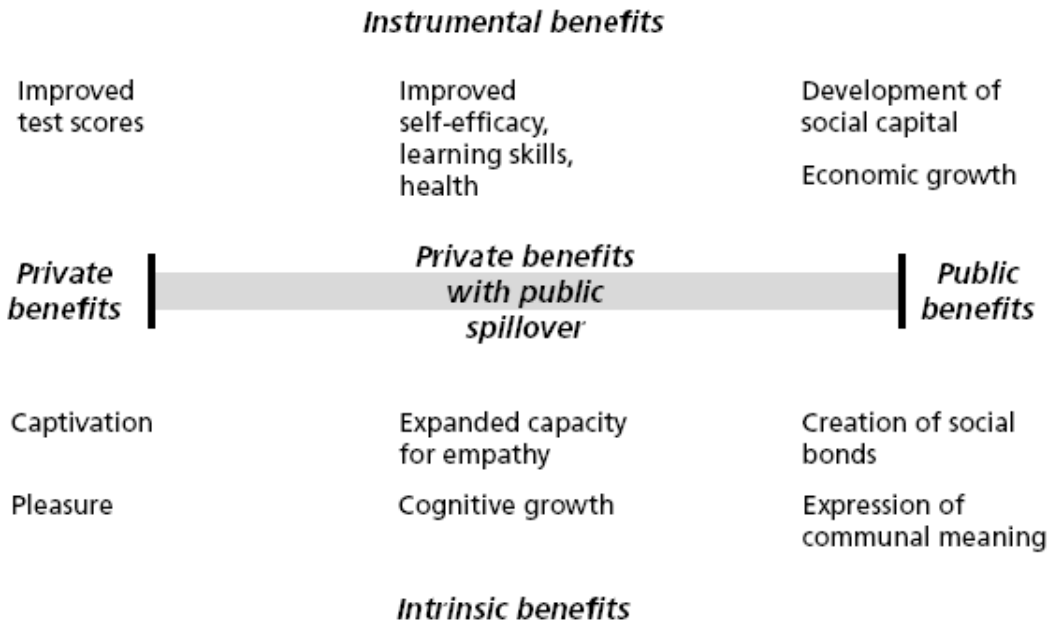

Figure 2.1: Framework for Understanding the Benefits of the Arts

Source: McCarthy *et al.* (2004:13)

McCarthy *et al.* (2004:13) explained that the instrumental benefits of the arts include the „cognitive", „attitudinal and behavioural", „health", „social", and „economic" Thus, in this

framework, it becomes clear that to focus merely on the economic benefits afforded by the arts is largely to ignore the bigger picture. Thus, before carrying out an economic impact study, which it will later be argued is still an important method of valuing a cultural event, it should be acknowledged that there are further benefits of the arts for which the method is unable to account.

In addition to the possible demand side errors, supply side constraints also exist which Seaman (2004) notes are regularly omitted from economic impact studies. One example of this type of error is when the study does not take into account the „crowding out" of individuals who would otherwise have visited the impact area, as alluded to be Navarro, Sanchez, and Martos (2010:11) in their study on the Spring Feast in Seville. As pointed out by Snowball (2008:63), not all of the visitor spending can be counted as a benefit of the festival, as some of the visitors would have spent money in the impact area if the festival had not taken place. In fact, if potential visitors to a specific area were put off by the expected congestion associated with a festival, then the festival could actually have a negative overall effect on the tourism in the region (Bowitz and Ibenholt, 2009:3). For example, if the number of festival visitors was lower than the number which would otherwise have visited the area had the festival not taken place, then there could potentially be a lower direct visitor expenditure.

Snowball and Antrobus (2002:1307) compiled a list of selected outcomes of the economic impact studies conducted on four arts festivals held across the globe. Within these studies, an issue which became apparent is that economic impact analyses do not take into account the opportunity costs of both public and private spending on the festival. Also, the negative aspects of the festival are often not included - studies are concerned primarily with measuring the market benefits which arise from the staging of an event and frequently fail to weigh these against the costs. Neglecting such negative effects when conducting a study will undoubtedly lead to an inflated impact figure being shown, a pitfall made specific mention of by Lind and Gronstad (2010:8).

Further still, it was determined that even some of the positive externalities which arise in the host community from the staging of an event or festival are also often excluded. This idea was

developed by Reeves (2002:29), who emphasized the social impact of festivals, referring to those effects beyond the economic, financial, and environmental.

Snowball and Antrobus (2002:1309) made mention of the Grahamstown (1997) case study regarding the issue of capturing opportunity costs and the negative effects of the festival, and found that these aspects were not considered in the economic impact analysis. It was argued that because the Grahamstown region is so impoverished, the opportunity cost of local spending (by both private sponsors, and local government) should have been taken into account. This is because, theoretically, the potential positive effects to be felt from alternate projects aimed specifically at financial upliftment (as opposed to the promotion of culture, through a festival) would have been strongly felt in such a economically poor host community. However, at the time the NAF was sponsored mainly by a large private bank, and since there was very little local sponsorship which was put toward hosting the event, it could be argued that the benefits which accrued to the community outweighed the opportunity costs in this instance.

The Melbourne Festival (1996) study also failed to take into consideration opportunity costs, even though the festival received a large cash injection from the local government, in order to be locally staged. Both the Edinburgh (1996) and Adelaide (1990) Festival studies excluded funding which was received from inside the defined region, and in that way took the opportunity costs involved into consideration.

The Grahamstown (1997) study was the only one of the four mentioned by Snowball and Antrobus (2002:1311) which attempted to account for possible negative effects the festival might have had on the host community, including “pressure on infrastructure, traffic flow problems, overcrowding, increased crime, noise and litter”. These aspects are undoubtedly difficult to attach a monetary value to, and even in the Grahamstown (1997) case study, were not subtracted from the overall economic impact due to this problem.

All the case studies mentioned by Snowball and Antrobus (2002:1312), except for the Edinburgh Festival (1996) study, at least take into account in some way, the “non-market or intangible benefits provided by the festival”.

2.3 The Advantages of Economic Impact Analysis

Whilst there are many concerns regarding the validity of economic impact analysis as a means of valuing cultural festivals, there have also been some notable benefits highlighted in the literature (for example, Lind and Gronstad, 2010, and Bowitz and Ibenholt, 2009). Seaman (2003:8) pointed out six commonly made errors in economic impact studies, but then immediately highlighted important examples of studies which he felt successfully avoided each of these problems to still produce valid and reliable outcomes. This seems to call for researchers conducting a study to be aware of, and cautious not to commit these common errors, rather than for the method itself to be done away with as a way of valuing cultural events. Bowitz and Ibenholt (2009:7) expanded further by stating that political decision-makers and private firms still require the use of economic impact studies of cultural projects, and highlighted the importance of:

"a) accounting for all effects, both positive and negative;
b) comparing the effects of alternative government projects; and
c) specifying explicitly how the public expenditures on the cultural project under consideration, are financed."

Although it could be argued that evaluating the arts industry according to its financial contribution to society would damage the "artistic impulse" itself, Cohen and Pate (2000:105) maintained that an approach to the arts which found outside valuation to be inappropriate did not recognise that many artists benefit both culturally and financially from outside support (like that from the government or from private sponsors). Pick"s (1987:67, in Cohen and Pate, 2000:106) notion that the arts and culture (and indeed how the arts are to be treated and what resources should be allocated to it) have become so intertwined with politics, means that economic impact analyses are vital to the very survival of cultural festivals. Without a method which is able to attach value in the way that economic impact studies are, the artists" best interests would not be served, as the arts industry could well become less favoured than a more easily „measurable" one. This notion also applies to the interests of those promoting conservation; with increased ability to measure benefits, generally there is a greater understanding amongst decision-makers of the benefits themselves, resulting in a decreased likelihood of unmeasured benefits being ignored.

Further to this point, more recently it has been put forward that in fact the artists involved in festivals have the most to gain from economic impact studies conducted on them – and this goes beyond giving a festival a greater „relative importance" than an alternative event. As outlined by Lind and Gronstad (2010:8), research has shown that whilst festival organisers acknowledged a need to know their economic impact, there was an equal need to evaluate "their own event in terms of management and quality and audience satisfaction", and that organisers required analysis on "the wider impact of the festivals in their local community". Thus, there seems to be an „internal", as well as an „external" need for economic impact studies – with the internal allowing, arguably, even greater direct benefit to the arts, as festivals are provided with tools adapt to the wants of society, and thereby to sustain their existence altogether.

Similarly, Heaney and Heaney (2003:263), in completing an economic impact study based on a US music institute, arrived at the conclusion that the method can be used "strategically by arts management to provide information pertaining to the making and justifying of effective managerial and marketing decisions". Quite simply, this indicates that in spite of the criticisms aimed at economic impact studies in terms of occasionally being unable to fully account for the value of a cultural event, they still contribute to the status and reputation of the event, which can be useful in the lobbying for government and even private funding (Snowball, 2008:36). This point falls in line with the view of Goldman *et al.* (1997:48), who acknowledge the criticism that economic impact studies are susceptible to political manipulation, but suggest that studies of this nature can also be used after-the-fact as a tool to better understand the implications of political decisions and in order to improve the efficiency of future decisions.

Heaney and Heaney (2003:263) explain that the method is able, amongst other things, to identify the most essential variables which relate to customer decision-making and satisfaction, to find out what other activities are supported by festival participants, and to increase the stature of an arts event within a community. Economic impact studies are also able to specifically identify ways in which funding should be spent to improve an event, by possibly upgrading those activities on which the visitors are shown to spend the most (Snowball, 2008:36), or even including activities which are absent altogether. It can thus be said that, if it is accepted that economic impact analysis is only a partial measure of the full worth of a cultural event (with

certain intrinsic benefits undoubtedly being overlooked on occasion), there is still benefit to be drawn from the method and the resulting comparisons which can be made between festivals of a similar nature.

Getz (2008:403) notes that it was only a few decades ago that event tourism became established in the research community, and goes on to describe the growth in the sector over this period as „spectacular" – a claim supported by Navarro *et al.* (2010:1) and Bardsen (2010:4). Mermiri (2010:3) has noted that even in the current economic downturn, recent analysis has revealed that in the UK cultural sector, attendances have increased by 12%. Dwyer *et al.* (2005:351) also made reference to the growth in the number of events in recent times, and suggested that in fact governments and municipalities now seek to attract them as they are perceived as leading to „increased economic activity", „creating new jobs", and „facilitating business networking". Within the arts sector itself, this demand for festivals, and resultant heightened level of competition which has occurred over time, has meant that each festival is left to fight for its right to take place and to attract the amount of funding necessary for its continued existence. Importantly, Dwyer *et al.* (2005:351) saw much of the public justification for the funding of such events as revolving around the expected economic benefits. Without a tool capable of determining positive economic impacts on a host community, events such as cultural festivals would face a significantly more difficult task in merely surviving from one year to the next.

Crompton (2006:67), in pointing out the „mischievous" procedures which are sometimes used in economic impact studies to inflate figures for the benefit of the sponsors, makes specific mention that the method should not be disregarded conceptually as a result of this occasional misuse. Economic impact studies are said to be theoretically sound and have a legitimate political role - to inform local authorities and taxpaying members of the public how much a certain event has contributed to the prosperity of local residents - but the legitimacy is based upon the studies being conducted in an honest manner. Bowitz and Ibenholt (2009:5) acknowledge that whilst some studies have produced large impacts and thus attracted a fair amount of strong criticism on methodological grounds, "badly performed and presented studies of economic impacts of art and cultural heritage should not be used as arguments against well performed ones".

In the opinion of Seaman (2003:10):

> "The policy interpretation error is primarily committed by sponsors of such studies and other arts advocates, despite warnings by economists, and this error is not limited to EIM studies, but is also equally common in CVM and other methodologies."

Thus, it is suggested that economic impact studies should be viewed as being as conceptually reliable as other forms of economic valuation – arguably, all methods of valuation are equally susceptible to political interference and misinterpretation.

Tyrrell and Johnston (2006:3) list the benefits of economic impact studies, which they believe include being able to "estimate changes in regional spending, output, income, and/or employment associated with tourist policy, events, facilities, or destinations". Economic impact studies are also useful for travel and tourism policy, even though the method was only designed to identify those options which may increase observable economic activity (Tyrrell and Johnston, 2006:3). The economic impact approach allows for the comparison of two scenarios, the *status quo* and a hypothetical situation. Therefore, it is possible to determine the benefits associated with a specific festival, compared to the hypothetical situation in which the festival did not exist at all – a classic example of opportunity costs. This can be extended to the mindset of potential visitors to an event. McKercher *et al.* (2006:57) suggest that visiting a festival involves some form of assessment of the benefits to be had from participation, and potential visitors must decide whether or not to trade-off one event for another which is assumed to give a greater benefit. If the alternative event is seen to be more worth-while, then that is the activity in which the tourist will engage.

Liu (2005:5) makes perhaps the simplest but most important point of all, in support of some form of economic valuation of the arts. It is widely understood that most (if not all) goods are valued in an economic, or financial, sense as this is a simple way of comparing goods on a common ground and on a worldwide scale. Liu (2005:5) is of the opinion that if traditional culture is not afforded the opportunity to fight for its existence on an economic level, then it will not survive in this "modern, fast-changing, and trend-dominated world". Langen and Garcia (2009:9) support

the argument that the fight for existence is fought on economic grounds, regardless of the notion that "environmental, socio-cultural, and political effects are probably more important". Economic impact studies, while admittedly imperfect, allow cultural festivals, at the very least, to be compared amongst themselves and if needs be (as is increasingly the case), to events or goods of a different nature altogether.

2.4 The Mechanics of Economic Impact Analysis

As mentioned in Chapter 1, Crompton *et al.* (2001:80-81) suggested that economic impact analysis is an „inexact process" in which an estimated value will be returned to the community that hosts and organizes an event. Due to economic impact values being increasingly subject to scrutiny, several different methods for calculating economic impact have been developed (Langen and Garcia, 2010:3). Most of these are similar, and very often are seen to overlap (at least partially) in terms of conceptual thinking. Several key elements exist in the calculation of most economic impacts, which most theorists make use of in varying capacities. This section will address the issues of the multiplier, visitor numbers, size analyses, flow-on analyses, and selected other methodological issues.

Calculating an economic impact figure for an event/festival is best explained by way of an example. Herrero *et al.*"s economic impact study on Salamanca, European City of Culture, 2002 has been chosen because of the clearly displayed steps which can be taken in conducting such a study, and reference is also made to the more recent Arts About Manchester"s 2009 report on the impact of the 2008 Chester Festivals. As seen in Figure 2.2, Herrero *et al.* (2002:46) broke their study into two distinct stages. The first stage estimated private spending generated by the event"s cultural tourism, and the second stage calculated the overall economic impact, including the private spending on cultural consumption, public spending directly related to the cultural programme, investment in new equipment and facilities along with an estimate of the multiplier effects on the overall regional, and Spanish national economies.

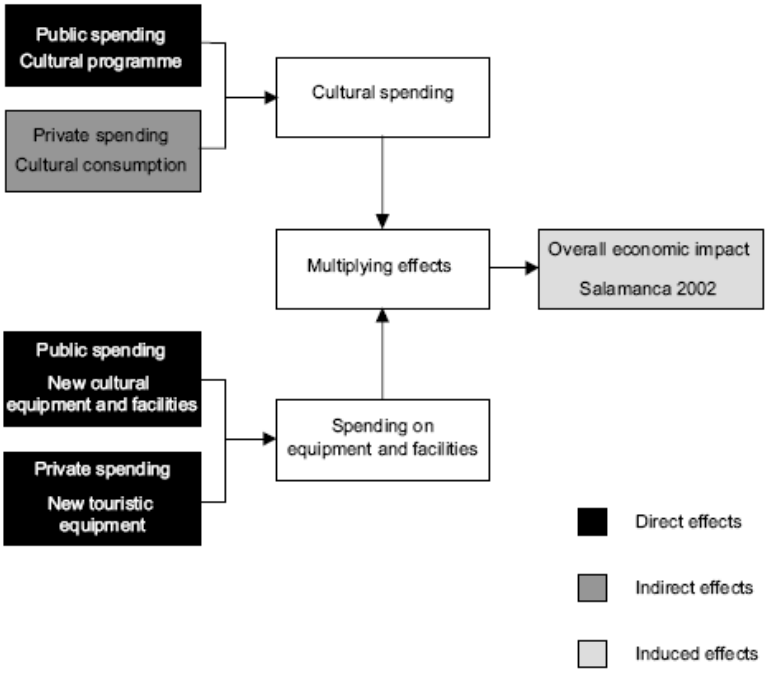

Figure 2.2: Economic Impact of Salamanca 2002, European City of Culture
Source: Herrero *et al.* (2002:46)

In another example, in their report on the 2008 Chester Festivals, AAM (2009:12) generated the gross impacts from three general sources: on-site impacts; off-site impacts; and other impacts. On-site impact refers to direct employment resulting from event investment, on-site visitor spending, and the value of voluntary staff employed for the event itself. Off-site impact is the visitor spending elsewhere in the impact area, like that on accommodation, food and drink, and travel. Other impacts are effects of "levered funding, sponsorship, and in-kind support" received directly due to the staging of the event (AAM, 2009:12).

There are several common steps which may be followed in arriving at an economic impact figure, regardless of the method of calculation used - each of which will be discussed in detail.

2.4.1 Visitor Spending

Visitor spending is intended to provide an accurate base for economic impact analysis, as well as being a figure used for comparing the arts with other industries. However, as pointed out by Wilton and Nickerson (2006:17), accurate assessment of the economic impact of tourism remains difficult as there is no simple measure of how much travellers spend. A popular method of obtaining spending data is to survey actual visitors to the event – although several potential sources of bias exist with regard to survey based research. For example, Lind and Gronstad (2010:9) list:

- A difference between the reported spend and the actual spend by festival attendees;
- The issue of self-selection (who chooses to answer the survey, and who does not?);
- Potential errors based on research which isolates samples rather than the whole population;
- Invalid or incomplete questionnaires.

Spending averages can be estimated which are then applied to the volume of travel activity to facilitate the calculation of total direct (or first round) spending (Stynes and White, 2006:8). Frechtling (2006:26) points out that different challenges are faced when estimating the annual visitor expenditures for a study area like a country, or city, as opposed to estimating expenditures at a given event held at a more specific site. Whilst the calculation of the annual economic benefits to a study area normally requires that all days of the year be represented by these expenditures, when measuring the expenditures related specifically to an event, the dates of the event serve as restrictions with the only possible extension being several days before, and after, the event to account for associated visitor spending (Frechtling, 2006:27).

At its simplest level, first-round economic impact is derived from multiplying the estimated average spending per person (or group), by the estimated number of visitors (or visitor groups) to the event in question. Herrero *et al.* (2002:44) pointed out that special attention should be paid to two issues under the heading of visitor spending: first, the problem of double-entry when

calculating economic impact (for instance, tickets, which are an expense for the visitor, and a source of funding for the cultural programme); and second, the process of selecting the sample of individuals from which to draw data to measure the net increase in consumption as a result of the event. This second matter refers to the inclusion only of non-local visitors, or locals whose spending at the event is not substitutive of other expenses, an issue which is highlighted by Lind and Gronstad (2010:11). Both these issues will be discussed in greater detail later in the chapter.

A standard way of determining visitor expenditure, and one that was used in the assessment of the 2008 Chester Festivals, is to ask the visitors about their spending patterns during the event, and also to analyse a number of other factors which influence their activities (AAM, 2009:19). Once on and off-site spending has been determined for visitors within the impact area, an average visitor expenditure amount may be calculated, and even broken down into different spending categories, for more in-depth analysis if required. Kruger *et al*. (2010:81) mention that it is information like this which can be of great use to festival management committees, as target marketing for future festivals can become more focussed and thus, cost-effective. Therefore it is suggested that whilst accurate visitor spending figures are of vital importance with regard to estimating a realistic impact amount, perhaps visitor spending figures are even more vital to the strategic decisions made with the festival‟s long-run sustainability in mind.

Herrero *et al.* (2006:47) illustrate graphically one way of collating visitor spending figures. Visitor spending, in this instance, was split into two distinct sections: spending on equipment and facilities, and cultural spending (Tables 2.1 and 2.2, respectively). This was done in order that the effect on each of the sectors may be analysed separately, and it is suggested that this is one way in which policy could be developed for managing the effect of a festival on the specific sectors which it affects. The point is similar to that made previously except that it is looking „externally‟ at impacts on policy – these policy implications are based on the perceived positive expenditure effects on the sectors around an event, rather than only for the event itself – an issue made mention of by Navarro *et al*. (2010:16).

Table 2.1: Organisers Spending on Equipment and Facilities, Salamanca 2002

	€ Millions
Santo Domingo Exhibition Room	2.6
Liceo Theatre	7.9
Salamanca Arts Centre	9.1
Drama Centre	12.8
Sanchez Paraiso Multipurpose Palace	14.2
OVERALL PUBLIC SPENDING	
New Cultural Facilities	46.6
OVERALL PRIVATE SPENDING	
New Touristic Equipment	74.4
OVERALL SPENDING ON FACILITIES AND EQUIPMENT	120.9

Source: (Herrero *et al*., 2006:47)

Table 2.2: Cultural Spending, Salamanca 2002

	Tickets (Number)	% People Repeating their Visits	Reduced Population (000ʺs)	Average Spending of the Sample (€)	Overall Spending (€ millions)
Drama	62 000	67	42	79	3.3
Audiovisual Presentations	19 000	70	12	90	1
Open City	731 000	81	435	486	211.3
Meetings, Conferences, and Communications	12 000	60	9	528	4.5
Exhibitions	1m	71	650	194	126.7
Music	92 000	77	57	381	21.6
Total (millions)	1.9		1.2		368.4

Source: (Herrero *et al.*, 2006:50)

Tables 2.3 and 2.4 indicate the economic impact of the spending on equipment and facilities, €121 million, and the economic impact of cultural spending, €368 million. The tables are a progression of Tables 2.1 and 2.2, and serve to illustrate the effects of the festival as a result of the spending on equipment and facilities, and cultural spending, separately. These were arrived at by incorporating different multipliers for the various regions which felt the effects of the festival.

What the tables do is illustrate how an economic impact study can be structured, and specifically how the spending on an event can be categorized in order for the individual effects to be viewed

in isolation. The different sizes of the multipliers (which range from 1.5 to 2.2) for the various regions gives recognition to the idea that the ripple effect, whilst potentially felt across a large geographical area, is not felt to the same degree (Navarro *et al*., 2010:16). Multipliers are discussed in greater detail in part (d) of this section.

Table 2.3: Economic Impact of the Spending on Equipment and Facilities, Salamanca 2002

	Multiplier	€ Millions
Overall investment in cultural & touristic infrastructures		120.9
Inner Sectoral Multiplier	1.546	
Spain Sectoral Multiplier	1.992	
Overall Sectoral Multiplier	2.205	
Effect on Castilla y Leon		186.9
Effect on the rest of Spain		53.9
Effect on the rest of the World		25.8
Overall Economic Effect		266.7

Source: (Herrero *et al*., 2006:51)

Table 2.4: Economic Impact of Cultural Spending, Salamanca 2002

	Multiplier	Realistic Setting (€ millions)
Direct Effect		37.3
Indirect Effect		241.5
Direct and Indirect Effects (cultural spending)		278.8
Inner Sectoral Multiplier	1.273	
Spain Sectoral Multiplier	1.467	
Overall Sectoral Multiplier	1.560	
Effect on Castilla y Leon		354.9
Effect on the rest of Spain		54.3
Effect on the rest of the World		25.7
Overall Economic Effect		434.9

Source: (Herrero *et al*., 2006:52)

2.4.2 Visitor Numbers

Without participants no festival in the world today would exist, and the importance of the tourists to these events was emphasized by McKercher *et al.* (2006:56):

> "Tourists often represent an opportunistic, incremental user group who can make a net social and economic contribution to the event at minimal cost."

Snowball (2004:1080) elaborated on one of the more contentious issues within economic impact analysis, namely the calculation of visitor numbers. The importance of this figure for the analysis of an event is obvious: the number is multiplied by the average spending per visitor in order to ascertain the direct (or so-called „first round") economic impact. Dwyer *et al.* (2005:352) believe that the key input for an economic impact analysis is the direct expenditure amount, as it is from this figure that all secondary effects on the economy are derived. As stated by Tyrrell and Johnson (2001:94), without accurate visitor expenditure figures, "even the most detailed, theoretically appropriate input-output model will provide misleading results". Therefore, the estimated average spending (be it by visitor, or by visitor group), and the calculated visitor numbers (or number of visitor days), cannot be overemphasized in terms of their combined importance for an economic impact study.

The calculation of visitor numbers is not necessarily simple, due mainly to confusion regarding the true meaning of the term, and because emphasis must be placed on the average amount of time visitors will spend at the event. As many new cultural events have emerged in recent years[3], festivals may look to increase reported visitor numbers as a means to inflate the importance relative to the competition (for funding), which can be achieved by using „visitor days". Visitor days can be defined as the total number of visitors multiplied by the average number of days each spends in the host community in order to attend the event (Lind and Gronstad, 2010:11). This is in contrast to actual discreet visitors (or individual people) who attend the event. For instance, if there were 1 000 visitors to a festival and each spent 5 days on average at the festival, then the number of visitor days would equal 5 000.

Snowball (2004:1081) argued that visitor days are the more acceptable figures to use, as they take into consideration the characteristics of the event's location, which in turn makes the

[3] As is borne out in part by Getz (2008:411) in noting that festival and convention management are particularly popular, and that these undergraduate and graduate degree programs are "hot growth areas" in higher education institutions worldwide. Others who highlight this growth include Kruger *et al*. (2010:81), Bardsen (2010:3), and Navarro *et al*. (2010:1).

comparison with other events more significant. For instance, an event which is held near a large city is more likely to attract day-visitors than an event which is held further from a major centre. The event which is more isolated, however, might well have a longer average stay for its visitors (if it is more difficult or costly to travel to the destination, visitors may want to stay longer to make the trip more worthwhile), which needs to be taken into account. Using visitor days means that festivals with different characteristics can be assessed on an equal footing.

Snowball and Antrobus (2002:1300) assert that local visitors to the festival should not be included in the study"s visitor count as the money spent by these individuals does not represent an injection of new wealth into the host community, but rather „recycling" of money already in the system. Crompton (1995:26-27) highlighted the issue of excluding local visitors from the visitor count as well, and suggested that „time-switchers" and „casuals" should also be excluded from the analysis – these issues are elaborated on later in the chapter. Getz (2008:418) identifies the displacement of residents and other tourists as another temporal/spatial issue which requires investigation. This occurs when all available accommodation is filled up, or when the publicity around an event leads to the perception of crowding and/or high expense, this can cause locals to leave town, and potential visitors to stay away. Bowitz and Ibenholt (2009:4) highlight two displacement effects, notably "product market displacement" (as explained above), and displacement through the property markets, when a cultural event might occupy an attractive area, thereby reducing other firm"s profitability in the process. If displacement effects are not taken into account, then the impact of the event on the host community can become skewed in a fashion similar to that if the residents were deliberately included in the visitor number.

Crompton (2006:70) explained that the deliberate inclusion of local residents into the visitor number count (and therefore into the total visitor spending figure) was one of the most common mischievous procedures used to distort economic impact. Because the economic impact of an event relates only to the new money which is injected into an economy as a result of the festival itself, only visitors who live outside the stated region, and whose main reason for visiting the area is to attend the festival or who only decide to stay there longer because of it, should be included in the visitor number (Lind and Gronstad, 2010:11).

Since the economic impact of an event relates specifically to the new money introduced into a region by visitors from outside the community itself, in all likelihood, the money which is spent by locals at a festival or event would have been spent on other goods or services in the area, whether at that time or another. Thus, it is clear that this spending does not represent the economic impact of the event in question, and should not be considered, unless as pointed out by Getz (1991:303), an event which is held in the host community keeps local residents in the region who might ordinarily have left over that time. This, then, could be included in the expenditure figure of the economic impact analysis, as it represents money which the host community would otherwise have lost over the period that the event is held.

Navarro *et al.* (2010:11) raise the issue of opportunity costs in the instance of an event creating additional spending in a particular region; the question is, where does this expenditure come from, and which other regions and sectors experience a reduction in spending as a consequence? It makes sense then to believe that the bigger the scope of the impact assessment, the more weight is given to the argument that an event does not, in reality, create increased spending, but rather facilitates a shifting of „normal" spending patterns.

Snowball and Antrobus (2002:1307), in an analysis of the economic impact studies carried out on four international arts festivals, found that generally there was a high proportion of visitors to the festivals who resided either in the host community, or in the near-by surrounding area. In the Grahamstown NAF studies (Antrobus *et al*, 1997a and 1997b), this was established primarily by using the ticket sale method, which determines the percentage of tickets bought by locals, in order that these individuals are excluded from the economic impact calculation. The Melbourne Festival (1996) study (which defined both the metropolitan area under analysis, as well as the surrounding region) highlighted the importance of excluding local festival visitors, as it was estimated that 73 per cent of attendants were Melbournians who were thus not included in the calculation. This was done on the assumption that the money spent in the Melbourne metropolitan area by these festival-goers would have been spent there, regardless of the festival. The Adelaide Festival (1990) study also excluded the spending of local visitors, but made allowance for those locals who would have holidayed elsewhere, were it not for the occurrence of the festival. The Edinburgh Festival (1990) study included the amount of spending by locals

which was said to be in addition to what would normally have been spent. The study did not specify how the figure was arrived at, and it is suggested that to calculate such an amount accurately would be tenuous at best, if not virtually impossible.

Closely related to the issue of including locals in the visitor expenditure figure is the question regarding the inclusion of time-switchers, and casuals. Crompton (1995:27) regards time-switchers as those individuals who planned to visit a community hosting an event or festival at a different time, and subsequently changed the timing of their visit to coincide with that of the event. Therefore, Getz (2008:418) points out that this type of visitor‟s spending cannot be considered a benefit for the host region borne of the event specifically, and believes that this should be excluded. Casuals are defined as those individuals who were lured to the community by another attraction, but who choose to visit the event instead of doing something else (Crompton 1995:27). Prentice and Anderson (2003), in McKercher *et al.* (2006:56), also draw attention to casuals (in principle, if not by name) and suggest that festivals are no different to other tourist events in that they may attract visitors for whom the festival is merely an "ancillary or complementary activity". It is suggested that the spending of casuals be excluded on the same grounds as that for time-switchers – these funds cannot be considered a benefit of the festival specifically. However, it must be noted that the decision to exclude time-switchers and casuals is no small matter - Crompton‟s (1999:150) study of sixteen sports events held in the USA, revealed that five of the sixteen studies recorded time-switchers and casuals as representing approximately one-third of all visitors.

Time-switchers and casuals can be excluded by way of survey questionnaires, which ascertain the respondents reasoning for their visit to the community. Snowball and Antrobus (2002:1303) point out that in the instance of the Grahamstown studies (Antrobus *et al.*, 1997a and 1997b), there was no checking system in place regarding time-switchers and casuals as it was argued that Grahamstown is such a small community and relatively remote, there are "no other attractions which may account for the presence of a significant number of tourists at other times or for other reasons."

The Edinburgh Festival (1996) study also did not give any evidence of checking for time-switchers or casuals (Snowball and Antrobus, 2002:1303). On the other hand, both the Melbourne Festival (1996) and Adelaide Festival (1990) studies did check for the presence of time-switchers and casuals. The Melbourne Festival (1996) study found that these groups of visitors made up a large proportion of the total to the festival, with only 24 per cent from outside the region giving the festival as their main reason for visiting the city. The economic impact of this festival was initially calculated with the time-switchers and casuals included, and then excluded, for comparison. The difference was considerable, with the total ticket sales by visitors from outside the impact area equalling $20.11 million and ticket sales by visitors from outside the area but whose main reason for visiting was the festival equaling $14.2 million.

The Adelaide Festival (1990) study found that 51.4 per cent of visitors were there mainly to visit the festival, but that a further 8.6 per cent extended their stay in Adelaide to attend. As explained by Crompton *et al.* (2001:81), if visitors who fall into the casuals or time-switchers categories decide to extend their stay for longer than if the event had not taken place, then their expenditures on those days should be included in the economic impact analysis. This procedure was followed in the Adelaide Festival (1990), and the expenditure of these visitors during this time was included in the final impact figure.

2.4.3 Outflows (Leakages)

One of the factors to be considered in estimating a multiplier for a specific event are leakages from the system, as well as the size of the sample area in which the effects of the festival will be felt (Navarro *et al.*, 2010:11). Leakages refer to the amount of money which is spent in the survey region as a result of the festival being held, but the effects of which will not be felt in this same region (Snowball and Antrobus, 2002:1304). Lind and Gronstad (2010:12) assert that the larger the region defined as „local", when assessing the local impact of an event, the larger the final impact figures will be.

Leakages occur due to this money being removed from the area before it is possible to affect the economy in any significant way. An example of how this might occur is if a performer or stall

owner (who typically travel from festival to festival in order to make a living), is paid whilst in the survey region but leaves before any significant amount of the money can be spent. A further example would be if goods were imported into the impact area to be sold during the festival (Navarro *et al*., 2010:15). The money spent to bring these goods into the region would flow straight out again, to the manufacturers or suppliers.

Outflows are difficult to gauge accurately, and it is frequently necessary for researchers to estimate the percentage of direct spending to be excluded from the amount which is to be multiplied, in order to arrive at the final economic impact. This estimate may be based on prior studies of the festival in question, or on festivals or events of a like nature which are held in a survey area with similar characteristics to those of the area under scrutiny. For example, Antrobus *et al.* (1997a) estimated a leakage figure of 30% from the Grahamstown region, due in part to its small and relatively isolated nature.

The study of the 2008 Chester Festivals took into account leakages incurred through direct employment, suppliers based outside the impact area, and visitor spending, both on and off-site (AAM, 2009:16). Because only staff based within the impact area were included, leakages through direct staffing was estimated at zero. However, it was estimated that 37% of suppliers were based outside the Chester region (and 30% outside the greater Cheshire area), thus the level of leakage was estimated at 63% and 70% for Chester and Cheshire, respectively. It was assumed by the researchers that this level of leakage would exist the levered funding, sponsorship, and visitor on-site spending as well (AAM, 2009:16). Due to visitors only being asked to give details of off-site expenditure incurred within the Chester region, the associated level of leakages was, like that of direct employment, estimated to be zero.

2.4.4 Leakages and the Size of the Multiplier

Crompton‟s 1995 paper entitled “Economic Impact Analysis of Sports Facilities and Events: Eleven Sources of Misapplication” highlighted some of the flaws of economic impact studies, and drew particular attention to those relating to the multiplier. Recently, Lind and Gronstad (2010:12), and before that Snowball and Antrobus (2002:1299), listed the definition of the area

of study as one of the possible areas of misrepresentation or error, and went on to note that in each of the Edinburgh (1996), Adelaide (1990), Melbourne (1996), and Grahamstown (1997) case studies, the area of study was carefully defined. Indeed, all the studies, except for the one conducted in Grahamstown, defined separately the city and the regional impact area (Snowball and Antrobus, 2002:1299).

Generally speaking, the greater the size of the sample area, the fewer leakages should occur, and as a result, there will be a larger multiplier effect, as was noted by Baaijens and Nijkamp (2000:844), who also suggested other variables which might affect the size of the multiplier:

> "a positive contribution to the tourist multiplier is also offered by the population size, the number of tourists, and the tourist market share of the major country of origin".

Snowball and Antrobus (2005:9) suggested that ideally each economic impact study should calculate its own multiplier in order to capture the specific "combination of business interrelationships" which exists in the host community and more importantly, affects the level of leakages from the defined area. This is not only expensive, but time-consuming to carry out, and as previously mentioned studies thus rather tend to estimate the multiplier based on figures and situational characteristics of similar economic impact studies. Vogelsong and Graefe (2001:32) stated that estimating an economic impact multiplier from a secondary source is a three-step process: firstly, previous studies are to be reviewed, using only those which have been compiled at sites which are as similar as possible to that of the proposed project; secondly, the analysts are to determine the average expenditures which were recorded in the previous studies; and thirdly, the average spending data from the previous studies should be used to estimate the number of visitors expected to exist for the specific event or festival.

Further important factors to consider when estimating a multiplier, are the relative size of the two regions being compared, as well as the types of events which are being held. For example, a mega-sporting event cannot be compared to an annual arts festival in terms of the number of visitors it attracts, or indeed in terms of the relative wealth the respective visitors possess. Heaney and Heaney (2003:259) summed up this point succinctly in saying that refining the estimated multiplier to a workable degree will "require a complete survey of the affected

business". Economic impact analysts are to decide whether they would prefer to calculate an original multiplier, which is only possible if the relevant data exists and is freely accessible, or whether they would rather spend the time and funding available on estimating a „borrowed" multiplier, which is likely to contain a small degree of inaccuracy.

Crompton (1995:25) stated that the size of the multiplier depends on the host city"s structure; if the area under scrutiny has a large economic base, then it is probable that the value added from the direct expenditure related to the festival will be high (with only a small leakage from the system). This is illustrated in Figure 2.3, which shows that as the size of the impact area around Salamanca is increased, so the size of the multiplier becomes greater too. This can unfortunately lend itself to the manipulation of an economic impact study"s results, as analysts wishing to attract the necessary public or private funding can define a large impact area, which could distort and inflate the overall impact figures for the event. This is one reason why critics have questioned the validity of such studies as, potentially, there could be very different conclusions drawn from studies conducted on the same event. Special mention of this very phenomenon was made by Crompton (2006:67), who stated that it is regularly the case that economic impact studies are commissioned to validate a certain political position, rather than to search for the truest economic estimate.

The Grahamstown (1997) studies referred to by Snowball and Antrobus (2002:1305) show no indication of how the multiplier was calculated, and this figure seems to have been an educated guess without much further support. It was estimated to be a modest 0.18 due to there being very few exports from Grahamstown, and also because a large proportion of locally consumed goods were imported. The multiplier used in the Edinburgh (1990) study was not supported by any clearly stated reasoning, but a later multiplier used in Edinburgh (1996) was based on a Scottish Tourism study and took into account several assumptions regarding the size of the defined area and resultant leakages therein. The Melbourne (1996) study derived its figures for the calculation of the multiplier from Price Waterhouse (used for the Adelaide Formula One Grand Prix), which as was pointed out by Snowball and Antrobus (2002:1306), at least a reputable economic source. The multiplier used in the Adelaide (1990) study was taken from a government report, but questions were raised as to its applicability to the defined area.

2.4.5 Multipliers (Indirect Impact)

The multiplier effect was described by Crompton (1995:18) as the recognition that, as there is an increase or decrease in the spending in a specific sector, there will be a resultant increase or decrease in the level of economic activity in other affected sectors. Heaney and Heaney (2003:259) explained that multipliers are used to estimate the local value added, which represents payment for rent, local services provided, as well as salaries and wages, amongst other things. This is, in essence, a ripple effect which occurs throughout the economy, as a result of a change in a particular sector, or sectors (Crompton, 1995:18). Simply put, the direct spending which can be attributed specifically to the event is multiplied by a figure which it is estimated will account for the indirect and induced economic effects of the event as well. It is suggested here that failure to recognise this multiple effect is fundamentally a failure to acknowledge that economic impact of an event goes beyond the initial direct monetary injection into a community, and constitutes a severe underestimation of the overall economic effect which this direct inflow of funds sets in motion.

However, Lind and Gronstad (2010:15) whilst accepting the use of multipliers elsewhere to account for those effects beyond the direct, seem unconvinced that this tool can be used in every instance. Rather, only the "conservative and solid" figures estimated for direct expenditure were quoted in this case. This, it is proposed, constitutes a more accurate impact calculation than if a multiplier was simply applied for the sake of „tradition", without any sound economic basis for its inclusion. However, it could be argued that to have a multiplier of zero would be at least as misleading as it would be to have an unreasonably large one. By simply including a multiplier, though, researchers are able to give recognition to the existence of the multiplier effect as a real phenomenon, which is an important step in the impact estimation itself.

Crompton (1995:20) and, more recently, Navarro *et al.* (2010:12) explained how the three elements of economic impact contribute to the overall effect felt as a result of the injection from visitors to a city hosting an event. Firstly, Direct Impact, which is the initial influx of expenditure into the local economy through the consumption of goods and services, and the payment of local employees; secondly, Indirect Impact, which is the ripple effect of the direct impact, described

by Heaney and Heaney (2003:257) as the "spending on activities and products that are related to the main activity"; and thirdly, Induced Impact, which can be described as the amount of local household‟s incomes which were spent on goods and services in the host city which, if the event did not take place, would also not have occurred.

Three types of multiplier are commonly used: sales, income, and employment multipliers. While sales multipliers measure the effect of an extra unit of the visitor‟s spending on the local economy, the income multiplier measures the effect of an extra unit of visitor‟s spending on the level of household incomes in the host city. Thus, an income multiplier intuitively can be said to have more relevance to the overall effect on the host community‟s well-being as a result of the event. Employment multipliers measure the effect of an extra unit of visitor spending on the employment in the host city. „Employment‟ in this sense refers to full-time jobs that are supported in the host community, and arise due to the visitor expenditure at the event. It is the opinion of Crompton (1995:22, and 2006:74) that this type of multiplier is the most unreliable, as it is based on the assumption that existing employees are fully occupied and that an increase in visitor spending due to the festival will result in the creation of new jobs. Also, estimates invariably include full-time, part-time, and seasonal jobs and do not distinguish between them, nor does the employment multiplier identify the number of hours worked in each job. In reality, however, the labour force employed before the staging of the event is frequently required to carry the extra workload, or if they are unable to do so, then temporary workers are hired for the duration of the event. It is clear that very few, if any, of the full-time jobs which the multiplier reports actually materialize, and that this figure does not often hold much significance for festivals or events that are not year-round.

Crompton (1995:21) came to the conclusion that sales multipliers are generally substantially higher than household income multipliers, and have the potential to be dangerous and misleading, even suggesting that this type of multiplier is not useful for the purpose of economic impact studies. The reasoning was that only income and employment multipliers have any bearing on the actual well-being of the host city‟s residents. For example, the Grahamstown (Antrobus *et al.*, 1997b) study of the National Arts Festival did not assert that any permanent or

long-term jobs were created as a result of the festival, other than those existing jobs regarding planning and organization of the event itself. The study took into account the varying wage rates of workers during the festival and that workers earned overtime payment, not to mention that when there were jobs created as a result of the staging of an event, there was a very real possibility that these positions would be filled by someone from outside the defined region. The study found that only 36 per cent of the temporary jobs created as a result of the festival were filled by Grahamstonians. Snowball and Antrobus (2002:1308) noted that the Melbourne Festival (1996) study did not give any figures for the amount of employment created due to the festival, and that the Edinburgh Festival (1990) study equated the direct expenditure figures from the festival with over one thousand full-time jobs. In reality, these jobs might not have been correctly accounted for, as it is not necessarily true that a direct link exists between the amount of money spent in a region at a festival or event, and a specific number of jobs which are said to have been created.

AAM (2009:17) stated that one of the main issues to consider when choosing a multiplier was whether it should be locally drawn, or determined from sector-specific studies. It is put forward that, either way, the multiplier must reflect the structure, size, and health of the economy – all of which were taken into consideration for the 2008 Chester Festivals. The estimated multipliers for the Chester and Cheshire areas were smaller than would normally be expected, due to the economic downturn which had begun at roughly the same time (AAM, 2009:17).This seems to imply that the worse the state of the economy (locally or even globally), the less of an impact an event will have on the host community and surrounding areas. Perhaps the reasoning behind this is that households are more inclined to save in such times, or even that whilst the propensity to save might not increased significantly, there could exist a situation in which the majority of households simply have less disposable cash for non-essential goods like cultural festivals.

Herrero *et al.* (2006:53) gave an example of how the multiplier effect can be validly included in a case study. Once the spending on culture, and the spending on equipment and facilities were calculated in full, then the estimated multipliers were incorporated. This was done in order to account for the indirect and induced effects of the spending on the economy in the various impact areas (in this case Castilla y León, the Rest of Spain, and finally the Rest of the World).

However, as the Salamanca example split the spending figures between these two subdivisions, there have been different multipliers applied to each. Figure 2.3 illustrates this, and indicates that the multipliers used were those which applied to the sector under which each of „cultural spending", and „spending on equipment and facilities" would fall (the services, and construction sector's, respectively). These multipliers were estimated to capture the induced impact which was likely to occur as a result of an event, in a particular industry.

It is apparent in Figure 2.3 that the economic impact of both spending subdivisions was largest in Castilla y Leon, and got progressively smaller for the Rest of Spain, and then the rest of the world. This conforms to logic, as one would reasonably expect the effects of the event to be felt most strongly in the region in which it took place.

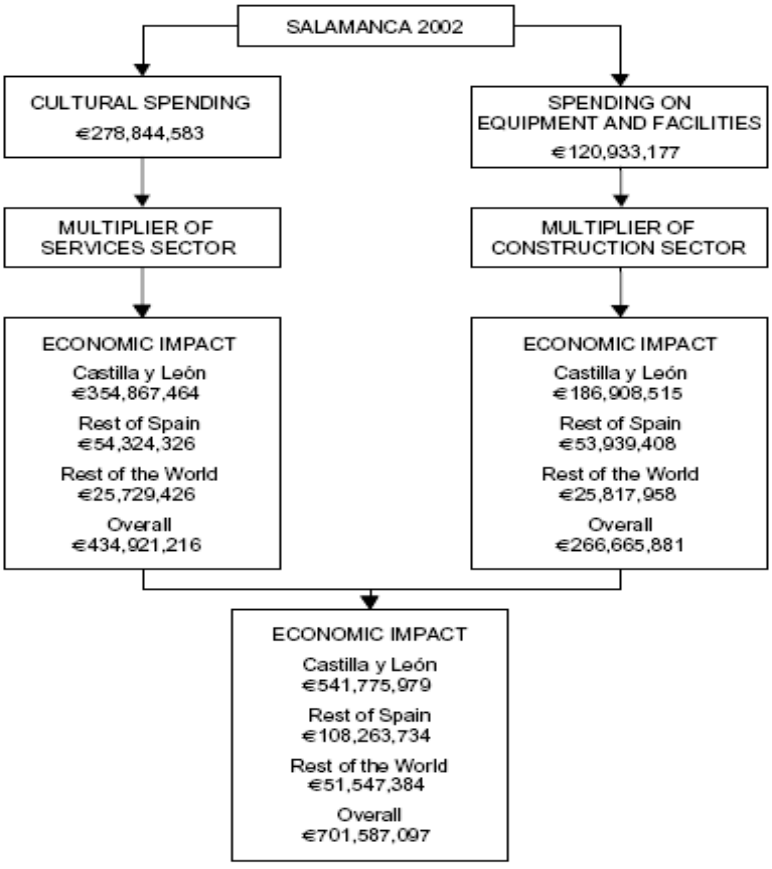

Figure 2.3: Incorporating the Multiplier to reach Final Economic Impact

Source: Herrero *et al*. (2006:53)

2.5 Economic Impact Analysis Model Options

Several models have been developed with the goal of capturing the overall economic effect of an individual investment project on a host community. This section seeks to investigate the rationale and benefits of the methods outlined below, and it is then explained why each was not preferred to the multiplier method for the purposes of this study. It should be noted that certain methods are given a greater emphasis, due to their prevalence in the literature.

2.5.1 General Economic Impact Model

Black (2004:1069) formulated a basic model, which is used to calculate the "multiplied increase in the gross domestic product of the region" in which a new capital investment (P) has occurred, as below:

$$Y_p = k\, I_p\, (\, 1 - m_p\,) \qquad [1]$$

Where m_p is the proportion of the investment, I_p, which is leaked from the system as money spent on imported capital and intermediate goods; and k is the familiar spending multiplier (which depends on the marginal propensity to consume), net of imports as well as direct and indirect taxes. Black (2004:1070) explained that Y_p encompasses both the backward and forward linkage effects within the region under scrutiny, so that:

$$I_p\, (\, 1 - m_p\,) = V_p + \underset{i}{\Sigma} V_{ip} + \underset{j}{\Sigma}\, V_{pj} \qquad [2]$$

Where V_p is the value added by the investment project P; V_{ip} is the extra value added by the local industry i, due to the supply of direct and indirect inputs to the project; V_{pj} is the new value added by the local industry j which purchases, directly and indirectly, inputs from project P. i and j above are summed over the number of industries affected by backward and forward linkage effects related to the investment project, so equation [1] can be written:

$$Y_p = k (V_p + \Sigma V_{ip} + \Sigma V_{pj}) \quad [1b]$$

Equation [1b] is assumed to capture all direct and indirect backward and forward linkage effects which are associated with the new investment project P. Backward linkages are put in equation form by:

$$V_{ip} = \Sigma V_{rp} + \Sigma\Sigma V_{qr} + \ldots \quad [3]$$
$$\mathbf{r} \qquad \mathbf{r\,q}$$

Equation 3 indicates that project P buys inputs directly from firm r, which in turn buys inputs from firm q, and so on. r, q, … represent all the firms in industry i that are in some way involved in supplying inputs to the new project P. Similarly:

$$Vpj = \Sigma Vpd + \Sigma\Sigma Vde + \ldots \quad [4]$$
$$\mathbf{d} \qquad \mathbf{d\,e}$$

Shows that project P supplies inputs to firm d, which in turn supplies inputs to firm e, and so on. d, e, … represent all the firms in industry j that are in some way involved in buying inputs from project P. Black (2004:1071) put this most simply, by saying that V in equations [3] and [4] referred to the additional value which is created backward (industry i) and forward (industry j), due to the buying and selling activities of project P.

Getz (2008:420) made mention of Laesser, Stettler and Rutter (2003), who developed coefficients for use in economic impact studies, called a „subsidy multiplier" and a „regional share of direct in-scope expenditure". Laesser *et al.* (2003:12) used these tools in order to compare the regional value-added of different kinds of events, and whilst the study produced interesting findings, it was conceded that "an expressive comparison of the coefficients of various events was only possible to a limited degree".

2.5.2 SAM's and CGE's

Models like social accounting matrices (SAMs) – which are used to characterize the flows between different sectors of the economy - and computable general equilibrium (CGEs) models – which facilitates the analysis of economy-wide effects of an event - are useful for the analysis of a major investment project, as they are able to replicate the resultant microeconomic effects. Black (2004:1069), however, stated that it is often cheaper (presumably in terms of data collection) to use a simple model like the one above in order to assess the total economic impact of an individual investment project, like an event or festival. The primary short-coming of multiplier analysis, input-output models, and SAM"s are that they are static in nature, and as such they do not provide for dynamic feedback by way of indictors (like prices). This weakness is the main benefit of CGE models, however, as they are dynamic in nature. CGE models, though, require that the project or event being analysed be large enough to produce noticeable impacts on prices; thus, they would not be appropriate to implement in every impact study.

Dwyer *et al.* (2006:65) has spoken of CGE model"s ability to provide important information about the economic impact of events. It must be noted though, that these aspects (including where the events occur, which industries are positively and negatively influenced, and how government revenues are affected), which provide information for the creation of economic impact estimates, do not constitute a holistic assessment of the event. Benefits other than those already included in the evaluation (like those accruing to the local residents who attend the event), and costs (for example, the congestion caused as a result of the event in the host region) still need to be incorporated so as to be accounted for in the overall economic estimation (Dwyer *et al.* 2006:65). The concerns of Black (2004:1069) are reiterated by Dwyer *et al.* (2006:65) in that, given their short-term nature, CGE"s need to be adapted before they can be confidently employed to estimate the economic impact of events.

2.5.3 Size Analyses

Size analysis quantifies the size of an industry sector relative to the GDP, and thus it allows for the comparing of different sectors, and the effect on the economy created by each. This type of analysis can be used persuasively to attract government support for arts events, as it can bring attention to the relative size (and thus perceived importance) of this sector. Mermiri (2010:5) highlighted recent growth of the UK cultural sector, even in light of decreased private investment which occurred likely as a result of the global economic downturn which began in 2008. Thus, this method is able to account for „bigger picture" economics issues when the impact of a specific event, or events, are assessed.

Madden (1998:15) saw the size analysis method as having at least three major shortcomings: firstly, due to the existence of externalities, it was suggested that a sector's financial benefits may only have a tenuous relationship to the personal and broader well-being generated by the sector. For example, in the case of an arts festival, even if a large amount of money is generated, the general well-being of the host community might not change significantly as it cannot be said for certain that the money will remain in the area and filter downwards. Secondly, the size of a sector does not necessarily justify government support, as it may be the smaller sectors of the economy which have a greater yield from the injection of public funds. And thirdly, the comparing of totally different sectors can be seen to be somewhat pointless, or at least circumstantial, as there is no accepted level at which a sector is said to become „big" or „important" (Madden, 1998:15).

In a later paper, Madden (2001:163) proposed that a proper economic impact study should look to measure net financial flows created by events, not purely gross financial size, and that therein lies the true weakness of size analysis. The meaning of „net financial flows" is expanded on below.

2.5.4 Flow-on Analyses

Flow-on analyses are simply a measure of the financial effects which „flow-on" as a result of the events or festival - that is the amount of income which is injected into, or wealth created, in the host city as a result of the event. The wealth may take the form of direct expenditure as well as employment creation. Madden (2001:163) summed up these analyses most concisely:

> "The objective of a flow-on analysis is to measure spending that would not have occurred in the absence of the festival".

However, Madden (1998:15) was not satisfied with the comprehensiveness of the approach, and suggested that these analyses neglect opportunity costs, and do not account for counterfactuals (or "what might have been" scenario"s). What is meant by this is that the limited amount of money which is spent on the arts would otherwise have been spent in another sector, and that saying the arts „creates wealth" is not necessarily correct. The money that is drawn into the arts sector is merely drawn away from another sector (or sectors) of the economy, and does not actually generate new income, or wealth. If the money which would have been spent at an arts festival is not spent at all, and is saved, then it would be used in the financial sector to fund investment. Perhaps then, more accurately, this analysis actually captures the transfer of money within the economy, not the injection of new money into the economy. As was pointed out by Crompton (1999:149), this only holds true if it can be shown that the money would not have been spent in the region under scrutiny at all, if not for the festival.

2.6 Conclusion

This chapter has touched on the conceptual arguments for and against the use of economic impact studies as a valuation method for cultural festivals. Whilst there are those who disagree with economic impact studies in principle, the fact remains that they are widely used in the field to facilitate comparisons between the impacts created by different events. Thus it is suggested that economic impact studies remain an important economic tool, and there are gains to be had from the knowledge of the benefits, and the shortcomings, of the method. Specifically, issues

surrounding visitor spending, visitor numbers, leakages, and multipliers must be highlighted in terms of their susceptibility to bias, in order for researchers to carefully attempt to avoid these common pitfalls.

However, to dwell on these issues unnecessarily would take away from the primary aim of economic impact studies. As with any method that is put into practice, bias is likely to be encountered, but if these are largely superficial and can be indentified and stated beforehand, then the method remains valid as a means of measuring value. This, it is argued, is the case with economic impact as a way of attaching value to cultural festivals.

Goldman *et al.* (1997:48) asserted that communities must not harbour unrealistic expectations about the accuracy and comprehensiveness of economic impact studies. Instead a balance needs to be found between what a community is willing to spend on such a study, and the desired level of accuracy regarding the economic valuation of the festival. Warnick *et al.* (2009:247) intimated that for a study to produce the kind of findings which will ultimately gain the community‟s support for the event, and the allocation of resources needed to do so, will rely on the existence of accurate historical festival data.

It should be kept in mind that errors made in determining economic impact will only affect policy decisions if they are large enough to affect the desirability of the alternatives, relative to the festival in question (Goldman *et al.*, 1997:48). If policy-makers are educated as to the potential downfalls, and all assumptions by the researchers are made clear from the outset, then this device is as legitimate as any, and its use should become even more widespread than it is at present. Perhaps the most vital theme to be found in the literature currently, is one which Lind and Gronstad (2010:8) refer to, namely, that cultural festivals are increasingly not only relying on economic impact studies for validation in terms of their existence, but also now look to these studies for important indicators of where their strengths and weaknesses lie as events which find themselves in strong competition for limited public and private funding. Economic impact of cultural festivals as a tool has seemingly grown from being able to simply illustrate „what is‟ and can now shed light on „what should be‟ in order that event organizers produce an attractive product to the consumer on a sustainable basis.

Chapter 3

Common Forms of Bias: Theoretical Application to Four Existing Festivals

This chapter highlights six areas in which an economic impact study might be influenced by bias, and seeks to illustrate the resultant effects by using case study examples of four current cultural festivals, namely: the Klein Karoo Nasionale Kunstefees, or KKNK, (Oudtshoorn, South Africa); the Volksblad Festival (Bloemfontein, South Africa); the National Arts Festival, or NAF (Grahamstown, South Africa); and the Edinburgh Festivals (Edinburgh, Scotland). A brief background of each festival will be followed by explanations of why these specific festivals were chosen.

3.1 KKNK (Oudtshoorn, South Africa)

The KKNK Festival takes place in the town of Oudtshoorn in the Eden District Municipality in the Western Cape of South Africa. It has Absa Bank as its headline sponsor, and reportedly attracts approximately "180 000 visitors to Oudtshoorn to enjoy the festival for eight or nine days annually" (Absa KKNK, 2007:1)[4]. This festival was founded by Nic Barrow and Andrew Marais, both Oudtshoorn residents who envisaged an Afrikaans festival (Slabbert *et al.*, 2009:1). Cruywagen (2002:191) referred to how the KKNK was closely modelled on the NAF with regard to both main and fringe programmes, but how this "*fees*"[5] has without doubt a strong Afrikaner target audience. This was reiterated by Hauptfleisch (2007:84), who placed the KKNK in the group of Afrikaans-language festivals which came to light during the 1990s, as the native South African Afrikaans-speakers began to fear the extinction of their culture under the new political leadership within the country.

[4] However, based on the findings of the study conducted by Slabbert *et al.* (2009:37), and with particular reference to the historical data collected on the KKNK, it is suggested that this figure was incorrectly advertised as the visitor number, when it was actually drawn from the rough ticket sales figures of the time.

[5] "festival" (Afrikaans)

The first KKNK Festival was held in March 1995 under the name of Klein Karoo Kunstefees, but this was changed to Klein Karoo Nasionale Kunstefees (or Klein Karoo National Arts Festival) (Absa KKNK, 2007:2). Naspers[6] and Transnet[7] were two of the major sponsors who saw to it that the KKNK progressed from the concept stage to the established festival which presents 200 productions, featuring over 750 artists in 40 different venues (Kruger *et al*., 2010:80). It was reported in 2009 that the KKNK generated somewhere between R91.3m and R112.3m – making it the largest festival in South Africa in terms of economic impact (Slabbert *et al*., 2009:41).

In 2000 the project won the inaugural Premier MTN Western Cape Tourism Event of the Year[8], and in 2004 the KKNK was opened by then state president Thabo Mbeki - both achievements illustrating the status which the festival has held in South Africa (Absa KKNK, 2007:3). The popularity of the event was emphasized by Hauptfleisch (2003:259) who reported that the "main shows were often sold out months ahead of time". Due to the established nature of the festival, and because the KKNK is so similarly structured to the NAF, it is an especially interesting case study. The impact study which is primarily used for this festival was conducted by Haydam in 1996, which serves to illustrate (when compared against some of the more recent case studies) how the methodology behind, and estimation of, an impact amount has evolved in the years since. Far more recent analysis has been conducted on the KKNK (for example, Slabbert *et al.*, 2009), so it is necessary to point out that the use of Haydam"s study is deliberate.

3.2 Volksblad Festival (Bloemfontein, South Africa)

The Volksblad Festival is held in Bloemfontein, the capital of the Free State Province, the most central province of South Africa. The festival was created as a non-profit association, and was first presented in July 2001 as part of Media24's arts festival initiative (Volksbladfees, 2007:1). The Volksblad (a locally produced newspaper) and the University of the Free State (UFS) act as

[6] A multinational media company with principal operations in electronic media and print media.

[7] This company was formed to represent a vast transport network in South Africa, including rail, harbor, road, aviation, and pipeline operations.

[8] An award presented annually by the Western Cape Premier to recognize excellence in the tourism industry.

partners in the organisation and presentation of the festival; the UFS provides the theatres and physical infrastructure for the festival while Volksblad, as title sponsor, is responsible for the marketing and organising. Joseph (2004:242) stated that this festival was "conceived to conserve and perpetuate Afrikaner culture and language", and is similar to the KKNK in that it is an "expression of the Afrikaners" sense of identity and cultural re-assertion".

According to the Volksbladfees (2007:2), in 2001, 6 000 tickets were sold but the festival has shown growth and in 2005, 30 000 tickets were sold. Visser (2007:359), estimated that around 27 000 visitors attend the festival annually, with only 30% coming from outside the Bloemfontein region. Joseph (2004:242) explained that a three-tier programme exists, with the official programme highlighting the artistic component alone, and not drawing any attention to the second and third tier commercial and social programmes which, in his opinion, are immensely popular.

The Volksbladfees (2007:3) – in stark contrast to the figures put forward by Visser (2007:359) - reported that approximately 300 000 people annually attend the festival (over a period of four to six days). This would mean that the claims of Joseph (2004:242) regarding the unofficial fringe programmes attracting many attendees could possibly explain the reported visitor number far exceeding the number of tickets sold – although the discrepancy is very large, and begs the question of whether both the statistics can be mutually reliable. Nevertheless, according to reported ticket sales, the Volksblad Arts Festival was in 2007, after the Klein Karoo National Arts Festival and Aardklop, the third largest Afrikaans arts festival in the country (Volksbladfees, 2007:3).

3.3 National Arts Festival (Grahamstown, South Africa)

The inaugural Grahamstown National Arts Festival was held in 1974 and a festival has been organised every year since, bar one. Grahamstown is situated in the Eastern Cape, and was established as a small settler town; little industry exists, but it is home to several good private schools, as well as Rhodes University, and is the seat of the Provincial High Court (Snowball and Willis, 2006:44). The festival is held annually over a 10-day period in July. It was originally a

project of the Grahamstown Foundation, a non-profit-making body that was established "to enrich the cultural and educational life of South Africans" (NAFEST, 2006:3).

Although based around the 1820 Settlers Monument, from the beginning the programme was not confined to one venue; other facilities in the city were also used. This was a trend that developed further as the festival grew and after 3 decades of existence approximately 50 venues are used throughout the Grahamstown area (NAFEST, 2006:1). In 1974 there were 64 events on the Main Programme but by 2006, the festival comprised more than 350 events with over 1 500 performances, while 200 of the performances made up the Fringe programme (Pretorius and Pretorius, 2006:263). The 2009 NAF statistics show that there were 580 events on the Main, and 2246 events on the Fringe Programme (NAF Statistics, 2010:1). The structure of the NAF, with its Main and Fringe programmes, is modelled on that of the Edinburgh Festivals, as is discussed in a subsequent sub-section.

The Village Green craft fair was introduced in 1989 with approximately 90 stalls, and in 2006 attracted close to 1 000 stallholders (NAFEST, 2006:2). These are a popular alternative to the theatrical performances on offer (Kaahwa, 2005:287). Indeed, with the festival having become more varied over time, in recent years there have been many more art forms present in the major categories of craft art, student theatre, jazz, and street theatre - and a children's arts festival has also been developed. Although English dominates performances, languages such as Afrikaans, Zulu and Xhosa are also used.

Substantial sponsorship is required to mount the NAF and this money, plus all else raised, goes towards funding the large event. Most recently, the main sponsors of the Grahamstown National Arts Festival have been Standard Bank, the National Arts Council, the Eastern Cape government, and Transnet – with sponsorship totalling just over R14.5m in 2009 (NAF Statistics, 2010:3). The Lotto was added as a major contributor in 2010, increasing the sponsorship to close to R25m (NAF Statistics, 2010:3).

The history of the performing arts in South Africa, and indeed the history of the NAF, is intertwined with opposition against apartheid, political inequality, injustice, and racial prejudice (van der Vyver and du Plooy-Cilliers, 2006:193). It is argued that the festival has played a

greater role than most others in the history of South Africa, and that, if the social dynamics of arts festivals were scrutinized, it would not be difficult to establish a strong link between the NAF and politics. Indeed, with reference to the NAF, Snowball and Webb (2008:153) pointed out that there is evidence suggesting that the correlation between culture and social change is a strong one. Perhaps now with apartheid a thing of the past, the waning relationship between the NAF and politics means that the valuation of the event is more important than ever. The focus is no longer on the political activism through the medium of art, and taking a stance against the oppressive ruling powers; the festival is now forced to prove its worth in a more commercial way, as the NAF lobbies against other festivals for limited Government and private funds.

3.4 Edinburgh Festivals (Edinburgh, Scotland)

The Edinburgh Festivals, started in 1947, are said to:

> "present a rich programme of classical music, theatre, opera and dance in six major theatres and concert halls and a number of smaller venues, over a three - week period in late summer each year" (EIF, 2007:2).

From the start these combined events aimed to give individuals a platform to put on shows of their own outside of the official festival, and these soon grew into the Edinburgh Festival Fringe (EIF, 2007:1). Over time half a dozen or so more festivals had taken root around it in August and early September, and the International, Fringe, Book and Film Festivals, and the Tattoo jointly constitute what is commonly known as the „Edinburgh Festival" (Prentice and Anderson, 2003:10). Towse (2010:519) describes this event as a "compendium of festivals", and proposes that it could possibly be the largest arts festival currently held in the world.

TNS (2005:i) stated that the festival consists of "the Summer Festivals, frequently described as the world"s largest arts festival, through the hugely popular Hogmanay and Christmas events, to the Spring and Autumn Festivals which cater for a wide range of interests and ages". Together these festivals attract over 3.1 million attendances, with the Edinburgh Fringe responsible for almost half that total (TNS, 2005:i). This festival attracts visitors not only to Edinburgh, but also to Scotland generally which, according to Prentice and Anderson (2003:10), is an objective of

the festival – “to reflect international culture in presentation to local audiences and to reflect Scottish culture in presentation to international audiences”. The size of the festival, and also its popularity and reputation as one of the leading contemporary cultural festivals in the world makes it an interesting benchmark with which to compare the three aforementioned South African festivals.

3.5 Common Examples of Existing Forms of Bias

This section introduces the following sources of bias which can either be inadvertently, or purposefully, incorporated into an economic impact study. Each type of bias is briefly outlined, and then discussed by way of applying them to the four case study festivals.

3.5.1 Calculating Visitor Numbers

As mentioned in the Chapter 2, the calculation of visitor numbers is one of the most contentious issues within economic impact studies (Snowball, 2004:1080). Visitor numbers are key to accurately estimating the direct economic impact of an event. However, perhaps an issue of equal importance is that of researchers inflating visitor figures in order to increase the public profile of the festival, relative to those competing for the same sponsorship monies. One way in which the illusion of unusually high visitor numbers can be created in the eyes of the general public is through the use of „visitor days“.

As explained, visitor days are the total number of visitors to the event, multiplied by the average number of days each visitor spends in the host community with the express purpose of attending the event. This figure will thus be greater than the simple visitor number, and when visitor days are used in the media or by festival organizers to promote the festival, individuals who are unable to distinguish between visitor numbers and visitor days may wrongly perceive one festival to be more popular (and thus, perhaps more valuable) than another. The risk of wrongly inflating visitor numbers by the using visitor days is considered by Snowball (2004:1081), who, as alluded to earlier, argued that visitor days are actually the most appropriate figures to use, as

they indirectly take into account the characteristics of the event - like its location, for example. Thus, from an academic point of view, visitor days are actually more useful than visitor numbers, and when used they make comparisons with other events more significant.

It was suggested by Snowball and Antrobus (2002:1300), as well as by Crompton (2006:70), that local visitors to the festival should not be included in an economic impact study, as the money spent by these individuals does not represent the injection of new wealth into the host community, but rather a reallocation of money already in the system.

3.5.1a KKNK (Klein Karoo Nasionale Kunstefees)

Haydam (1996) drew up three estimates of the number of tourists to Oudtshoorn, as well as 3 estimates of the total attendance of the festival, called the "conservative", "realistic", and "optimistic" figures. Haydam (1996:Appendix B) outlined these figures as 39 000, 54 000, and 78 000 for the number of tourists, and 59 000, 80 000, and 115 000 for the total festival attendance, respectively. Haydam (1996:Appendix B) relied on retrogressive extrapolation to obtain these estimates, as at the time, no accurate attendance figures were available.

Firstly, the number of visitors per key attraction in the immediate region was estimated, and these numbers were divided by the "penetration rates" obtained in the study (Haydam, 1996:Appendix B). Penetration rates refer to the percentage of the sample population who visited these specific areas. This then provided an idea as to the total number of tourists who visited the area at the time of the festival. In accounting for the local residents, so as to arrive at an approximation which takes into consideration the total number of festival goers, the total number of tourists was adjusted for the percentage of foreigners present.

While measures to exclude locals were painstakingly carried out, in order that a most precise visitor figure was arrived at, an indication of the possible existence of an upward bias in this regard is given by Haydam (1996:4) himself, as it was stated that:

> "no accurate estimates as to the number of people having visited the festival were available", and "the estimates provided in the study may have varied more than what was initially proposed in the sampling methodology".

Interestingly, Slabbert *et al.* (2009:38), when estimating visitor numbers for the 2009 KKNK, arrive at reasonably similar figures. Researchers handed out 555 interview questionnaires to visitors, which were returned once completed. The data obtained was used to calculate visitor numbers, which was drawn specifically from the total tickets sold (116 759), the average number of tickets bought per visitor group (6.7), the number of visitors per group (2.57), and the average amount of time spent at the KKNK by each visitor (4.2 days).This yielded an estimated 17 484 visitor groups, an absolute visitor number of 44 934 and a visitor day count of 190 072 (Slabbert *et al.*, 2009:38).

3.5.1b Volksblad

According to Strydom *et al.* (2006:90) 452 visitor questionnaires and 72 business questionnaires were administered and successfully completed during the festival that took place from 12-17 July 2005 in Bloemfontein, from which it was estimated that the festival attracted "less than 50 000 visitors annually". Strydom *et al.*'s (2006:93) exact estimate of the total visitor number was 26 709 (a figure notably less than 50 000), based on the number of tickets sold, the average price of tickets, and the spending per person on tickets.

The visitor number was not confirmed by the other findings of the study, however, as it could just as feasibly have been assumed that the total number of visitors was realistically in the region of 35 200[9]. Inconsistencies of this type are not uncommon in economic impact studies, and typify how difficult it can be to arrive at a reliable visitor estimate, as is the sentiment of Snowball and Antrobus (2004:1081). For a visitor number estimate to be reasonably reliable, it

[9] Strydom *et al* (2006:92) give 27 671 as the total number of tickets sold, 2.2 as the average number of tickets bought per visitor group, and 2.8 to be the average size of each visitor group. Thus, if the total number of tickets sold (27 671) were divided by the average number of tickets bought per group (2.2), an estimate of 12 578 visitor groups in total would be arrived at. When this figure is multiplied by the average group size (2.8), the total visitor number is estimated at 35 219.

should at least be supported by the other estimated figures in the study[10], not undermined by them. This point was raised by Lind and Gronstad (2010:12), who pointed out that if data from the financial reports of a festival, as well as local businesses interviews, can be incorporated into the impact estimated through an economic model, it is likely that the outcome would be more accurate than if only one source of information was used. However, this was not the case in the Strydom *et al.* (2006) study. Bias of this nature, which leads to a gross discrepancy between the possible visitor numbers which may be calculated, casts doubt not only on the validity of the outcomes of the specific study itself, but also serves to detract – in the eyes of some, at least – from the credibility of the method as a whole.

3.5.1c NAF

Snowball and Antrobus (2003:19) favoured visitor days over simple visitor numbers, because "they allow a comparison to be made of festivals of different natures more accurately, in that they take into account longer-stay versus day visitors". However, both visitor numbers and visitor days were calculated for this study. Ticket sales data indicated that 95 913 tickets were sold at the 2003 NAF, and therefore the visitor numbers in this instance were calculated by dividing this figure by the average attendance at ticketed shows (4.85) to obtain a figure of just under 19 800 attendees (Snowball and Antrobus, 2003:20). Because the average stay was calculated to be 6.1 days each, this gave a figure of 121 633 visitor days.

However, if ticket sales data were treated as group data (as opposed to individual data), visitor numbers in this case would be 35 597, and visitor days 217 141[11] (Snowball and Antrobus, 2003:20). The first calculation is the more appropriate if it is taken into consideration that the NAF organiser"s were able to estimate visitor days at around 121 000, using ticket sales and head counts at various free shows (Snowball and Antrobus, 2003:20). This figure is notably similar to the estimated number of visitor days, and thus lends credibility to it.

[10] Such as the number of tickets sold, the average number of tickets bought per group, and average group size, for example.

[11] This is due to festinos only attending 0.4 shows per person per day, and the average ticket price being R59, with the average group size being 1.8 people.

The 2003 NAF, like the 2005 Volksblad festival, is an example of how more than one visitor number could be calculated from the data collected at one event. In this instance, it is the result of the questionnaire respondents‟ possible confusion regarding whether the ticket sales question related to the individual visitors, or to visitor groups. Whilst this would normally detract from the validity of the study, measures were taken to determine which of the figures was most likely to have been accurate. As alluded to before, when the ticket sales were assumed to be for individuals, the visitor day figure is estimated at 121 633 (Snowball and Antrobus, 2003:20), which strongly ties in with the NAF organiser‟s estimated visitor day figure of 121 000. The confusion which arose in the 2003 NAF study regarding the calculation of visitor numbers highlights the need for a very carefully designed questionnaire, in order that ambiguities are minimized. It is suggested that this also shows the need for sensitivity analysis, in order that the effects of the different assumptions (like the ticket sales data being treated as either group or individual data) can be clearly illustrated and accounted for.

3.5.1d Edinburgh

As the Edinburgh Festivals are comprised of many smaller events, slightly more complex concerns are to be considered by researchers, as compared to the simpler single-festival events. A survey was used to identify the festival that was the main motivator for visitors making their trip, which meant that the number of visitors (and their expenditure) allocated to each festival was very different from what would have been produced if the results were based simply on total attendance figures (TNS, 2005:7). This approach aimed to avoid the double-counting that would have occurred if each festival was to do their own impact calculations and add them together, as visitors often attended more than just one of the festivals. Thus, TNS (2005:11) made the distinction, when calculating the total visitor number, between the number of visitors themselves, and the number of attendances they made at the various „sub-festival‟ events.

Also, performers and journalists were removed from the original attendance estimates, and were subsequently included separately. This special allowance was made in line with the idea that these individuals, specifically, would have attended more than one festival on average. TNS

(2005:12) reached a total "visitor trips" number of 1.4 million for all the festivals combined, as opposed to a figure of just over 3 million for combined attendances at all the festivals.

3.5.2 Multipliers

The direct impact of a change in the economic activity within a specific sector can be relatively easy to recognize and estimate by monitoring the adjusted spending on those products and activities which are closely linked to the sector"s main function (Heaney and Heaney, 2003:257). However, the "ripple", or "multiple" effects which are felt in related sectors as a result of increased or decreased spending in a specific sector are more difficult to estimate, but no less essential to capture for the accurate calculation of economic impact (Crompton, 1995:18). The effect of increased or decreased spending on the employment in a sector is an equally important concern. For example, an Oxford Economics (2010:40) study of the UK film industry, discussed matters surrounding the multiplier almost exclusively in employment terms.

Navarro *et al.* (2010:15) explain that the size of the multiplier, and its intended effect, will depend strongly on the tendency of those organizing and attending an event to buy from local suppliers rather than those who import into the geographical impact area. Towse (2010:531) also emphasizes this point, and states that if most goods and labour services need to be imported from other regions (or other countries) to satisfy tourist"s demands, then the impact of their combined spending on the local economy is diminished.

Snowball and Antrobus (2002:1304) believe that two important factors to be taken into account when determining the size of the multiplier are the potential leakages from the system, and the size of the sample area in which the event is to be held. As mentioned before, Baaijens and Nijkamp (2000:844) explained that as the size of the sample area becomes greater, so fewer leakages should occur, and as such the multiplier effect (and the multiplier itself) should become larger. Crompton (1995:25) made a similar point, but placed less emphasis on the actual geographical size of the sample area, and suggested that if the host community had a "large economic base", then it would be more likely that the direct expenditure as a result of an event would produce a high value added (and only a small amount of leakage from the system).

Depending on which factors a researcher decides to take into account when determining the size of the multiplier, it can result in conflicting conclusions being drawn by different studies conducted on the same event. Thus, whilst Snowball and Antrobus (2005:9) suggested that it would be most accurate for each economic impact study to have its own multiplier specifically calculated, it was also acknowledged that this is an expensive process in terms of both money and time, and this remains a major reason why multipliers are often estimates based on economic impact studies of events with similar characteristics.

The following section will discuss how the multipliers have been estimated in the KKNK, Volksblad, NAF, and Edinburgh Festivals" respectively:

3.5.2a KKNK

Haydam (1996:14) stated that the increase in tourist expenditure adds to the income of the Oudtshoorn region, which in turn is partly spent on other goods and services in the Oudtshoorn area. This cycle of expenditure – income – expenditure will keep repeating itself until stabilization is reached. In this instance, the size of the multiplier for the festival was based on the cycle running its course 3 times in the subsequent 12 months. Therefore, with a direct economic impact amount of R15.7m, when the multiplier effect was taken into account, the total economic impact of tourist expenditure at the 1996 KKNK festival was estimated to be R47m (Haydam, 1996:14).

It is apparent from the large multiplier of three that none of the possible leakages from the Oudtshoorn region were taken into consideration. These leakages could result from artists at the KKNK originating from outside the area, from reported transport costs not being spent entirely in Oudtshoorn, or from additional labour being brought in from outside the area for the duration of the event, for example. A multiplier of this size seems to overestimate the impact on the Oudtshoorn region (which is a fairly small geographic area, with a limited manufacturing base), even taking into account the relatively large visitor number of 54 000. Theoretically, for every R1 spent by a visitor in Oudtshoorn during the festival, an additional R2 is generated (and circulated) within the region as a result. Intuitively and based on economic theory and other

cased studies of similarly isolated festivals, the multiplier used in this instance seems unrealistically inflated.

Slabbert *et al.* (2009:41) were much more detailed in their application of a multiplier estimating the total economic impact of the 2009 KKNK. Even in the direct spending phase of the calculation, „adjustment factors" were used on the total amounts reported in the categories of ticket sales, memorabilia, food and restaurants, and transport to reflect that not all of the money generated under each of these headings ends up in the Oudtshoorn area – and it is suggested that these act as „miniature multipliers" in order to attain a more accurate direct spending figure (Slabbert *et al.*, 2009:40). The effect of these adjustment factors was to bring the original direct spending estimate down from R84.4m to R57.5m, before expenditure on organising the event was included. Subsequently, two different multipliers (1.35 and 1.66) which were based on multipliers used in previous studies were applied to the total direct spending to give a realistic range of economic impact (between R91.3m and R112.3m).

3.5.2b Volksblad

Strydom *et al.* (2006:94) estimated the direct sales effect of the 2005 festival at R6.3m, but acknowledged that there was the need to apply a multiplier in order that the indirect and induced effects be accounted for. The business questionnaire used was designed to provide an estimate of the leakages from the Bloemfontein economy. Table 3.1 indicates the average leakages, in terms of stock bought from outside the area, of different types of businesses for the 2005 Volksblad festival. The table shows the number of respondents in each type of business as well as the average percentage of stock that was bought outside the area.

Table 3.1: Average Leakages according to Business Type

Type of Business	Number of Respondents	Average % of stock bought outside the area
Accommodation	29	11
Café/Take Away	13	34
Bar/Bottle Store	6	24
Restaurant	18	43
Petrol Station	6	48

Source: Strydom *et al*. (2006:95)

The basic Keynesian definition of a multiplier was applied roughly to estimate the value. The following formula was used: Multiplier = 1/leakages, where the weighted average leakages (as determined by the business surveys) were used as a proxy. The weights applied were determined based on relative importance of the spending item in total spending. The weighted average stock leakages were estimated at 34.1% of stock (Strydom *et al.*, 2006:95). Therefore, the multiplier in this instance was 2.9, which Strydom *et al.* (2006:95) admitted was very large, and should be viewed purely as an estimate. Applying this figure of 2.9 to the direct spending figure of R6.3m, Strydom *et al.* (2006:95) estimated the economic impact of the 2005 festival on the Bloemfontein economy at R18.4m.

Because Bloemfontein is a relatively small city which is also somewhat isolated, and as such is far from self-sufficient, it would be expected that large leakages would occur from the region, especially, for example, with regard to the provision of fuel, as South Africa is not an oil producing country. However, as in the instance of the Haydam (1996:14) KKNK festival study, this multiplier seems unrealistically big, and suggests that whilst Strydom *et al.* (2006:95) attempted to accurately capture and account for leakages from the Bloemfontein area, the business questionnaire was unsuccessful in doing so.

3.5.2c NAF

Snowball and Antrobus (2003:22), when debating the size of the multiplier to be used, stated that the Grahamstown impact area was small, and the city itself produced very little, so the leakages from the region should thus be relatively large. Reference was made to studies conducted on the NAF in 1996 and 1997 (Antrobus *et al.*, 1997a and 1997b), which indicated that a multiplier of 1.18 (and thus, a leakage factor of 82%) was used. This was adopted as it seemed to the researchers that, in the context of the multipliers used at other arts festivals (like that of Adelaide, Melbourne, and Edinburgh), the figure was a reasonable estimate (Snowball and Antrobus, 2003:22). Even without comparing the multiplier to those used in other festivals, as was done by Snowball and Antrobus (2003:22), with a basic knowledge Grahamstown and the setting in which this small town finds itself – largely isolated from any major centre, and reliant on importing so much from outside the region - it is feasible that the leakages of around 82% as was

estimated in this study, are reasonably accurate. The multiplier of 1.18 was further confirmed as being within an acceptable range when a survey of local businesses from different sectors suggested that 87% of their products were purchased from outside Grahamstown (Snowball and Antrobus, 2003:22). Again, this goes back to the call from Lind and Gronstad (2010:12) for more than one source to be drawn from when determining key figures in the impact calculation – the analogy used was that of a ship being better navigated towards its end point by many benchmarks, rather than by just one.

When the estimated first round impact of R27m was adjusted for sponsorship, craft market rentals, and immediate outflows as a result of performer earnings and craft/street trader earnings, the retained income from first round impact was R28m (Snowball and Antrobus, 2003:22). The multiplier of 1.18 was applied to this figure which resulted in the total economic impact being estimated at R33m[12] for the 2003 NAF.

3.5.2d Edinburgh

TNS (2005:8) explained that the increased economic activity due to the Edinburgh Festivals would have two types of wider multiplier effects: a supplier effect, and an income effect. The supplier effect refers to an increase in the sales of a business, which necessitates that the business purchases more supplies. Thus, a proportion of this „knock-on" effect would be of benefit to suppliers in the local economy. The income effect is also felt as a result of an increase in the sales of a business, which means that there would be an increased number of employees required, or an increase in the incomes of those already employed at the business. A proportion of these increased incomes would be re-spent in the local economy, further stimulating it.

The Scottish Tourism Multiplier Study (STMS) provided supplier and income multipliers for the tourism sector, and the multipliers used by TNS (2005:9) were the specific sectoral output multipliers for Edinburgh and Scotland. To take into account the wider Lothian area, TNS (2005:9) assumed that the multiplier value was 6% of the difference between the Edinburgh and

[12] Or approximately US$4.7m at the estimated exchange rate of R7,50/US$1 in 2006 .

Scotland values, a figure which was based on the rest of the Lothian‟s share of the Scottish GDP. TNS (2005:10) used income, output, and employment multipliers to estimate the various effects which the festivals have had on Edinburgh city, the Lothians region, and Scotland as a whole, as illustrated in Table 3.2.

The organisers‟ expenditure stream was treated slightly differently, as this additional money used to stage the event was also subject to multiplier effects, although these could not be said to be tourism based (TNS, 2005:10). The figures attempted to capture the expenditure of employees who worked on site, and the payments to suppliers (who were unlikely to be tourism related companies) by those involved in the production of the events and profits retained in the area.

Table 3.2: Combined Supplier and Income Tourism Output Multipliers by Area

	Edinburgh			The Lothians			Scotland		
	Output	Income	Output per Job (£)	Output	Income	Output per Job (£)	Output	Income	Output per Job (£)
Accommodation	1.52	0.33	25,771	1.53	0.35	24,225	1.74	0.51	
Food & Drink	1.70	0.42	25,651	1.71	0.45	24,112	1.94	0.52	
Entertainment	1.55	0.50	18,545	1.56	0.53	17,432	1.78	0.67	26,156
Shopping	1.54	0.33	41,272	1.56	0.35	38,796	1.93	0.34	
Transport	1.39	0.31	51,541	1.40	0.33	48,449	1.53	0.36	

Source: TNS (2005:10)

TNS (2005:10) used a multiplier of 1.25 for Edinburgh, 1.3 for the Lothians and 1.5 for Scotland, but given the high proportion of Edinburgh and Scottish based contractors, it was conceded that the multiplier value for this expenditure was likely to be fairly high. It was taken into account by the researchers that there were no local multiplier values for non-tourism expenditure - the values were estimated to vary between different geographical areas and economies - and that the SE Project development guidance suggested that a combined local multiplier would be around 1.15 and regionally between 1.32 – 1.65 (TNS, 2005:10).

Table 3.3: Combined Non-tourism Multipliers Used by Area

	Edinburgh	The Lothians	Scotland
Output	1.25	1.3	1.5
Income	0.5	0.53	0.65
Employment (£)	30,000	28,200	23,768

Source: TNS (2005:10)

The different multipliers which TNS (2005:10) calculated for the various regions (Edinburgh; the Lothians; and Scotland) illustrates how the impact of a multiplier varies with the size of the impact area. Table 3.3 shows that the multipliers which were used for the whole of Scotland were larger than those used for the Lothian region, which in turn were larger still than those used for the city of Edinburgh (TNS, 2005:10).

3.5.3 Inclusion/Exclusion of Local Spending

Crompton (1995:26) stated that the economic impact attributable to an event:

> "relates only to new money injected into an economy by visitors, media, external Government entities, or banks and investors from outside the community".

This echoes the idea touched on previously that only those people who live outside the region in which the festival is taking place, and whose primary motivation for visiting is to attend the festival, or who stay longer and spend more as a result of the festival, should be included in the total spending calculation. The corollary of this, according to Crompton (1995:26), is that local residents" spending at an event being held in the community is merely "switched spending", it does not constitute an economic stimulus, and should not be included in the economic impact calculation.

However, in reality, local spending is not always excluded from economic impact studies. Whilst it is possible that local spending is greater than normal over the duration of a festival (as locals choose to „holiday" at the festival, as opposed to going on holiday elsewhere), it has been suggested by Crompton (1995:26) that local spending is more likely to be included in order that the economic impact figures remain at what is perceived as an „acceptably" high level, often for

the benefit of the sponsors of the study. Lind and Gronstad (2010:12) also highlighted the issue of locals choosing to holiday at the festival and suggested, on the topic, that there is a great degree of difficulty with separating festival attendees based on where they reside in reality. Below are some of the angles taken by various researchers on whether or not to include local spending with that of visitors, and the problems encountered when it has been decided to make the differentiation between the two.

3.5.3a KKNK

Haydam (1996:3) defined the target population of the study to be "all the residents and non-residents (tourists) in Oudtshoorn during 29 March to 3 April 1996". However, for the purpose of estimating the economic impact of the 1996 KKNK festival on Oudtshoorn, a festino profile was drawn up, and only those spending figures which related specifically to tourists were included. This illustrates that local spending was purposely excluded from the study, so as to capture only the effect which the visitors had on the area.

That local spending was excluded from the study could possibly be explained by Haydam (1996:14) having already estimated a relatively high visitor number of 54 000. It must be noted that Haydam (1996:4) conceded that no accurate measures as to the number of festival visitors were available at the time, and that this estimate may have caused the figures reliant on such a number to vary more than was initially proposed in the sampling methodology.

Slabbert *et al.* (2009:25) mentioned that of the respondents to the visitor questionnaire, 4% were local residents. No further mention is made of adjusting for this fact, or of removing these questionnaires from the data set, and as such it can reasonably be assumed that the local spending data was included in the final economic impact calculation.

3.5.3b Volksblad

Strydom *et al.* (2006:92) were able to point out the differences in the spending of locals and visitors to the 2005 Volksblad festival, as shown in Table 3.4 below. Visitor spending was almost 50% more than that of local spending, and visitors spent more in every category except for "other". Strydom *et al.* (2006:93) expressed the complexity of leaving out locals from the total spending amount, as it was hypothesised that the "transport to festival" category of the locals might suggest that students travel home to Bloemfontein to attend the festival, but are actually locals in the true sense of the word. The idea that locals choose to „holiday" at the festival is key to why local spending was included in the total expenditure figure used by Strydom *et al.* (2006:93) to calculate the overall impact of the festival on the Bloemfontein economy. Perhaps it was also the high proportion of locals who attended the festival (70% of all festinos), which convinced Strydom *et al.* (2006:93) that their exclusion would be a gross underestimation of the true impact on the Bloemfontein economy. Total visitor spending was reportedly around R6.7m, of which R3.9m was attributed to locals[13] (Strydom *et al.,* 2006:94).

Table 3.4: Spending by Festinos (per festino)

Item	Visitors (Rands)	Locals (Rands)
Accommodation	17.74	-
Food & Restaurant	54.68	39.51
Alcohol	26.25	20.25
Non-alcoholic	12.33	10.00
Tobacco	2.85	2.53
Shows	57.65	61.40
Shopping	39.79	33.10
Souvenirs	28.89	28.42
Transport to Festival	87.02	1.48
Transport during Festival	7.62	3.30
Parking	0.29	0.04
Other	0.91	10.03
Total	336.04	210.05

Source: Strydom *et al.* (2006:93)

[13] 70% of 26 709 visitors in total gives 18 696 locals who attended the festival. If this is multiplied by the average spending per local, as in Table 2 (R210.05), then the estimated local spending amount is R3 927 094, or approximately US$561 013. Which exchange rate are you using here – does it need to be updated?

It should be noted, though, that the proportion of local spending to total spending is lessened when the festival sponsorships are taken into account, as then the total spending amounts to an estimated R8.7m (Strydom *et al.*, 2006:94). However, with 70% of the visitors to the festival being locals, it is suggested that Strydom *et al.* (2006:93) were swayed to include the local spending amount as part of the total visitor expenditure, as the economic impact figure may otherwise have seemed „unacceptably" low.

3.5.3c NAF

Snowball and Antrobus (2003:19), whilst wary of whether or not to include local spending in an economic impact calculation followed the trend of Adelaide Festival Study (1990:13), which advocated the inclusion of the additional spending of locals who were said to be "holidaying at the festival" (as opposed to leaving the host community for the holiday period).

An related issue, which is similar to that of the inclusion of local spending in an economic impact calculation in terms of the bias it can introduce, is that of „time-switchers" and „casuals". This was also taken into account by Snowball and Antrobus (2003:19), and it was decided before the survey was conducted that the spending of these individuals would not be checked for in the conducting of the study. The decision not to check for either „time-switchers" or „casuals" was based on the geographic location, and size, of Grahamstown – because there were no other significant tourist attractions in the immediate area, it was assumed that „time-switchers" and „casuals" would make up an insignificantly small proportion of the total number of visitors.

3.5.3d Edinburgh

TNS (2005:ii) explained that economic impact in this study was calculated to represent the "contribution made to the economy"s output, income and employment", and these impact amounts were presented as net figures, which excluded the activity that would have taken place without the staging of the festivals.

Locals who attended the festivals, as well as those visitors who were on holiday and would have visited Edinburgh anyway, regardless of the staging of the festivals (or „casuals") were omitted from the expenditure figures by a series of questions in the questionnaire. These were designed to ascertain what the visitors to the festivals would have done with their time had these events not taken place; essentially a way of determining the opportunity cost incurred as a result of attending the festivals (TNS, 2005:13). This allowed the proportion of total visitor expenditure attributed to each festival, after allowing for displacement, to be calculated as shown in Table 3.5. The expenditure of local residents and visitors who would have been in the city anyway was excluded. The study also allowed for leakages of expenditure, when, for example, visitors stayed outside Edinburgh (TNS, 2005:14). Displacement is a type of opportunity cost, and is best explained by example: the expenditure of an international visitor who would have gone elsewhere in Scotland if the festivals had not taken place, is displaced from that alternate destination, but is additional to Edinburgh. Displacement therefore varies between Edinburgh, the Lothians and Scotland in terms of the origin of the visitor.

Table 3.5: Displacement and Leakage: % of Gross Visitor Expenditure Additional to Edinburgh

Festival	Gross Expenditure generated in Edinburgh (£ millions)	Additional Expenditure as a proportion of Gross Expenditure (%)	Net Additional Visitor Expenditure (£ millions)
Edinburgh Int. Jazz & Blues Festival	3.4	53	1.8
Edinburgh Military Tattoo	20.4	73	14.9
Edinburgh Int. Film Festival	2.4	42	1.0
Edinburgh Festival Fringe	56.0	63	35.1
Edinburgh Int. Book Festival	3.1	58	1.8
Edinburgh International Festival	28.8	40	11.6
Edinburgh Mela	0.5	60	0.3
Festival Cavalcade	2.7	59	1.6
Edinburgh Int. Games Festival	0.3	67	0.2
Edinburgh Storytelling Festival	0.4	37	0.1
Capital Christmas	10.1	73	7.4
Edinburgh Hogmanay	20.9	76	16.0
Edinburgh Easter Festival	1.0	61	0.6
Edinburgh Int. Science Festival	2.3	36	0.8
Ceilidh Culture	0.3	56	0.2
Edinburgh Childrens Int. Theatre Festival	0.3	69	0.2
Edinburgh Total	152.9	61	93.6

Source: TNS (2005:14)

TNS (2005:15) found that additional visitor expenditure across all the Festivals was around 60% of total visitor expenditure, which equated to a net additional visitor expenditure of £94m, as opposed to the gross visitor expenditure figure associated with the Festivals of £152m.

3.5.4 Failure to Accurately Define the Impact Area

As Snowball and Antrobus (2002:2) pointed out, it is very important to define the study area as accurately and clearly as possible, so as to avoid a situation whereby different studies of the same event produce significantly different impact estimates. Schmidt (2008:18), amongst others, has stressed the negative relationship between the size of the economic base of a specific area, and the leakages which can normally be expected from the region. The opportunity which exists for the manipulation of economic impact figures – through the unnecessary expansion of the defined area of interest – must be countered by the implementation of reasonable geographical restrictions, to attain a realistic impact figure (Crompton, 1995:25). These could be the city limits for an event in a metropolitan area, or perhaps the provincial boundary for an event which is spread out over a larger region.

3.5.4a KKNK

Haydam (1996:2) stated that the primary objective of the study was the "estimation of the festival‟s direct economic contribution to the local economy of Oudtshoorn in terms of Rands spent". This seems to imply that the area of interest for this study was intended to be the town of Oudtshoorn specifically; however, there is some vagueness in terms of the area of interest where the economic impact calculation is concerned.

As stated by Haydam (1996:14) the tourist expenditure "to the region" equated to R15.7m, and the increased tourist spending adds to the income of "Oudtshoorn and its immediate environment", which is then spent in part on other goods and services in the "Oudtshoorn environment."

Slabbert *et al.* (2009:39) were quite specific in limiting the impact study to the town of Oudtshoorn itself. This was borne out most obviously in the deliberate attempts to remove all of the indirect effects on the impact amount resulting from those factors which originated outside of town. In just one example, the transport costs of visitors (primarily fuel) were adjusted downwards to account for the amount of money spent on this aspect outside of Oudtshoorn itself.

3.5.4b Volksblad

Similar to Haydam"s 1996 KKNK study, Strydom *et a*l"s (2006:87) primary purpose was "to indicate the economic impact of the annual Volksblad Arts Festival on the local economy of Bloemfontein." This seems to imply that the area of interest for this study was defined as the city of Bloemfontein specifically, and can reasonably be assumed to have been restricted by the city limits.

One of the methods used by Strydom *et al.* (2006:90) to gather data for calculating economic impact was a survey of 72 businesses, with mainly those that were closely situated to the tourism industry (within a radius of 3km from the Arts Festival venue) being targeted. One of the main aims of this business questionnaire was to determine the magnitude of the leakages from the Bloemfontein area (Strydom *et al*., 2006:91). When it is considered that the multiplier was derived from the findings of the survey, and that it was only conducted on businesses close to the festival site, it can safely be assumed that the researchers took into account the bias which may have been introduced if the area of interest was not properly defined. One can then assume that the economic impact amount, estimated to be R18.4m (Strydom *et al.*, 2006:96), was that which the researchers felt impacted on the Bloemfontein economy specifically.

3.5.4c NAF

Snowball and Antrobus (2003:i) stated that the estimated impact amount was intended to be a "total economic impact on Grahamstown" specifically. It was also stated that, upon completion of a survey of 42 Grahamstown businesses, the results provided further data as to the effect of

the NAF "on the Grahamstown economy" (Snowball and Antrobus, 2003:i). Further evidence that the area of interest was limited to the city of Grahamstown only, exists through the admission by Snowball and Antrobus (2003:22) that the Grahamstown area was relatively small, and as the city itself produces very little, the extent of the leakages were likely to have been substantial. It is probably an easier task to limit the area of interest for a study like that on the 2003 NAF by Snowball and Antrobus, as Grahamstown is somewhat isolated geographically when compared to larger metropolitan areas with sprawling suburbs, and has as a result much more defined boundaries.

3.5.4d Edinburgh

TNS (2005:16) calculated the economic impact of the Edinburgh Festivals on first the local (Edinburgh), then the regional (Lothians), and finally the national level (Scotland). Without explicitly stating it, this seemed to imply that the city limits, as well as the regional and state boundaries were those used as the boundaries for the impact areas.

Defining three different areas of interest was presumably done with two specific goals in mind – firstly, to avoid the problem of defining the area of interest too widely, which would falsely inflate the economic impact of the festivals; and secondly, to allow the researchers to observe the effects of the festivals at different geographic intervals. At each larger interval, more Scots were necessarily considered „locals" (not just the residents of Edinburgh at the Lothians interval, for example) for the sake of the economic impact study. When Scotland itself was the impact area, as it is the largest of the three regions, the largest multiplier was used for the economic impact.

3.5.5 Data Collection

Economic impact studies are notoriously difficult to coordinate and carry out, as there are many pitfalls which may be encountered along the way (for example, Snowball and Antrobus, 2002; Madden, 2001; Langen and Garcia, 2009:4; and Bowitz and Ibenholt, 2009:2). The introduction of bias during the collection of data is one such possible error. Whilst some type of questionnaire

is normally used (for either visitors or businesses, or both), few researchers would realistically claim to have formulated a questionnaire which is able to fully capture all the information needed to calculate economic impact without any room for error. Although bias can largely be avoided, or at least minimized, through careful questionnaire design, sampling and interviewing, bias can be introduced into the data by way of an omission, or confusion arising from a language barrier, a poorly worded question, or prejudiced interviewers. In recent times, as outlined by Warnick *et al.* (2009:249), researchers have taken to following up face-to-face interviews with emailed questionnaires, in order to both broaden the data base, and to verify the data already collected on the ground.

3.5.5a KKNK

Haydam (1996:3) targeted all the residents and non-resident at the festival, and a "systematic time based cluster sample" was drawn for the study, which simply involved interviewing each potential festival-goer on a pre-determined time interval of about 10 minutes (Haydam, 1996:3). The sample was described as a "cluster" as the interviews were concentrated either in an afternoon, or in an evening period on a specific day (Haydam, 1996:3). Interviews were conducted at only two intercept points[14] and employed the face-to-face interviewing technique. Haydam (1996:4) conceded that perhaps one limitation of his study was that the number of people interviewed daily did not necessarily reflect the number of people having visited the festival on that particular day; but because the sample was randomly conducted, it did allow for projections onto the population to be made.

Slabbert *et al.* (2009) used 7 post-graduate university students to carry out four separate surveys – a tourist survey (555 questionnaires), business survey (117), community survey 330), and a branding survey (422). The questionnaires were handed out and completed by the relevant parties, before being returned to the researchers; the tourist and branding surveys were conducted over 7 days during the 2009 KKNK and the business and community surveys were conducted over a few days each towards the end of March and beginning of April 2009.

[14] The Craft Market, and the „Kaktusvlakte" (Haydam, 1996:3).

3.5.5b Volksblad

Strydom *et al.* (2006:90) reported that over 520 questionnaires (452 to visitors and 72 to businesses) were administered and successfully completed during the 2005 Volksblad Festival. The 20-question visitor questionnaire was administered individually by interviewers at various venues during each day of the festival, and interviewees were randomly chosen. The survey team, as described by Strydom *et al.* (2006:90), determined that the respondents were representative of the population by "casual observation". This method seems intuitively to be somewhat vague and susceptible to bias, as interviewers might easily have been drawn to approach only those with whom they were most comfortable (for example, those of the same sex, race, and age group). As such, they may have been collecting data from a skewed sample of the visitor population. However, a problem which plagues economic impact studies is that of determining the population demographics against which to compare the sample, and as such it could be argued that the method used by Strydom *et al.* (2006) was, in essence, necessarily vague.

Bearing in mind that Strydom *et al.* (2006:90) estimated the total number of visitors to the festival at 26 709, it was decided (by the researchers) that the number of visitor questionnaires conducted constituted a representative sample. The visitor questionnaire focussed on questions regarding the visitor"s demographics, their expenditure, time spent at the festival, the size of the travel party, and the main reason for attending the festival (Strydom *et al*., 2006:90).

The business survey, however, was to used to determine the benefits that local firms derived from the festival and, from an economic impact point of view, to determine the magnitude of leakages from the Bloemfontein area (Strydom *et al*., 2006:91).

3.5.5c NAF

The questionnaire used by Snowball and Antrobus (2003:1) at the 2003 NAF was designed by a research team consisting of five academics from three different South African Universities, as it

was to be used at the KKNK and Aardklop festivals of that year as well. Interviewers and research assistants were recruited from the local university, and were selected to represent as wide a demographic as possible. Further measures were taken to avoid the propensity of interviewers to inadvertently approach people of a similar natural attributes as themselves, by the use of a quota guide, which was based on previous surveys of the NAF (for example, Davies 1989; Antrobus *et al.* 1996 and 1997; Snowball and Antrobus 2001). The demographics which were recorded by Snowball and Antrobus (2003:1) were therefore somewhat affected, but the research team did exercise some flexibility regarding this data, as small changes were made as and when differences from the previous surveys were identified.

In all, 400 face-to-face interviews were conducted with festinos, and in a break from previous NAF research (Antrobus *et al.* 1996 and 1997; Snowball and Antrobus 2001), no self-completion questionnaires were used at all. This was due in part to financial constraints, and in part because it was decided by Snowball and Antrobus (2003:2) that face-to-face interviews would be preferable to self-completion questionnaires as they "covered a wider range of respondents and were more accurate."

Snowball and Antrobus (2003:3) pointed out some inaccuracies which might have arisen during the data collection process of this study. Firstly, while the survey aimed to collect group data, it was possible that some confusion arose in terms of the respondent"s answers to questions related to spending. Snowball and Antrobus (2003:3) stated that the study could have underestimated spending figures as, for example, while the spending on accommodation and ticket sales probably referred to spending per group, it was more difficult to determine whether the spending figures given for items like tobacco products, alcoholic drinks, and shopping, were given individually or in a group amount. As such, an underestimate of total spending is likely, which would have had an effect on the final impact estimate.

Snowball and Antrobus (2003:3) found that the most problematic question of their survey was that concerning how many ticketed shows the individual interviewee (or the group that individual was paying for) was attending at that festival. Seemingly, most respondents took this to mean the number of individual shows, and not the number of tickets bought, which was

indicated by the very high average spending per ticket of about R59[15] (Snowball and Antrobus, 2003:3). The reported average attendance at ticketed events per group was 4.85, but given that the average group size was 1.8, it would be more realistic to think of the average attendance at ticketed events per group to be about 8.7 for the entire stay (4.85 multiplied by 1.8) - the question was likely to have erroneously elicited individual responses (Snowball and Antrobus, 2003:3). This serves to emphasize the importance of careful questionnaire design, in order that these types of confusion and error do not occur frequently, and are avoided altogether where possible.

3.5.5d Edinburgh

TNS (2005:1) started research for the 2004/2005 report on the Edinburgh Festivals in August 2004 with surveys for the Summer Festivals, which was only completed 12 months later, covering a full year of Edinburgh‟s Festival programme. Data was collected by TNS (2004:4) by various methods over the course of this time:

> "A survey of visitors attending Festival events was undertaken by TNS Market Research - altogether 4 129 interviews were conducted over the course of the festivals. Web surveys of 115 performers and delegates and 25 journalists/media involved with one or more of the Festivals were conducted over the period of the Summer Festivals. Nineteen major hotels in the city were contacted via the Edinburgh Principal Hotels Association, and 26 Guesthouses and B&B‟s via the Edinburgh Hotel & Guesthouse Association. Information was also collected from four retailers via the Edinburgh City Centre Management Company. In addition to this, desk research including work on previous economic impact studies of the Edinburgh Festivals was conducted, and consultations with each of the Festival organisers were scheduled to obtain details of spending made in staging the event and revenues obtained through ticket sales and grants/sponsorship."

While the study made use of many different methods of collecting the data needed for calculating economic impact, no specific mention was made of how exactly the interviewees were chosen, and thus whether the sample of 4 129 interviews was representative of the total

[15] When the error was taken into account, the more realistic average spending per ticket was about R33, which better approximated previous NAF studies‟ results, and also was closer to the actual average ticket prices at the NAF (for example, Snowball and Antrobus 2001).

visitor population. Bias might also have inadvertently been introduced to the findings of this study as a result of the 115 performers and 25 journalists that were surveyed on the web. Web surveys would automatically exclude any individuals who are unfamiliar with using the internet (or do not have access to it), or who are unable to complete the survey because they do not possess the kind of computer literacy to be able to carry out this task.

3.5.6 Measuring Benefits Only and Omitting Costs

The euphoria and optimism which is often generated in the local community by the hosting of a large sporting event can mean that the substantial costs which are involved with such an undertaking become somewhat forgotten and unaccounted for (Crompton, 1995:32). This idea can easily be transferred to the field of cultural economics, as festivals of this nature are equally able to create huge excitement, and often the costs of such events seem to fall by the way-side, when the impact on the local economy is determined. Bowitz and Ibenholt (2009:4) have called for impact studies to at least consider the importance of possible costs which are not internalised by cultural projects, and mention three factors which should be assessed:

1) displacement effects,
2) wear and tear caused by visitors to the area, and
3) the increased investment in infrastructure necessitated by the event.

Logically, if a community is attracting more outsiders to the area, then there will be a greater demand on local services. Some negative side-effects, primarily falling into the category of wear and tear above, could be:

> "traffic congestion, road accidents, vandalism, police and fire protection, environmental degradation, garbage collection, increased prices to local residents in retail and restaurant establishments, loss of access, and disruption of residents‟ lifestyles."
> (Crompton, 1995:33)

Laing and Frost (2010:261) speak specifically about the impact of the increased number of tourism events on the environment. It is suggested thus, that now more than ever before, festivals must consider the effects their staging has on the Earth if they are to remain sustainable. This

sustainability is meant not only in the sense that the immediate environment must be able to withstand the added pressures placed on it for the duration of an event, but should also be understood to mean sustainable in the eyes of the public, especially in an age when transparency regarding the use of public funding is becoming increasingly called-for.

To incorporate the costs involved would change a study from falling under the banner of traditional economic impact analysis, and would more accurately then be termed a benefit-cost analysis. The high level of difficulty researchers face in attaching economic value to the costs involved is probably the reason that this is not usually done (Crompton, 1995:33). Several authors (Snowball and Antrobus, 2002; Thosby and O'Shea, 1980; and Thompson *et al.*, 1998) have suggested that a more accurate measure of the value of the arts to society can be obtained by using a combination of economic impact and willingness to pay (WTP) studies. This is due in part to the idea that WTP studies are able to quantify the positive externalities (or spill-over effects), as well as the negative externalities, of goods with public good characteristics, like arts festivals (Snowball and Antrobus, 2002:1).

3.5.6a KKNK

Haydam (1996:1) voiced the opinion that festivals are, generally speaking, a cost-effective way of attracting tourists to a specific region, and that "most festivals do not require any major capital outlay or specialised facilities or infrastructure". While it is conceded that local municipalities can expect an increase in running costs, like rubbish removal and the maintenance of facilities during and after the festival, Haydam (1996:1) stated that festivals generally generate a high income-cost ratio, and usually have a high local multiplier effect. Thus, when Haydam (1996:2) gave the primary objective of the study as the estimation of the KKNK Festival's direct economic contribution to the local economy of Oudtshoorn, it seems that the goal was only to determine the amount of money spent by visitors to the region, and not to estimate the costs borne by the host community.

Whilst Haydam (1996:14) calculated the first-round economic impact of the estimated 54 000 tourists to Oudtshoorn to be in excess of R15m in 1996, this figure did not take into account any

of the costs which these tourists would inevitably have inflicted upon the local community. With such an influx, especially to a community of only approximately 85 000 residents in 2004[16] (Oudtshoorn Municipality, 2005:7), it is likely that this would have been accompanied by an increase in crime and environmental degradation, amongst other things. However, Haydam (1996) made no mention of costs, nor were any accounted for in the final impact estimation of the 1996 KKNK.

In the Slabbert *et al.* (2009:41) study of the 2009 KKNK, the researchers state that the spending amounts "include all expenses by the local government in preparation for the festival" and that the impact amount represents "a good estimate of the value of the festival in economic terms". However, at no point is there any mention of the costs to the host community of staging the event, and in fact the only costs included in the impact calculation are those facing the organisers and local government for the accommodation of artists, hiring of venues and appliances, and the cost of advertising. It is thus suggested that, as a result, the calculation is not an accurate estimate of the economic impact of the 2009 KKNK, but rather an indication of what the benefits of the event were.

3.5.6b Volksblad

Strydom *et al.* (2006:87) stated that the main goal of the study was "to determine the economic impact of the Volksblad Arts Festival in Bloemfontein", and the study found that this festival generated R18.4m for the Bloemfontein economy in 2005. Further non-market benefits which resulted from the staging of the event were described as "creating a positive image of the city; the festival attracts investment, builds community relations and brings arts to the community" (Strydom *et al.*, 2006:96). It must be noted, however, that this study made no mention of any potential costs, or negative market and non-market effects, which might have been felt by the economy or the community of Bloemfontein.

[16] With a growth rate of 1.1% between 1996 and 2004 (Oudtshoorn Municipality, 2005:7).

Because Strydom *et al.* (2006:93) estimated that 26 709 festinos attended the festival in 2005, and as most of these visitors stayed for an average of 3.3 days, the total number of visitor days was calculated to be 88 139. This is no small number of visitors, and an inflow of visitors of this size was likely to have increased at least some of the costs which were normally felt by the Bloemfontein community. One likely example was an increased need (for the duration of the festival) for waste removal services around the city itself, and possibly an increased number of police on duty for the festival‟s duration - costs which would have been carried by the municipality and ultimately the tax-paying community of Bloemfontein.

3.5.6c NAF

The study conducted by Snowball and Antrobus (2003:ii) not only calculated an impact figure for the effect of the NAF on the Grahamstown economy, but also included a willingness to pay (WTP) study which used the contingent valuation method (CVM) to assess the value placed on the festival by the Grahamstown community. Whilst this was not able to directly measure the additional expenses laid upon the community over the duration of the festival, it did indicate how the local community itself assessed the benefits and the costs. The results showed that both lower income and higher income households would be willing to make a significant monetary payment, totalling R2.8m, to prevent the NAF from becoming 25% smaller (Snowball, 2005:114). This illustrates that the local community, at least, inherently believed the benefits of the festival to significantly outweigh the added burden of hosting.

Interestingly, the findings of the business survey section of the impact study from the same year shows somewhat conflicting results. Snowball and Antrobus (2003:22) estimated the total economic impact of the 2003 NAF to be R33m, taking into account total visitor spending, sponsorship, craft market space rental, outflows from performer/trader earnings, and an estimated multiplier induced income of R5m[17]. However, the business survey showed that 28.5%

[17] This is calculated by multiplying the first round retained income of R28m by 0.18 (Snowball and Antrobus, 2003:22).

of businesses reported losses over the duration of the festival, including "breakages, stock written off, and theft" (Snowball and Antrobus, 2003:24).

Whilst some business respondents were confused by the term "losses" in the survey, understanding this to mean losses in profits, Snowball and Antrobus (2003:24) report that of the businesses who responded correctly, 34% recorded losses in terms of stock written off, 25% in terms of breakage, and 8% reported theft. These businesses showed a strong negative correlation between losses and increased income. Snowball and Antrobus (2003:24) explain this by stating that "the large majority of businesses that reported losses were those businesses dealing with a large influx of visitors to the festival, and who were compensated for these losses by increases in income". It would be fair to say then, that whilst there is undoubtedly an injection into the Grahamstown economy as a result of the annual staging of the NAF, the relatively smaller costs which are felt by the local businesses, and the community at large, as a result of the very same visitors who introduce the money into the local economy, are often not taken into account by researchers.

3.5.6d Edinburgh

TNS (2005:1) described one of the main objectives of the study carried out on the Edinburgh Festivals to be to "identify and quantify the full economic impact of each festival on Edinburgh, Lothian and Scotland". The Edinburgh Festivals in the 2004/2005 calendar year generated over three million attendances, and whilst it is true that these festivals are held in a much larger area than most festivals, this undoubtedly equates to an enormous number of visitors (TNS, 2005:3). Intuitively though, there must have been some negative aspects to offset, at least partially, the creation of £40m in new income in Edinburgh, and £51m in Scotland, for 2004/05 (TNS, 2005:29).

TNS (2005:59) reported that there were some concerns from the Edinburgh community due to the festivals being held together, as 37% would have preferred them to be spread out over the year. A specific issue which was raised was that of the staging of the fireworks display on a Sunday, an event which local residents/business owners claimed to have been the cause for

reduced takings over the period, compared to previous festivals when this event was staged earlier in the weekend (TNS, 2005:59).

One of the issues raised by TNS (2005:62) in assessing the net benefit that the festivals brought to Edinburgh and Scotland is what would happen without them – the opportunity cost. Whilst those who attended the festivals as audience members or as performers were pressed on this issue during the questionnaire stage of the survey, potential visitors who may have visited the area were it not for the crowding out effect of the festivals would not have been accounted for. TNS (2005:62) explained that it was not possible to use the visitor survey to estimate this effect, and that to imagine a situation in which the festivals did not take place was difficult, when it was considered that they had been held annually for the past 50 years and "have become so much a part of Edinburgh"s identity that they are not easily separated".

The hotel survey indicated that due to the massive number of festival visitors, many hotels were forced to turn away potential guests (TNS, 2005:62). If potential non-festival visitors were being turned away over this time, it is quite possible that these individuals would be put off visiting the Edinburgh area at other times, and that one possible cost related to the economic benefit of such a huge influx of visitors over the festival times, is the reduction in tourism at other times of the year.

Table 3.6: Summary of Statistics – KKNK, Volksblad, NAF, and Edinburgh

Festival	Yr of Study	Impact Area	Locals Excluded?	Number of Festinos	Multiplier	Direct Impact	Total impact
KKNK	1996	Oudtshoorn	Yes	54 000	3	R15.7m	R47m
Volksblad	2005	Bloemfontein	No	26 709	2.9	R6.3m	R18.4m
NAF	2003	Grahamstown	No[18]	19 776	1.18	R27m	R33m
Edinburgh	2004/05	Edinburgh; Lothians; Scotland	Yes	1.4m[19]	Refer to Table"s 3.2 an 3.3	£40mm in Edinburgh; £51m in Scotland	£170m in Edinburgh; £184m in Scotland

Sources: Haydam (1996), Strydom et al (2006), Snowball and Antrobus (2003), TNS (2005)

[18] It must be noted that only those locals who were said to be "holidaying at the festival" were included, as this spending was seen to be in addition to what would normally have been spent at that particular time.

[19] This is in fact the "visitor trips" figure, as the combined attendance figure of the festivals (3 192 438) has been adjusted for those individuals who attended more than one of the festivals (TNS, 2005:12).

3.6 Conclusion

While this chapter has not provided an exhaustive list of the various types of bias which might be introduced to an economic impact study, it has highlighted six different areas where bias can commonly be identified, and illustrated how these exist in reality, through the selected case studies of four existing cultural festivals. Table 3.6 shows a simple summary of the statistics brought out by this analysis, for ease of comparison. Table 3.7, which adjusts the South African festivals economic impact estimates for inflation, allows one to compare the value of these festivals, using 2006 as the base year.

Table 3.7: Total Impact of SA Festivals, Adjusted to 2006 Rands

Festival	Study Year	Total Impact (Rm)	Inflation Rate (%)[20]	Adjusted Total Impact (2006) (Rm)
KKNK	1996	47	42.015	66.7
Volksblad	2005	18.4	4.478	19.2
NAF	2003	33	8.881	35.9

Source: Own calculations

If the original impact figures in Table 3.7 are accepted as accurate estimates, then the economic impact of the KKNK is almost twice that of the NAF, which is in turn almost twice that of the Volksblad festival. This is an interesting result, and one which it is suggested would be surprising to most – perhaps not in the order in which the impact estimates are „ranked", but more due to the vastly different Rand values recorded. This chapter has shown, though, the large effect on the final impact estimate of those figures used in the calculation – and how these figures are not always given the attention they should. Chapter 4 is able to detail this point further, focussing specifically on the NAF, as it is the South African festival which has the most available historical data and previous impact studies against which to compare.

[20] This is calculated using CPI figures for Metropolitan Areas (Statistics SA, 2007:1) and incorporating the inflation rate formula:

$$\frac{CPI(1) - CPI(2)}{CPI(1)} \times 100$$

Chapter 4

National Arts Festival Case Study

The National Arts Festival has been the subject of numerous economic impact studies (for example, Davies 1989; Antrobus *et al*., 1997a; Antrobus *et al*., 1997b; Snowball and Antrobus 2001, 2003), each accounting for Grahamstown‟s relatively small and somewhat isolated nature[21]. The easily defined impact area has allowed researchers to collect data from various points in town, and to have access to every demographic of the community, when collecting data. Two such studies were conducted in 2004, by Antrobus and Snowball of Rhodes University, and in 2005, by Saayman *et al.* of Potchefstroom University. The methods used to conduct these two surveys, and to subsequently derive an economic impact estimate will hereafter be referred to as the Antrobus method and the Saayman method, respectively. At the time, there was no communication between the researchers involved in facilitating the studies, and it should be pointed out that the findings of the 2004 and 2005 studies are entirely different. This allows an interesting comparison between the two methods, and their findings, to be made.

This chapter specifically compares the varying results which are achieved with the employment of different data collection and impact calculation methods. It also seeks to further highlight the difficulties involved in conducting impact studies that were touched on in previous chapters, by unearthing the obstacles faced by Saayman *et al.* and Antrobus and Snowball. Finally, the 2006 NAF data collected for a consumer research survey is used to estimate the economic impact of that year‟s festival. The method used draws on aspects of both previous impact studies, looking to minimize the identified shortcomings, and demonstrates the effect of the different methods on the magnitude of the final impact amount through the use of sensitivity analysis. The 2006 NAF economic impact estimate is then added to the existing set of studies to illustrate the economic trend which the festival has experienced over the years.

[21] The closest large metropolitan centre being Port Elizabeth, which is approximately 120 km away.

4.1 2004 Antrobus Method compared to the 2005 Saayman Method

4.1.1 Data Collection

In the 2004 Antrobus method, both self-completion questionnaires (407) and face-to-face interviews (562) were used, a total of 969 responses. An advance profile was drawn up from previous studies with the intention that the enumerators polled a representative sample of face-to-face interviewees (Antrobus and Snowball, 2004:2). The self-completion questionnaires were handed out at pre-selected shows, as well as other specifically chosen areas (like the University residences, the 1820 Settlers Monument, and the art exhibitions).

Data was collected for the 2005 Saayman study in a different manner, and the same basic principles were recently employed by Kruger *et al.* (2010:87). Data was collected through the use of a questionnaire, in this case consisting of twenty-one questions which, according to Saayman *et al.* (2005:8), "focused on the demographic, psychographic, and socio-economic profile of the visitor". This survey totalled 388 self-completion questionnaires, by means of availability sampling at the Main Festival Grounds (which is presumed to be, in this instance, the Village Green).

Also, whilst Saayman *et al.* (2005:8) made mention of „interviewers", it seems they were tasked with handing out the self-completion questionnaires, as opposed to conducting face-to-face interviews. Saayman *et al.* (2005:8) stated that interviewers were asked to circulate „in the area" in order to minimize bias.

4.1.2 The Socio-economic Profile of Respondents

A demographic profile of the attendees to the National Arts Festival can be drawn up by analyzing the age, race, gender, home language, and occupation of festinos. Some of the findings revealed by the 2004 Antrobus method seem to corroborate those of the 2005 Saayman method,

whilst others are interesting due to the difference[22]. These findings are summarized in Table 4.1 below.

Table 4.1: Comparison of Findings: 2004 and 2005 Studies

	Antrobus Method 2004	**Saayman Method 2005**
Gender	55% Female 45% Male	64% Female 36% Male
Age	49% < 35 years < 51%	67% < 40 years < 33%
Home Language	66% English 12% Afrikaans 9% Xhosa	73% English 18% Afrikaans 7% Xhosa
Occupation	41% Pro. or Self-employed 19% Student	44% Pro. or Self-employed 26% Student
Length of Stay	Average Nights 4.62 Average Days 5.33	Average Nights 4.6 Average Days 4.5
Festival Attendance	Av. Number of Visits: 5	Av. Number of Visits: 4.66
Spending	Average Per Person: R1526	Av. Per Group: R2492.57 (Av. Group Size: 3.3 people)
Visitor Numbers	17 500 visitors	70 301 visitors (21 466 groups)
Total Economic Impact	**R35.5m**	**R53.5m**

Sources: Antrobus and Snowball (2004), Saayman *et al.* (2005).

Interestingly, both studies recorded more female festival visitors then male counterparts, with the Antrobus method revealing that in 2004 there was a 55% - 45% female/male split (Antrobus and Snowball, 2004:9). The Saayman method showed that in 2005 there was a 64% female majority, and a 36% male contingent (Saayman *et al*., 2005:9). In terms of the home language and occupation of festinos, the Antrobus and Saayman methods again produced fairly similar results. Both studies revealed a majority of English-speakers, with Afrikaans and isiXhosa being the next most common languages. The high percentage of English speakers seemed to indicate that there was a delayed movement towards diversity at the NAF, at the time more than a decade into the „New South Africa" era. This could indicate that the modern NAF does not show the level of development which is increasingly used as a bargaining piece when sponsorship is sought by festival organisers.

[22] Once again, it should be kept in mind that the 2004 Antrobus method made use of a quota sample which would have influenced some of these findings.

Findings relating to the occupation of festinos in both studies also served to strongly validate one another, as very similar results were recorded. Whilst the Antrobus method found that in 2004, 41% of visitors were either professionals or self-employed, and that a further 19% of visitors were students, the Saayman study found that in 2005, 44% of visitors were either professionals or self-employed, and that 26% were students. More striking likenesses in the statistics were found in the NAF visitor"s average length of stay, and average number of past visits to the festival, as shown in Table 4.1.

As most of the statistics are very similar, the data which has been collected is likely to be significant and valid, and the small variations in some of the categories could possibly be a result of the data being collected one year apart, due to the pre-determined visitor interview profile which was used in the 2004 Antrobus method, or even a change in audience composition.

4.1.3 Visitor Spending Calculations

Despite the similarities, there were notable discrepancies in the findings of the two studies regarding visitor spending and visitor numbers. The Antrobus method calculated average visitor spending at the individual festino level, whilst the Saayman method involved calculating average visitor spending at the visitor group level. Of course, if group spending is calculated, the amount would be expected to be higher on average than that of average individual visitor spending. This was borne out in the findings of the two studies, with the Antrobus method displaying an average individual visitor spending figure of R1 526 (Antrobus and Snowball, 2004:17), and the Saayman method estimating an average group spending figure of R2 492.57 (Saayman *et al*., 2005:23).

It is clear then, that as the Antrobus and Saayman methods differ here in terms of the spending figures used, in order to first estimate the direct economic impact they necessarily differed in how the spending figures were applied in the economic impact calculation. For example, whilst the Antrobus method required that the average visitor spending be multiplied by the estimated number of visitors, the Saayman method necessitated that the average group spending figure was multiplied by the estimated number of visitor groups.

The most striking dissimilarity in the figures from Table 4.1 is the vastly different number of visitors recorded in each survey. According to the Antrobus method, 17 500 visitors attended the 2004 NAF, whilst the Saayman method estimates 70 301 visitors to the 2005 NAF. This disparity is too large to ignore, as it is practically inconceivable that a festival which has not undergone a major structural and marketing overhaul would be able to increase its visitor number by this magnitude in such a short space of time. Further doubt is cast on the estimated visitor number when it is considered that, according to the festival organisers, there was only a 5.18% increase in the ticket sales between 2004 and 2005, with the amount rising from 131 900 to 139 100 (NAF Statistics, 2010:2). Possible reasons for the vastly different visitor number estimates are suggested in the section outlining the Saayman method of calculating impact, as expanded on later in this chapter.

Several methods that can be used to calculate an economic impact amount were mentioned in Chapter 2, but in keeping with those studies which have been conducted on the NAF before (like Antrobus *et al*., 1997a; Antrobus *et al*., 1997b; Snowball and Antrobus 2001, 2003), a multiplier was used in both the 2004 Antrobus and 2005 Saayman methods to account for the induced effect, subsequent to the calculation of direct impact. The multiplier allows the estimation of the second round of spending, which occurs after the initial visitor spending over the festival period (Bowitz and Ibenholt, 2009:3). Both the Antrobus and the Saayman economic impact calculation methods are explained below:

4.2 2004 Antrobus Method

The survey conducted by Antrobus and Snowball (2004), made use of a relatively simple method to calculate the economic impact of the National Arts Festival on the Grahamstown economy:

1) Total visitor spending was estimated to be R30 million. This was calculated by multiplying the average spending per person over the duration of the festival on everything but that in the craft market, including additional spending by local residents (which totalled R1 526) by the number of visitors estimated to have attended the festival (17 500, rounded up to 20 000 to compensate for day visitors).

The estimated visitor figure was arrived at by dividing the total number of tickets sold (as reported by the Festival Organisers) by the average number of tickets bought per person.

2) Sponsorship figures for the 2004 NAF amounted to a further R13 million. This figure was added to the above R30 million.

3) Immediate outflows from the combined R43 million were estimated at a rate of 30%. This amounted to a subtraction of R13 million. It should be noted that this estimated figure of 30% was based on the 1996 producer"s survey undertaken by Antrobus *et al.* (1997a), and could have been out of date if significant changes within Grahamstown had taken place between 1996 and 2004.

4) Thus, direct first round impact was R30 million. The second round, indirect impact was calculated by multiplying this figure by the multiplier, which this survey estimated to be 1.18. The multiplier aimed to capture all the successive rounds of spending which occurred due to the initial injection of money into the Grahamstown economy as a result of the festival. The multiplier figure of 1.18 was also drawn from the 1996 producers survey (Antrobus *et al.*, 1997a), which raises questions regarding its continued validity. However, Antrobus and Snowball (2002) considered the figure to be consistent with the multipliers used for studies conducted on festivals of a similar size. In this instance, it should be noted that the area specified was that of the "Grahamstown region" (Antrobus and Snowball, 2004:36) and not the Eastern Cape as a whole. When the multiplier was incorporated, the total economic impact figure for the Grahamstown National Arts Festival was given to be R35.5 million (in 2004 prices).

Table 4.2: Economic Impact 2004: Antrobus Method

	Rm
A. Total Visitor Spending	30
B. Sponsorship	13
C. Immediate Outflows (30% of A + B)	13
D. First Round Impact (A + B - C)	30
E. Indirect Impact (D × 0.18)	5.5
F. Total Economic Impact (D + E)	**35.5**

4.3 2005 Saayman Method

The study by Saayman *et al.* (2005) used a slightly more complex method to calculate the economic impact of the National Arts Festival on the Grahamstown economy:

1) The number of visitor groups was calculated to be 21 466, by dividing the total number of tickets sold by the average number of tickets bought per visitor group. This, however, would suggest that there were 139 100 tickets sold in 2005, whereas the festival organisers reported that only 110 303 tickets sold. If the reported approximately 70 000 people attended, then this would mean that visitors to the festival attended less than 2 shows per person over their entire stay, which averaged 4.5 days. This seems unlikely, and while noted, will be returned to later in order to complete the comparison between the 2004 and 2005 studies.

2) Secondly, the total number of visitors was estimated to be 70 301, as the total number of visitor groups (21 466) was multiplied by the average number of people in each visitor group (3.275).

3) The visitor number of 70 301 was multiplied by the average length of each visitor‟s stay over the festival period (4.5 days), which gave the total number of visitor days, 316 356.

4) Although, the visitor questionnaire did not specify whether individual or group spending was required, the average reported spending per visitor/group was R2 492.57. It is possible that this is the reason that this amount was substantially greater than that of the 2004 study (R1 526 per person), which focussed more specifically on the average spending by each festino.

   Clearly, the researchers intended the questionnaire to collect data on the spending of visitor groups, as the R2 493.57 was multiplied by the number of total visitor groups in (1), 21 466, to give an initial spending figure of R53.5 million.

5) At this point, several assumptions were made regarding outflows. It was assumed that only 10% of ticket sales accrued to Grahamstonians, and also that 80% of souvenir stall sales, and 50% of transport costs, could be excluded from the first round economic impact. Thus, after the outflows, a direct spending figure of R41.7 million was estimated.

6) However, provision was made for the addition of R424 000 accruing to residents of Grahamstown in payment for rent over the festival period, plus a further R7.25 million, half of the R14.5 million spent by sponsors for the hosting of the event.

   Only 50% of this sponsorship amount was included due to the assumption that many of the technicians who worked at the Festival were foreign to Grahamstown, and thus that only half of the sponsorship amount was spent on local businesses, institutions, and people for the hosting of the event.

7) The total direct impact, as calculated according to the 2005 Saayman *et al.* study, of the Grahamstown National Arts Festival was thus R49.3 million. The multiplier used in this study (1.1) was smaller than that of the 2004 Antrobus and Snowball study. Saayman *et al.* (2005:26) explained that "since the area is rural, it is expected that most of this money flows directly towards the larger city areas in the vicinity and that the direct and induced impacts of the festival therefore are very small". When the

induced impact (calculated by multiplying R49.3 million by 1.1) is added to the direct impact, the total economic impact of the National Arts Festival was estimated to be R54.3 million (in 2005 prices).

Table 4.3: Economic Impact 2005: Saayman Method

A. Total Tickets Sold	139 100
B. Total Visitor Groups	21 466
C. Total Visitors	70 301
D. Visitor Spending	R53.5 m
E. Direct Outflows	R11.5 m
F. Rent Spending	R0.4 m
G. Retained Sponsorship	R7 m
H. Direct Impact (D - E + F + G)	R49.3 m
I. Indirect Impact (H × 0.1)	R5 m
J. Total Economic Impact (H + I)	**R54.3 m**

It is clear from Tables 4.2 and 4.3 that there was a notable difference in the economic impact for the 2004 Antrobus method and 2005 Saayman method, with the latter showing an excess of approximately R18.4 million - a difference of 32% - as compared to the 2004 Antrobus method, in 2006 prices[23]. It is difficult to believe that this festival would have grown to such an extent, in terms of the revenue it creates for the local community, in the space of 12 months. The question raised, therefore, is whether the difference in the reported impacts was due to the different calculation methods used by Antrobus and Saayman, or whether the source perhaps lies elsewhere.

[23] The 2004 impact is adjusted for inflation to R38.4 million in 2006 Rands, and the 2005 impact is similarly adjusted to R56.8 million.

4.4 2006 NAF Economic Impact Study

4.4.1 Data Collection

In order to assess the accuracy of past economic impact studies conducted on the National Arts Festival (NAF), and indeed to evaluate the usefulness of economic impact studies in general, a comparison has been drawn in this chapter between the methods used and results obtained, for the 2004 Antrobus and Snowball survey, and the 2005 Saayman *et al.* survey. In July 2006 a survey of 671 people was conducted at the NAF, in a very similar fashion to the method in which the data was collected for the Antrobus and Snowball 2004 NAF survey[24] (and more recently, Navarro *et al.*, 2010:14). A series of 495 face-to-face interviews were conducted by eight interviewers, and 176 self-completion questionnaires were collected. The main aims for the interviewers were to establish the demographic profile of the National Arts Festival-goer, to gain an understanding of festinos‟ experiences of the festival, and most vital to this thesis, to collect enough valid and complete data to estimate the economic impact of the NAF on the Grahamstown economy. As in the past studies conducted on the NAF by Antrobus and Snowball (2001, 2003, and 2004), the 2006 festival study had to rely for the person-to-person interviews (over the ten day duration of the event) on drawing up an advance demographic profile, to ensure that the enumerators polled a representative sample of visitors. The demographic profile was based on the experience of prior surveys (e.g. Antrobus *et al*., 1997a; Antrobus *et al*., 1997b; Snowball and Antrobus 2001, 2003), and was created in an attempt to minimize bias in terms of the age, race, and sex of those chosen to be interviewed, as it was hypothesized that interviewers would tend toward approaching those of a similar demographic more often, if left to their own devices.

The interviewers themselves were carefully selected so as to be culturally representative of the population, and their numbers were evenly split between male and female. However, as all of the interviewers were students at the time, there was very little difference in the age of these individuals. This inherent bias was negated to some extent by the interviewers‟ advance profile,

[24] As well as Antrobus and Snowball‟s 2001 and 2003 survey‟s.

which stipulated a certain number of festival-goers from several different age brackets to be interviewed over the duration of the festival. Interviewers were allowed the opportunity to become familiar with the questionnaire itself, as well as the technique of performing a successful interview, by way of conducting a series of experimental interviews which were not included in the data set. This was done on the first day of the festival, which is generally the quietest day in terms of the number of visitors, and as such was seen to be a worthwhile sacrifice of data collection time.

Subsequently, every day (except the final Sunday) was used for carrying out the face-to-face interviews for inclusion in the data set. Interviewers‟ time-frames were constricted only by having to return the completed interview forms by 5pm daily, and they were largely free to collect their data at any time, and at any selected place within the town (but were not permitted to collect continuously or mostly at one specific place)[25]. Data was also collected through festinos‟ completion of self-completion questionnaires over the duration of the festival. These were distributed at selected shows daily with the intention of capturing all of the theatrical genres on offer, as well as performances on the Main and Fringe programs. These questionnaires contained exactly the same questions that the face-to-face interview questionnaires did, with only the addition of a short introductory note explaining the reason behind the survey, as there was no interviewer present to perform this task. These were filled out at the festinos‟ leisure, as they were placed strategically in the various theatres for collection by the Festival Research Assistant after the shows. The data was also gathered daily, and was finally processed by the festival organizers. As previously mentioned, the 176 self-completion questionnaires and the 495 face-to-face questionnaires together formed the data set from which an economic impact figure could be estimated.

[25] Grahamstown itself is relatively small in size, and the NAF covers most of the CBD and extends into some of the higher-income residential areas and schools. However, its scattered venues are only just starting to stretch into the more informal settlements found in Grahamstown East.

4.4.2 Findings of the Survey

In their festino survey of the 2006 NAF, Snowball and Antrobus (2006:2) stated that the aim of the undertaking was to update the demographic profile of NAF attendees, and also to investigate festino"s experiences and preferences regarding the festival including their "length of stay, attendance, and spending patterns". This has allowed the generation of Table 4.4, which is an updated version of Table 4.1 - a comparison of the findings of the Antrobus and Saayman methods. Notably, however, the rows for visitor numbers and total economic impact have been excluded, as these were not calculated in the 2006 Snowball and Antrobus survey.

Table 4.4: Findings of 2006 NAF Survey

	Antrobus Method 2004	**Saayman Method 2005**	**NAF Survey 2006**
Gender	55% Female 45% Male	64% Female 36% Male	60% Female 40% Male
Age	49% < 35 yrs < 51%	67% < 40 yrs < 33%	31% < 25 yrs < 60%
Home Language	66% English 12% Afrikaans 9% Xhosa	73% English 18% Afrikaans 7% Xhosa	64% English 11% Afrikaans 11% Xhosa
Occupation	41% Pro. or Self. 19% Student	44% Pro. or Self. 26% Student	40% Pro. or Self. 23% Student
Length of Stay	Average Nights 4.62 Average Days 5.33	Average Nights 4.6 Average Days 4.5	Average Nights 5 Average Days 5.4
Festival Attendance	Av. Number of Visits: 5	Av. Number of Visits: 4.6	Av. Number of Visits: 4
Spending	Av. Per Person: R1 526 (R1651.74 in 2006 Rands)	Av. Per Group: R2 492.57 (R2 609.42 in 2006 Rands; Av. Group Size: 3.3)	Av. Per Person: R1 623 Av. Per Group: R2 422

It is evident that many parallels can be drawn from the findings across the three surveys. The gender, home language, and occupation statistics are strikingly similar, with only small variations between the 2004, 2005, and 2006 data. This is true, despite the different methods used to collect the data, the fact that an advance demographic profile was given to interviewers for the 2004 and 2006 studies, and that each of the surveys collected a significantly different

number of questionnaires[26]. The age statistic again illustrated that a large proportion of those visitors to the NAF are young people, with 31% of the total being 25 years or younger. The reported average length of stay for festinos was slightly higher than in the past, with the average number of days being 5.4, and the average number of nights being 5. However, these figures are only marginally more than those reported in 2004 and 2005, and it could be said that the slight increase in time spent at the festival supports the age statistic, as many of these visitors will be students who have limited work commitments which would otherwise have caused them to curb their visit.

An interesting finding from the 2006 survey was that the average number of previous visits to the NAF had fallen to four, from five in 2004 and just over four and a half in 2005. Snowball and Antrobus (2006:26) suggested that this could be the result of the NAF purposefully attracting new audiences who had not previously attended the festival, in addition to those regular visitors.

Perhaps the most remarkable statistic across all the surveys, from an economic impact comparison point of view, is visitor spending. Whilst the 2004 and 2005 studies provided only individual and group spending respectively, the 2006 survey produced a figure for both. Snowball and Antrobus (2006:18) estimated the average spending per person to be R1 623, and the average spending per group to be R2 422. These are both very similar to the R1 526 and R2 493 reported by Antrobus and Snowball (2004:17) and Saayman *et al.* (2005:23), in 2004 and 2005, respectively.

4.5 Applying the Antrobus and Saayman Methods to the 2006 Data

In order to assess the possible reasons for the different figures arrived at using the two methods, the economic impact of the 2006 NAF was calculated using first the 2004 Antrobus method, and then the 2005 Saayman method. Before carrying out these calculations, emphasis must be placed on the significance of calculating visitor numbers. The importance of the visitor number within

[26] 2004 – 969 questionnaires (407 self-completion; 562 face-to-face); 2005 – 388 questionnaires (all self-completion); 2006 – 671 questionnaires (176 self-completion; 495 face-to-face).

economic impact studies cannot be overstressed, as all direct spending amounts - usually the starting point of any economic impact calculation - depend on the number of visitors to the event.

4.5.1 2006 NAF Data and the Antrobus Method

Specifically, direct visitor spending is calculated by multiplying the estimated average spending per person (or group), by the estimated number of visitors (or visitor groups) to the event in question[27] (Stynes and White, 2006:8). Lind and Gronstad (2010:9) have stated that this kind of spending is usually limited to categories like that of "food, travel, and accommodation". Navarro *et al.* (2010:12), however, believe that the direct spending figure should reflect the expenditure taken "by public and private institutions" in order for the event to take place, and that the spending by the festival visitors should be calculated as an indirect effect.

As illustrated in Tables 4.5 and 4.6, the methods used to calculate the economic impact amounts for 2004 and 2005, whilst different in their make-up, when applied to the 2006 data, arrive at very similar figures. Perhaps then, neither can be said to be hugely flawed at the „mechanical" level of calculating (as one serves to validate the other), and that there exists some other reason to explain the massive discrepancy between the 2004 and 2005 survey's respective economic impact figures.

What immediately stands out are the calculation of visitor numbers, and the method of data collection used in both of the studies. The 2004 Antrobus method calculates visitor numbers in a similar manner to the Antrobus and Snowball 2001 and 2003 studies, relying on the average number of ticketed shows attended per person, per day (or on the average number of ticketed shows attended per person over the duration of the festival); and the number of tickets sold in total. Ticket sales for the period 2004-2006 were relatively flat[28], and when it is considered that

[27] Or, by multiplying the average length of stay at the event by the average daily expenditure, which in turn is multiplied by the sample size (Wilton and Nickerson, 2006:20).

[28] 104 617, 110 303, 111 776 in 2004, 2005, and 2006 respectively.

the organizers themselves reported a 3.77% decrease in attendees from 2005 to 2006, it is not unreasonable to estimate that perhaps the overall NAF attendance fell from the 2004 estimate of around 20 000 festinos, to approximately 18 000 visitors (the figure used in the economic impact calculations in Tables 4.5 and 4.6). It should be noted that the estimated total visitor number of approximately 70 000 festinos reported in the Saayman *et al.* (2005:24) study has not been forgotten about, nor intentionally excluded from this comparison, but it is not explained how this figure was arrived at, and as such no concrete conclusions can be drawn at this point.

A way of checking that the number of 15 663 visitors (rounded up to approximately 18 000 to account for the presence of day visitors) is roughly correct is necessary before using the estimate to calculate direct visitor spending. The 2006 data reports that 24.6% of all respondents resided in a Rhodes University residence for the duration of their stay in Grahamstown whilst the festival was under way. The Conference Office of the University confirmed that 3 879 people resided in University residences over the duration of the festival, so if this represented a quarter of the visitors, it suggests that there were approximately some 15 516 overnight visitors to the Grahamstown National Arts Festival in 2006. This strongly supports the visitor number (15 663) arrived at when the total attendees at the various events (140 964, reported by the Festival Organisers themselves) is divided by the average number of shows attended per person (9). The figure of 15 663 is rounded up by approximately 15% to 18 000 visitors on the strength of Antrobus and Snowball‟s 2004 study, in which visitor numbers were rounded up from the calculated number of 17 500 to 20 000, to take into account the presence of day visitors. It is suggested that a checking system like the above should always be used where possible, to avoid a situation such as that in the Strydom *et al.* (2006) Volksblad study, where inconsistencies existed in terms of the calculation of visitor numbers, as pointed out in Chapter 3.

Antrobus and Snowball (2004:37) began the economic impact calculation by multiplying the average spending per person by the total number of festival visitors, to give the direct visitor spending amount of R29.2 million. Then, as in the Antrobus method, the sponsorship amount (R12.7 million) was added to the direct impact figure, to arrive at R41.9 million. Subtracted from this total was 30%, to account for the estimated outflows from the Grahamstown region, achieving an adjusted total of a little more than R29 million. The amount was multiplied by 1.18

to show the indirect spending associated with the NAF. The total economic impact for the Grahamstown National Arts Festival 2006, according to the method used by Antrobus and Snowball in their 2004 study, is thus R34.6 million.

Table 4.5: Economic Impact 2006 (Using Antrobus Method)

	Rm
A. Total Visitor Spending	29
B. Sponsorship	13
C. Immediate Outflows (30% of A + B)	13
D. First Round Impact (A + B - C)	29
E. Indirect Impact (D × 0.18)	5.6
F. Total Economic Impact (D + E)	**34.6**

4.5.2 2006 NAF Data and the Saayman Method

Just as the Antrobus method was used in 4.4.1 above, the Saayman method can also be applied to the data collected at the 2006 NAF. Firstly, the total number of visitor groups was calculated to be 10 714, as the total number of visitors (18 000) was divided by the average size of each visitor group (1.68 people). The total number of visitors (18 000), is then multiplied by the average length of each visitor‟s stay over the festival period, 5.39 days (Antrobus and Snowball, 2006:22), to give the total number of visitor days, 97 020 days. Average spending per visitor group is given to be R2 422.

Interestingly, the reported total spending per group from the face-to-face interviews was far lower (R2 167) than for the self-completion questionnaires (R3 204). This could be due to those people willing to take the time to complete the self-completion questionnaires planning on staying longer at the Festival, and thus spending more, when compared to those who were staying for a shorter period.

The average spending per group is multiplied by the total number of visitor groups (10 714) to give a direct spending figure of R25.9 million. The combined main and fringe ticket sales were R3.4 million (NAF Statistics, 2010:2). Antrobus and Snowball (2006:18) calculated the average

spending per group on shopping at the festival to have been R522; when this is multiplied by the number of visitor groups, a stall sales figure of R5.6 million is arrived at. The "other" spending category, which Antrobus and Snowball (2006:18) stated was mostly made up of transport costs whilst in Grahamstown, was estimated to be roughly R10 per visitor group. Thus, it is assumed that transport costs amounted to R107 140. Following the Saayman method, 10% of ticket sales, 80% of souvenir stall sales, and 50% of transport costs are assumed to accrue to locals. Thus, R4.3 million[29] can now be subtracted from the direct spending amount, in order to arrive at a revised first round impact of R21.7 million.

Table 4.6: Economic Impact 2006 (Using Saayman Method**)**

A. Total Tickets Sold	111 776
B. Total Visitor Groups	10 714
C. Total Visitors	18 000
D. Visitor Spending	R26 m
E. Direct Outflows	R4.3 m
F. Rent Spending	R0.5 m
G. Retained Sponsorship	R6 m
H. Direct Impact (D - E + F + G)	R28.5 m
I. Indirect Impact (H × 0.1)	R2.9 m
J. Total Economic Impact (H + I)	**R31.4 m**

Before the multiplier can be introduced, according to the method used in the 2005 study, an estimated amount of rent[30] accruing to local Grahamstown residents over the festival period must be accounted for. The 2005 survey reported a rent figure of R424 000, but for the purpose of this calculation, and to account for a possible underestimation, R500 000 is used. Half of the total sponsorship amount is added to the spending figure of R21.9 million, to arrive at a total direct impact of R28.5 million. When multiplied by 1.1, in order to account for the indirect spending occurring as a result of the festival, the total economic impact for the Grahamstown National Arts Festival 2006 according to the method implemented by Saayman *et al.* in their 2005 study, is R31.4 million.

[29] This figure is arrived at when one combines the outflows of ticket sales (R3.16 million), souvenir stall sales (R1.19 million), and transport costs (R53 570).

[30] For locals who rent out their properties or part thereof for the duration of the festival.

4.6 Economic Impact: Interview vs Self-Completion Data

The 2004 Antrobus method attempted to take into account the demographics of festival visitors as a whole, and made a concerted effort to capture the diversity of festinos, by way of introducing the visitor demographic profile, which was supplied to the interviewers prior to data collection. Also, with the benefit of the experience gained from having completed several such studies in the previous few years, the Antrobus method recognized the possible bias which may arise from only collecting data in one form (self-completion questionnaires, for example), which intuitively would only appeal to those with the time and capacity (in terms of language skills) to complete such a task. South Africa is a country with 11 official languages, and due to the self-completion questionnaire being offered only in English, this would have had the effect of excluding some of the festival visitors.

The data for the 2005 Saayman study was collected exclusively through 388 English self-completion questionnaires. It is suggested that this was a contributing factor to the size of the difference between the final estimated impact amounts for the 2004 Antrobus and 2005 Saayman studies – at the time white South Africans were still perceived to hold the majority of the country‟s wealth.

According to Antrobus and Snowball (2004:17), in the 2004 data there was a much higher reported total spending per group for self-completion questionnaires (R1 696), than for the face-to-face interviews (R1 385). This phenomenon existed in the data collected in the 2006 survey (as pointed out earlier), with the self-completion questionnaires indicating a spending figure of R3 204 per group, whilst the interviews had an average spending per visitor group of R2 290. It is thus suggested that if only self-completion spending was taken into account, as in the 2005 Saayman *et al.* study, the calculated total economic impact for the 2004 Antrobus and Snowball study would have been considerably higher than it was.

4.6.1 2006 NAF Economic Impact – Interview Data Only

Using the Antrobus and Snowball (2004:34) calculation method for the sake of uniformity, it is interesting to compare the economic impact figure for the 2006 NAF when using only interview data, and using only self-completion data, respectively. In this instance, the visitor number was calculated by dividing the total number of tickets sold (111 776) by the reported average number of ticketed shows attended by each festino. The average number of ticketed shows attended was 9, a 33% increase on previous years which could partly be attributed to limiting the number of local respondents and is thus likely to be an over-estimate of the true average.

Table 4.7 shows that, excluding locals, the number of NAF visitors increased marginally in 2006 compared to 2004, and the average number of shows from the 1996, 1997, 2003, 2004 and 2006 studies[31] is 6.2 shows per festino. When the total number of tickets sold in 2006 (111 776) is divided by the historical average number of ticketed shows per festino (6.2), visitor numbers are estimated at around 18 000. The number of visitor groups is then calculated to be 10 714 by dividing the estimated number of festinos (18 000) by the average size of each visitor group (1.68 people). Total visitor spending is calculated by multiplying the average reported spending per group according to the interview data (R2 290), by the total number of visitor groups (10 714), to give R24.5 million.

Interestingly, if the total number of tickets sold (111 776) is divided by estimated visitor number from the Saayman study (70 000), then this would imply that the average number of ticketed shows per festino is actually closer to 1.6 than the 6.2, as the data collected for the 1996, 1997, 2003, 2004 and 2006 would suggest, an overestimate of 390%. This seems highly unlikely, and although it is acknowledged that no set of data is without its flaws, there is no reason to believe that the estimated number of shows would be a figure so grossly overinflated.

[31] These particular studies have been grouped together as similar methods were used across all of them to collect data, and calculate economic impact.

Table 4.7: Data Collection Method and Visitor Number Calculation at NAF

	1996	1997	2003	2004	2006
Method (% interview vs. self-completion)	84	42	100	41	74
Average Number of Ticketed Shows Per Person	5.2	6	4.9	6	9
Total Number of Tickets Sold	184 761	157 380	95 913	104 617	111 776
% of Local Respondents	20	21	33	17	7.5
Visitor Numbers, in thousands (*excluding locals)	31,25 (25,0*)	25,3 (20,0*)	20,0 (13,2*)	20,0 (16,6*)	18,0 (16,65*)

When the above visitor spending estimate is combined with the sponsorship amount for 2006 (R12.7 million) the total is just over R37m. When the assumed 30% immediate outflow is accounted for, first round impact is estimated at R26 million. Applying the multiplier (1.18) gives the total economic impact for the 2006 National Arts Festival, using only the data collected through the interviews, to be R30.8 million (see Table 4.8).

Table 4.8: Economic Impact 2006: using only Interview Data

	Rm
A. Total Visitor Spending (R2290 × 10 714)	24.5
B. Sponsorship	12.7
C. Immediate Outflows (30% of A + B)	11.2
D. First Round Impact (A + B - C)	26
E. Indirect Impact (D × 0.18)	5
F. Total Economic Impact (D + E)	**31**

4.6.2 2006 NAF Economic Impact – Self-Completion Data Only

The same can be done in order to calculate the economic impact figure for the 2006 NAF when using only self-completion questionnaire data, as was done in the 2005 Saayman method. Total spending is calculated to be R34.3 million, when the total number of visitor groups (10 714) is multiplied by the reported average spending per group (R3 204), according to the self-completion questionnaire data. The sponsorship figure used is the same as in Table 4.4 (R12.7 million), and when 30% of this combined figure of R47 million is deducted to account for

immediate outflows, an amount of R32.9 million is arrived at for first round impact. When the multiplier (1.18) is applied, the total economic impact for the 2006 National Arts Festival, using only data collected through the self-completion questionnaires, is R38.8 million (see Table 4.9).

Table 4.9: Economic Impact 2006: using only Self-Completion Data

	Rm
A. Total Visitor Spending (R3204 × 10 714)	34
B. Sponsorship	13
C. Immediate Outflows (30% of A + B)	14
D. First Round Impact (A + B - C)	33
E. Indirect Impact (D × 0.18)	6
F. Total Economic Impact (D + E)	**39**

The above comparison illustrates clearly the variation, in terms of total economic impact, that can result when two different methods of data collection are employed. This is possibly the most telling difference (other than the visitor number estimates) between the 2005 Saayman *et al.* survey and that conducted in 2004 by Antrobus and Snowball, and with the 2006 consumer survey data being applied to each it shows that the method in which the data is collected can have an even greater influence on the total economic impact than the actual mechanics of the calculation itself.

In light of the findings, and Tables 4.5 and 4.6, it is suggested that it is not, perhaps, as important to choose one calculation method over another, as it was originally thought. Although the methods used by Antrobus and Snowball in 2004, and Saayman *et al.* in 2005, to calculate total impact were structurally far removed from one another, the similar outcomes of R34.6m and R31.4m for the 2006 NAF point to an accurate and representative data sample being the most important factor with which researchers should concern themselves. On the other hand, when the same method to calculate economic impact is employed, but different types of collected data are used (self-completion and interview), significantly different impact figures are recorded – R39m and R31m, respectively.

If the method used to collect data is at least as important as the calculation method itself, then this should be kept at the forefront of researchers‟ minds for future endeavours in the field. Concern over using the most accurate of figures relates not only to visitor expenditure, but also to the estimated outflows and the multiplier. Clearly, any bias which is introduced into the data set, whether purposefully or erroneously, will greatly influence the outcome of an economic impact study and efforts must be made to keep these to an absolute minimum. It can reasonably be assumed that the 2006 study captured a largely representative sample of the visiting festinos, as the quota should attest. The fact that both face-to-face interviews and self-completion questionnaires were used, with the vast majority being the face-to-face sample, seems to indicate that the information collected on spending was likely to reduce potential bias where possible given the financial, time, and man-power constraints. Scrutiny of the 2006 NAF calculation of economic impact can thus shift toward the estimated outflows from the Grahamstown area.

Whilst the 2004 Antrobus method makes an assumption of a 30% lump sum outflow from the Grahamstown region, the 2005 Saayman method is much more detailed in its estimated outflows[32]. Whilst Antrobus and Snowball (2004:35) admitted that this estimated figure of 30% was likely to be in need of updating, Grahamstown had not experienced notable growth in its production capacity by 2006. Thus it is suggested that an outflow figure of around 30% is still sufficiently valid for the purposes of this estimation, assuming it was suitable when first used in the 1997 study by Antrobus *et al*.

As previously mentioned, the Saayman *et al.* study assumed that only 10% of ticket sales accrued to locals, and also that 80% of souvenir stall sales, and 50% of transport costs, could be excluded from the first round economic impact (2005:25). It is suggested going forward, that dividing the outflow figure into discernable parts is an accurate method of calculation, as the questionnaire can then be designed with these specific spending categories in mind. This precludes researchers from having to estimate a more random total outflow figure, as would be the case for a festival which is difficult to compare to another in terms of its structure, size, and location.

[32] Notably, however, the 2005 study does not define the study area. It can reasonably be assumed that this is Grahamstown itself, given the small multiplier size, relative to that used in the 2004 study.

On the other hand, however, perhaps the existence of the additional spending categories could serve to wrongly inflate the outflow amount, if respondents report higher than realistic amounts for each. Perhaps the best method would be for researchers to first estimate an outflow range which they believe to be reasonable – in a similar way to how Slabbert *et al.* (2009:41) produced a realistic range for the economic impact of the 2009 KKNK. Then if the combined outflow figure falls outside the range, researchers are able to either review the calculated outflow amount and adjust it accordingly, or discard it altogether in favour of an outflow estimate which does fall within the realistic range. Factors like the geographical size of the impact area, the degree of isolation from major centres, and the extent to which the cultural goods on offer at a festival (like the acts, performers, and stalls, for example) originate from outside the local community should be taken into account when determining what a realistic level of outflow would be. This is just one way in which Lind and Gronstad"s (2010:12) principle of navigating to the most accurate outcome via input from several different sources could be applied in reality.

4.7 Conclusion

The organizers of the NAF are continually faced with a major trade-off. While it is suggested that one of the objectives of the festival is the economic upliftment of the Grahamstown area (or even the Eastern Cape at large), and another is to develop the festival itself into an event which attracts a representative sample of the population, it is argued that these goals are not easily achieved simultaneously. If the former were to be favoured, studies could be conducted in a manner which aims to show a large economic impact figure. Therefore, based on the findings of this chapter, perhaps only self-completion questionnaires would be used and only wealthy and well-educated (and predominantly white) festinos would be targeted by researchers - but this would result in a skewed view of the demographic profile of the „average" festino. The result would likely be that the impact amount would also be greater, but not necessarily a true measurement of the real economic value of the event to the Grahamstown region.

If the second objective of development were to be favoured, researchers could again influence the outcome of an economic impact study, if only face-to-face interviews were conducted, and the demographics of the interviewees targeted fell into the required categories. This would show

that the festival caters for festinos from various ethnic groups, and could quite possibly illustrate the cultural importance an event holds for the community, but it would also in all likelihood show a relatively small economic impact.

With the above concerns in mind, and on the strength of the comparisons between the 2004 Antrobus and Snowball, and 2005 Saayman *et al.* studies conducted on the NAF, it is suggested that what is most influential in arriving at any economic impact figure, is the estimated visitor number. These studies have illustrated that it is this figure which has a huge bearing on the outcome of the economic impact calculation, as highlighted by the vastly different 2004 and 2005 impact figures, which were centred around estimated visitor numbers with a difference of close to 50 000 festinos.

Generally speaking, public sponsors (like the local and national governments) are intuitively less likely to lend their support to a festival which caters mainly for the traditionally more privileged white demographic, almost regardless of the estimated amount of positive financial impact which the festival has on the host community. Thus, if organizers wished to attract any substantial sponsorship from this sector, especially government subsidies, they could commission an economic impact study, focussed more on development. However, if organizers of a festival wished to display the financial importance of their event to a community and potential private sponsors with more of a focus on financial return on investment, then it would be possible to influence the economic impact figure in an inflationary manner by using a large visitor number, for example. The downside would be that a festival displaying such results would be unlikely to receive government funding as readily as it might.

In light of the above, it is suggested in this case that the best and fairest manner in which to measure the economic impact figure for the 2006 NAF would be to combine the outcomes when the different data collection methods (self-completion and interviews) are employed, and find a reasonable middle ground. The average of R31 million and R39 million, then, would be approximately R35 million. Interestingly, the amount is similar to that arrived at by Antrobus and Snowball in 2004 (R38.4 million, in 2006 Rands), and seems to validate this outcome, based

on the the relatively flat ticket sales statistics between 2004 and 2006[33]. In addition to this, it is suggested for future studies of this event that other non-market valuation methods are also employed, to measure the intrinsic value and the cultural relevance of the NAF to the local community and visiting festinos alike. This will serve to provide a more comprehensive and informative (to both the public, and the Festival Organisers themselves) measure of the value which this event holds, and could show the way for a sustainable future in an increasingly competitive industry.

[33] The ticket sales, as reported by the Festival Organisers, only increased by 6.43% in this period.

Chapter 5

Analysis and Implications of the Case Study

Several areas of misrepresentation regarding economic impact studies have been explored, both on theoretical and practical levels. Of these, it is suggested on the basis of the NAF case study and preceding chapters that the estimated visitor number used, and the method of data collection, are two of the main areas of concern. As illustrated in Chapters 3 and 4, the visitor number estimate has a significant influence on the final economic impact, and regardless of the method of calculation, researchers will need to include this figure at some point. Chapter 4 showed how separate studies conducted on the NAF only one year apart estimated the visitor number with a difference of around 50 000. For an event held in a small centre like Grahamstown this is no insignificant number, and was shown to have had a large hand in the approximately R18.4 million (in 2006 Rands) difference between the total estimated economic impacts.

Getz‟s (2008:418) concern over the displacement of residents is perhaps the most difficult of the issues around visitor numbers to tackle. Perhaps this is best approached either before or after the event, by way of a mass survey (for example, on-line or in a widely distributed newspaper) of those locals who decided to leave the area for the duration of the event, and those potential visitors who avoided attending because of the expected over-crowding. Researchers are then free to account for this opportunity cost as they feel is most appropriate, but it is vital that this be done in a transparent fashion. In fact, it is put forward that transparency regarding the estimation of the visitor number is fundamental to the integrity of a study, perhaps above all else.

Transparency will necessitate that researchers verify key figures, since a report is open to criticism if gross errors, or “mischievous” calculations (in the sense that Crompton (2006:70) described) are obvious. Lind and Gronstad (2010:12) state that the most accurate way in which visitor numbers (or visitor days) can be determined is to calculate this figure using two, or even three, benchmark sources (like ticket sales, accommodation statistics, and the official organizers report, for example). The various estimates will either be similar enough to validate one another,

or different enough to cause the researchers to investigate and determine which of the figures is most likely to be accurate.

5.1 Sustainability, Alternatives, and Additions to Economic Impact

> "Attractions, regardless of ownership, are essential for tourism and generate considerable direct and indirect economic benefits. In fact, the demand for tourism services like accommodation is often created by that part of the industry that motivates travel, including festivals and other events" (Andersson and Getz, 2009:847).

The increasing importance of planned events within the sphere of destination competitiveness has resulted in them becoming prominently featured in development and marketing plans (Getz, 2008:403). As mentioned by McKercher *et al.* (2006:63), „successful attractions" create demand for travel to the event, and/or generate further economic benefits by appealing to visitors to extend their stay. Dwyer *et al.* (2005:351) asserted that due mainly to the perceived economic benefits, state-funded events companies have become ever more embroiled in costly bidding wars to attract successful „footloose events". To this end, economic impact studies have played a major role. To date, much of the public justification of events" funding has been secured by highlighting the projected positive economic benefits, through the use of economic impact studies, in one form or another (Langen and Garcia, 2009:3).

However, even though impact studies are commonly used to attach value to cultural events, this is not to say that this will always be the case, and that no worthwhile alternatives exist. Dwyer *et al.* (2005:351) suggest that input-output analysis should only be used when a "more comprehensive technique" such as a Computable General Equilibrium model is not practical, for reasons like data availability or the high costs involved with obtaining such data, and even then the drawbacks should be acknowledged and accounted for. CGE models aim to assess the impacts of changes in expenditure within a specific sector on the economy as a whole, and seek to explore the impact of changes in a vast number of fields, from „hazardous waste management", to „technological change" and even „public infrastructure" (Dwyer *et al.*, 2005:353). For the time being, however, techniques like CGE have not been as widely integrated into the field of cultural economics as impact studies and it is suggested that addressing the

shortcomings of the more basic input-output models would suffice in terms of valuing festivals, for the purpose of event comparison and the subsequent distribution of sponsorship funding.

Snowball and Willis (2006:44) demonstrated the use of willingness-to-pay (WTP) studies to estimate the non-market intrinsic benefits of the different elements of an arts festival. It was also pointed out that choice experiments (CE) are able to measure the change in utility derived from marginal changes in the level of an attribute, and are therefore more useful in a multi-attribute evaluation situation (Snowball and Willis, 2006:46). However, while CE‟s are able to give policy-makers insight on both funding concerns and on event-specific issues (like the structure of the festival for example) they are based on random utility theory, and therefore not directly comparable to a market valuation method like economic impact, or CGE. It is suggested that instead of being a possible alternative for economic impact, WTP and CE rather be used in addition, to indicate a cultural event‟s value more comprehensively – as called for by Seaman (in Towse, 2003:4). If WTP studies and CE‟s can be employed in conjunction with an impact study, both the intrinsic and the instrumental aspects of an event will be measured and a more comprehensive indication of value will result. Perhaps another way in which impact studies can be regulated in terms of possible errors, would be the use of a committee of local (if possible) experts, whose express purpose would be to test and comment on the realism of the estimates used. This would reduce the number of studies which produce dubious results susceptible to excessive criticism after the fact, and would also have the effect of allowing researchers to avoid getting „bogged down‟ in the analysis of statistics (specifically, trying to determine the realism of estimates used) during the study itself.

It stands to reason that just as a cultural festival will have positive impacts on the host community and visitors to the event, there will also be notable negative effects which, if not taken into consideration, would render the outcomes of an impact study incomplete at best (Dwyer *et al.*, 2005:353). Hojman and Hiscock (2009:4) drew attention to some of the externalities which occurred from staging the Sidmouth International Festival on the host community, like “problems to find parking space, “loud music in the early hours”, “private gardens being used as public toilets”, “broken glass and vomit on the beach”, and “having to pay to enter the main Festival ground during Festival Week (which was open to the public the rest of

the year)". These might seem fairly minor, but the negatives extended to more serious issues, some which affected local businesses, as their sales reportedly dropped over the festival period and some shop owners experienced increased shoplifting (Hojman and Hiscock, 2009:4).

In a similar vein, Lai and Lorne (2006:44) asserted that according to the Coase Theorem, externalities can be addressed by bargaining between the parties concerned. However, as both Hojman and Hiscock (2009:2) and Lai and Lorne (2006:44) agree, Coasean efficiency can only be achieved if property rights are well-defined and legally enforceable, and no transactions costs exist. In real world terms a perfectly efficient outcome will almost never occur. To aim to estimate and account for the negative externalities associated with a cultural event is, however, one step closer to a more effective and accurate impact study, and one which may promote the continued use of the technique in the years to come.

5.2 Cultural Events and Innovation: An Opportunity for Economic Impact Studies

An issue which stems from the Coase Theorem, and one that is raised more than once in the literature, is that of innovation and more specifically the relationship between innovation and cultural events. On this topic, Lai and Lorne (2006:44) put forward the following important proposition:

> "Institutional arrangements can only survive in the long run if they reduce transaction costs, enhance the efficient use of resources, encourage innovation, and promote real growth for society as a whole".

Hojman and Hiscock (2009:2) suggested that Coase bargaining is able to go beyond simply trading rights between parties to balance the effect of negative externalities, to being the catalyst for the generation of innovative and creative strategies which may turn negative into positive externalities. Seaman (in Towse, 2003:2), and more recently, Indecon (2009:iv) acknowledged that arts and cultural activities not only contribute significantly to "quality of life and societal cohesion", but also recognize the economic contribution of the sector. The study goes on to draw links between the arts and culture, and the "overall innovation propensity of economies", and

suggests that this be noted by economists and policymakers alike (Indecon, 2009:97). Florida (2002) suggested that the arts and cultural industries are important economic contributors in terms of value added, employment, and possibly most importantly, through investment in human capital. It is suggested that it is in the fostering of the so-called „creative class" that the true long-term economic benefit of cultural events can be found.

Herein lies an opportunity for proponents of economic impact analysis to give greater weight to the outcomes of future studies and increasing the perceived stature of this technique generally, which may lead to its continued credibility and use in the field of cultural economics.

Studies which assess specifically the benefits of an event, are useful only in that context and the results should not be advertised, nor viewed, as an „overall" economic impact. If researchers are able to include an assessment of the negative aspects of an event on the host community, then the outcomes are more balanced, and a truer picture of the financial effects can be drawn. Likewise, studies which are strictly economic, and which neglect the cultural and societal impacts should be viewed as incomplete measures of value. It is for these reasons that Snowball and Webb (2008:161) believe that studies should (and are able to) be conducted both qualitatively and quantitatively, to reach a truer estimate of the long term value a cultural festival holds. However, it seems now that to ensure the survival of economic impact as a method of valuing cultural events, researchers must look beyond the positive and negative impacts on the economic and cultural aspects of the host community, and seek rather to combine all these elements to infer further. As shown in Indecon"s (2009:98) report on the economic impact of the arts in Ireland, the OECD published findings in 2007 which sought to measure the "combined social and economic importance of culture by way of estimating the contribution of the creative sectors" to Gross Value Added (GVA) in various countries, across different media, as shown in Table 5.1 below.

Table 5.1 OECD Data on Creative Sectors – as % of GVA

	Australia (%)	Canada (%)	France (%)	UK (%)	USA (%)
Advertising	0.5	0.3	0.8	0.7	0.2
Architecture	0.1	0.1	0.2	0.5	0.2
Video, film and photography	0.4	0.4	0.4	0.3	0.4
Music, and the visual and performing arts	0.2	0.2	0.2	0.5	0.3
Publishing/Written media	1.2	1.8	0.8	2.1	1.1
of which: Printing	1.0	0.3	0.9	0.4	0.4
Radio and TV	0.6	0.5	0.3	0.9	1.0
Art and antiques trade	0.0	0.1	0.0	0.1	0.0
Design (incl. designer fashion)	0.1	0.1	0.0	0.7	0.1
Total of above	**3.1**	**3.5**	**2.8**	**5.8**	**3.3**

Source: Indecon (2009:98)

Not only does this serve to highlight the importance of creative and cultural endeavors to overall economic activity, but it also shows the path which impact studies of cultural events must take if this technique is to improve its status in the eyes of policymakers and the public alike. From data like Table 5.1 above, one is able to draw links between activity in specific arts sectors and the innovation and knowledge creation which results. This could be scaled down to individual events (or even events held in a certain region), the elements which these events contain, and the impact on the innovation potential in the immediate and surrounding areas. If a longer term time-series approach was taken to economic impact studies, it is suggested that they could indirectly give a greater indication of the more intrinsic benefits of cultural events. Rather than a „snapshot" of an event which may be viewed out of context, as it were, this method would build a trend data set to map economic progress over time, and by way of inferences the like of which can be drawn from Table 5.1, a more holistic picture could be pieced together.

5.3 Implications for the National Arts Festival

What implication does this have for the festival used as the primary case study, the South African NAF? Ironically, the one common feature of all cultural events is that they are unique – forged in a specific set of circumstances, by individuals and groups with a heritage that impacts on each festival in a very distinctive way. In this regard, the NAF has reflected, and even

impacted on, South African society in its own small way as the country has endured some tumultuous political periods.

Hauptfleisch (2007:83) stated that the NAF derived its original aim from that of the 1820 Settlers‟ Foundation, which was to:

> "celebrate, (re)establish, empower and maintain the cultural heritage of English-speaking South Africans in the face of the triple threat of *Americanisation, Afrikanerisation* and *Africanisation*."

However, Snowball and Webb (2008:154) pointed out that even from its inception, organizers recognized that the NAF could, and indeed should, branch out into other cultures, and include scope for "politically provocative and experimental work". While this was done cautiously at first, due mainly to the reservations of the State regarding perceived risqué productions, even regarding attempts to diversify the audience base, by the mid-1980‟s notable progress was being made. This period coincided with the introduction of Standard Bank as the title sponsor in 1984, and as the political plays which at this time became prominent on the Fringe demonstrated, a trend had been formed regarding increasing opposition of big business to the Apartheid government (Snowball and Webb, 2008:156). The number of African-origin performing arts groups increased significantly, and the festival gradually became an important stage for the voicing of social resistance and awareness.

As the policies within South Africa began to change, with the release of Nelson Mandela from prison, and the signing of the National Peace Accord, the NAF still found itself on the fore-front of societal reformation. For example, Barbara Masakela, then head of the ANC Department of Arts and Culture, made a formal address at the first public gathering with an ANC speaker since the unbanning of the organization at the 1990 NAF (Snowball and Webb, 2008:158). Even today, with much of the political unrest which plagued South Africa for so long restricted for the most part to the past, the NAF has a vital role to play in the development of culture. As Hauptfleisch (2006:182) put it, South African festivals are still important "not only in understanding and re-interpreting the past, but also in coming to grips with the present and shaping the future".

Snowball and Webb (2008:160) suggested that, coupled with the withdrawal of Standard Bank as the title sponsor in 2002, the NAF‟s diminished role as an "outlet for the expression of political and social resistance and awareness" has resulted in a shift of focus from the politically provocative towards more financial-orientated considerations. Due to the more stable political situation in South Africa beyond the 1990‟s, there has been less scope for cultural festivals to act as a stage from which the repressed may be heard – and as such, they could be seen to have lost value, in the public eye, in this way. Snowball and Webb (2008:161) believe, however, that the NAF is no less culturally valuable, but its changed role has resulted in a different developmental profile. Whilst in the decade before 1994 the NAF was vital for "maintaining diverse South African cultural capital", it is now most valuable as a place for "building new cultural capital" and for "valorization by artists, agents and audiences" (Snowball and Webb, 2008:161).

The continual emergence of financial considerations has shaped the NAF as much as the social and political scene in which it has existed, and can never be excluded from the valuation argument. Whilst in the past, the NAF has been granted inherent value from the fact that it introduced the multidisciplinary arts festival to South Africa, and as Hauptfleisch (2007:83) described, played an important socio-political role in a very unstable period of the country‟s history it must now compete more aggressively for its survival on a quantitative, as well as qualitative, level.

The South African government contributes very little direct funding to the arts, and so attracting this kind of financial injection has become of enormous worth (Hauptfleish, 2008:81). This has contributed to the arts industry becoming highly competitive in recent years, as the number of cultural festivals held annually in South Africa has grown steadily since the days when the NAF was first established (Kruger et al., 2010:81). For an event like the NAF to stand out above the competition, it must seek to illustrate its long-term value, which not only includes the kind of qualitative method called for by Snowball and Webb (2008:161), but should look to infer from these results a prediction of the impact the festival could realistically have on the economy in the region, and indeed on South Africa as a whole. Indecon‟s (2009:98) linking of impact results to the long-term innovation potential created by the hosting of a cultural event is a prime example.

Chapter 6

Summary and Conclusions

The thesis has shown that economic impact studies have become an accepted tool to evaluate tourism events, including those focused on the arts and culture. Despite the widespread use, some (for example, Snowball and Antrobus, 2002, Madden, 1998, 2001, Dwyer *et al.*, 2005, and Bowitz and Ibenholt, 2009) have questioned the validity of the method, primarily on two grounds: in terms of the ability to measure value accurately, and the suitability to arts and cultural events specifically.

Looking at the suitability of economic impact studies to the arts industry first, McKercher *et al.* (2006:56) stated that the benefits of festivals, apart from the economic, included:

> "opportunities to learn about other cultures, customs, and ways of life, which in turn encourage greater understanding of, and tolerance for cultural diversity".

Klamer (in Towse, 2003:466) suggested that the economic impact analysis of cultural events is flawed at a conceptual level, because to value a cultural good only in terms of its economic worth, runs the risk of underestimating the true value. It is argued that this refers to the notion that certain individuals or groups attach an intrinsic value to cultural events which goes beyond the economic. Thus, it would be necessary to evaluate a cultural event on several different grounds, in order that full and true value could even begin to be accounted for, along the lines of a model like that outlined by McCarthy *et al.* (2004:13) in Figure 2.1. This would allow the instrumental, intrinsic, private, and public benefits of the event to be taken into account. It is suggested that no impact study will realistically, on its own, be able to indicate how a cultural event is valued in these varied categories, and will only indicate the financial effects (and often, of these, only the benefits). Thus, it is vital that researchers make it known, when publicly announcing the outcomes of a study, the boundaries within which the impact should be viewed so that the results are not misinterpreted by the public or misused by those who may have something to gain.

Even when purely looking at the economic aspects of an event, a question mark remains as to the ability of impact studies to fully capture the financial consequences of an event. Seaman (in Towse, 2003:4) suggested that impact studies are only able to indicate the short-run effects of additional spending generated by a cultural asset, and to rely on this alone when measuring value would be partially correct, at best. If, however, economic impact studies are conducted in conjunction with willingness-to-pay and contingent valuation methods, then consumption values and the long-run effects of an event can be assessed (as well as the short-run impacts), and a more comprehensive picture of the event can be put together.

Why, then, have economic impact studies specifically been so widely incorporated, and what is the significance of this method for the future? More than 20 years ago The New Zealand Tourist and Publicity Department (1987) reported that "event tourism is an important and rapidly growing segment of international tourism", and Getz"s (2008:403) recent statement that this sector has recognized impressive expansion, seems to validate the initial prediction. As mentioned by Dwyer *et al.* (2005:351), governments are prepared to offer generous funding incentives to attract those events which are seen as leading to increased economic activity and creating new jobs. It is suggested that the Eastern Cape government would not have been willing to sponsor the roughly R4 million per year pledged for the 2009, 2010, and 2011 (proposed) National Arts Festivals, were it not for the likes of Saayman *et al.* (2005) indicating an impact on Grahamstown of R54.3 million for the 2005 NAF (NAF Statistics, 2010:1).

With the increased number of events being held, both within South Africa and across the globe, the competition for the limited amount of funding made available by governments and corporate sponsors alike has intensified. This, it is argued, is the major reason for the continued, indeed increased, use of the economic impact study as a tool to evaluate tourism events, as organizers seek to ensure the long-term survival of their particular event. Perhaps to advertise the outcomes as the „total impact" or „net effect" of a cultural festival would be inaccurate, but the figures estimated remain valid for the purpose that they were intended – to calculate the economic effect of an event on the host community, given the financial, staffing, and data constraints which exist.

6.1 Lessons for the Future

At the outset of any study, data must be collected and the manner in which this is done will ultimately impact on the outcome of the study itself. Using the data collected at the 2006 NAF, the effect of applying visitor spending figures from interview, and self-completion questionnaires, separately to the impact calculation was considered. Again, a significant difference in the estimated impacts was achieved (even though exactly the same method of calculation was adopted), which flags data collection as one of the areas in which bias can be incorporated inadvertently into a study. Should researchers wish to minimize the potential issues to do with visitor numbers and data collection, which if not addressed could seriously harm the integrity of the study (and perhaps even the long-term reputation of the researcher involved), checks on such key inputs will need to be put in place from the outset, and all assumptions should be stated clearly.

In terms of estimating visitor numbers, several issues must be addressed. Firstly, it is suggested, in keeping with the thoughts of Crompton (1995:26), Snowball and Antrobus (2002:1300), and Bowitz and Ibenholt (2009:3) that time-switchers, casuals and locals be excluded from the visitor number calculations, as they do not enter the host community with the express intention of attending the event. One exception which could be made is to include those locals who preferred to „holiday" at the festival rather than going elsewhere, as their spending over the period can be attributed directly to the event itself. All of this important information can be gleaned from the questionnaire data, provided that questions are included to identify these groups of individuals specifically.

One of the main aims of economic impact studies is to allow the valuation and comparison of different events, so that state and private funds be allocated in a socially efficient way. It is thus put forward that visitor days be favoured over discreet visitor numbers where possible. The reason for this stems closely from the argument made first by Snowball (2004:1081) and then by Lind and Gronstad (2010:10) that because the type of event and the event"s location are taken into consideration, visitor days are more informative and therefore preferable.

Finally, those who seek to perpetuate the implementation of economic impact studies in the field of cultural festivals need to understand the conceptual limitations of the method, as well as the potential for bias within the calculation. Likewise, perhaps a greater understanding is needed regarding information which can be gleaned from impact studies conducted over time, specifically concerning creative innovation and the long-run effect on the economy. It is suggested that while impact studies are as valid now as they have ever been for the purpose which they were created, using this method in conjunction with tools which are able to measure aspects beyond the short-run economic value of an event could ensure the sustainability of the method in the eyes of researchers and policymakers alike, further into the 21st century.

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