

The Economic Impact of the NATO Summit on the City of Chicago



Chicago - Room with a View by Express Monorail

Contents

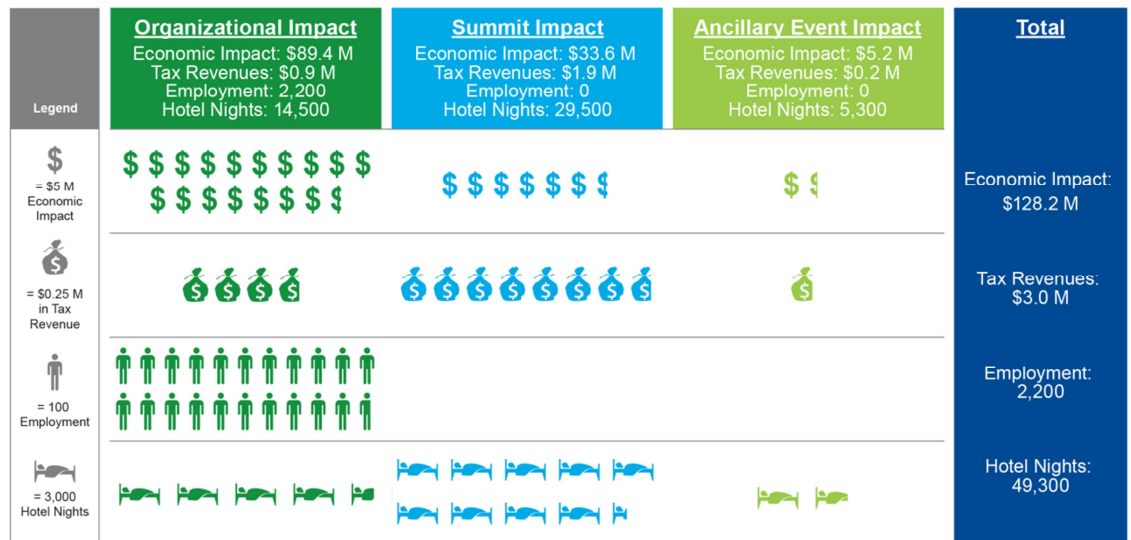
Executive Summary	1
Introduction and Background	3
Methodology	5
Chicago on the World Stage: The NATO Summit	7
Impacts of the Chicago NATO Summit	10
Other Impacts	12

Executive Summary

On May 20-21, 2012, Chicago will host the 25th North Atlantic Treaty Organization (NATO) Summit – the first NATO Summit in the U.S. held outside of Washington, DC. Delegations from 28 NATO Member Countries, 24 International Security Assistance Force (ISAF) Partner Countries, and six other nations and international organizations will participate in the Summit. The Summit will bring economic benefits in the form of spending, tax revenues, employment, hotel guests, tourism, and broader global attention. Over 7,500 delegates and 7,300 staff, press, and other dignitaries are expected to attend the Summit. In addition, planning for the Summit prompted visits and spending by delegations during advance trips to Chicago. Building on the momentum of the Summit, many Chicago organizations have planned events that will generate additional economic impacts for the City. These ancillary events are expected to draw thousands of additional speakers, staff, attendees, and members of the media.

The scope of this analysis is limited to the City of Chicago proper, and all impacts described refer to the City and not to the larger Cook County, Chicago Metropolitan Statistical Area, or the State of Illinois.

Figure 1: Economic Impact of the 2012 NATO Summit



Organizational impact reflects expenditures by the City, Host Committee, and other bodies on Summit preparation and activities. Summit impact includes food, transportation, and accommodations purchased and paid for by the 18,300 delegates, staff, and members of the media anticipated to be attending the Summit. Ancillary event impact includes food, transportation and accommodations purchased and paid for by 2,900 estimated attendees of events scheduled due to the presence of the Summit.

Summary:

- The Summit and its planning phases will inject an estimated \$123.0 million into the City of Chicago economy; the City will receive over 18,300 Summit attendees and staff, contributing more than 44,000 room nights.
- Ancillary events will add an estimated \$5.2 million, 2,900 additional out-of-town visitors, and more than 5,300 room nights to the City of Chicago economy.

- The City will accrue an additional \$3.0 million in fiscal impacts through tax receipts. This does not include any State or County taxes.
- In total, the Summit will result in an estimated \$128.2 million in total impacts to the City of Chicago, \$3.0 million in local tax revenues, over 21,200 visitors, 49,300 hotel nights, and close to 2,200 temporary jobs in the City of Chicago. These impacts are summarized in **Figure 1** above.

In addition to the quantitative impacts described in this report, Chicago is likely to experience other, less tangible effects from the Summit. These include immediate and long term international attention, reinforcement of Chicago's brand as a world class city, and elevation of Chicago's role as host for future global events. At an international event of this scale, protests or other unscheduled disruptions may also occur, which could result in mixed media attention; however, the value of exposure is difficult to estimate reliably and was not within the scope of this analysis.

Introduction and Background

Study Objective

The objective of this study is to understand the economic impacts that result from the 2012 NATO Summit and related events in the City of Chicago. The first section of this study discusses the technical approach used to evaluate the economic impacts. The second section provides the background of the NATO Summit, its structure, and its related events. The third section details the economic impacts identified by the study. The fourth section contains the qualitative impacts of the Summit.

Background of NATO Summit

The first Summit after the 1949 founding of NATO was held in Paris in 1957. All previous U.S.-based Summits have been held in Washington, DC, most recently in 1999. The last cities to host a NATO Summit were Bucharest, Romania in 2008; Strasbourg, France and Kehl, Germany in 2009; and Lisbon, Portugal in 2010. The 2012 Chicago Summit will be the 25th NATO Summit.

Participants of the Chicago Summit include delegations from 28 NATO Member Countries, 24 ISAF Partner Countries, and six other nations and international organizations including the EU, the World Bank, and the UN.

The priorities for this Chicago Summit are planning the military transition in Afghanistan and strengthening political relationships with non-NATO partner nations.

At the 2010 NATO Summit in Lisbon, President Barack Obama proposed that the the next Summit take place in the U.S. Planning for the 2012 Chicago Summit began after a 2011 speech on the NATO transition in Afghanistan in which President Obama announced that the U.S. would hold the Summit in Chicago.

Study Area: City of Chicago as Host

The study area used for this evaluation is the City of Chicago; any impacts refer to the City and not to the larger Cook County, Chicago Metropolitan Statistical Area, or the State of Illinois. With a population of nearly 3 million, Chicago is by far the largest recent host city. It also has the largest tourism industry of any recent host city, with more than 39 million visitors per year, including 10 million business travelers and 1 million overseas visitors.

Chicago recently ranked as the fourth most economically powerful city in the world – behind Tokyo, New York, and London – and the seventh most innovative. At an estimated \$500 billion, the region's economic output would place it among the top 25 countries in the world by GDP. According to the McKinsey Global Institute, an international business and economic research group, Chicago is one of the U.S. cities that will be a driving force behind the global economy over the next decade.

Chicago's diverse population and ethnic heritage are fundamental features of the City. Over its history, Chicago has received waves of immigrants from throughout the world. Chicago is home to well over 1,500 foreign-based companies, and is one of the fastest-growing consular hubs in the nation. It is home to 79 Consulates/Consuls General, more than 40 international/ethnic Chambers of Commerce, 28 international sister cities, and over 90 foreign-based trade organizations. With these

factors in mind, it ranked seventh as a Global City out of 65 metro areas in the 2012 Global Cities Index.

Most participants in the Summit will arrive at O'Hare Airport to the northwest of downtown. O'Hare is one of the busiest airports in the world, with over 2,900 daily non-stop or direct flights from Chicago to more than 200 cities worldwide and 67 million annual passengers. The airport is connected to the downtown area by Chicago Transit Authority (CTA) trains and by the Kennedy Expressway.

Visitors can move about the City via public transit, taxi and on foot. The CTA train system serves more than 700,000 weekday riders along 224 miles of track throughout the city and inner suburbs. Chicago also has one of the most accessible fleet of taxicabs in the United States, with more taxicabs per person than New York or Philadelphia. In 2011, Chicago was ranked by Walk Score as the fourth most pedestrian-friendly U.S. city. The size of the City brings unique benefits for the Summit including infrastructure, accommodations, and the presence of global organizations. It also presents challenges not seen at previous sites such as greater public access and more demanding security logistics.

The Host Venue: McCormick Place

Chicago's McCormick Place will be the main facility used during the NATO Summit. The center is located approximately 10 blocks from downtown. In a typical year, McCormick Place attracts close to 3 million visitors. Its largest conventions host tens of thousands of visitors and exhibitors. McCormick Place comprises four buildings, all of which have been reserved for the summit: the North and South Buildings, the West Building and Lakeside Center. McCormick Place serves as the structure for the conventions it hosts, and contracts with external vendors for food, exhibition decorations, IT and other services.

McCormick Place by the Numbers

- 2.6 million sq. ft. of exhibit halls
- 1.3 million sq. ft. on one level
- 170 meeting rooms
- 600,000 sq. ft. of meeting rooms
- 6 ballrooms, 2 of which are the largest in the city
- Assembly seating for 18,000
- 4,249-seat Arie Crown Theater
- 3 theaters seating 300 each
- 5,800 parking spaces

Source: McCormick Place

Methodology

Approach

A gross expenditures approach was used to estimate the economic impacts, trace the flows of spending associated with NATO Summit planning and execution, and identify impacts relating to employment, spending, delegates and Summit attendees, and visitors.

This study draws on the IMPLAN input-output model, which helps predict the spending patterns and economic multipliers related to the relevant study area.

The study area and any reference to the “City of Chicago” refer only to the City proper and its government, not to the larger Cook County, Chicago Metropolitan Statistical Area or State of Illinois. All tax figures include only revenues returning to the City of Chicago and do not include sales or income taxes for Cook County or the State of Illinois. This study is prospective and estimates are based on the best available information at the time of data collection and analysis.

Data Sources

The study draws its assumptions, analysis, and conclusions from available economic statistics, including secondary data from public sources, and interviews with key stakeholders including:

- Chicago Convention & Tourism Bureau
- Chicago Council on Global Affairs
- City of Chicago
- Host Committee
- Illinois Restaurant Association
- Jascula Terman Public Relations
- McCormick Place
- Smith Travel Research
- World Business Chicago



Source: The City of Chicago

Economic Impact Analysis

Economic impacts can be understood as direct, indirect, and induced:

Direct Impacts are the expenditures made directly for activities, employment, and the goods and services required to host the NATO Summit. These include, for example, the expenditures for catered meals at McCormick Place for members of the media. They also include local spending to rent McCormick Place and spending by tourists attending the ancillary events.

Indirect Impacts capture the spending of local businesses generated by direct spending. For example, the company that caters for McCormick Place purchases food from wholesalers to supply meals to the media. The cost of the food purchased would be an indirect impact.

Induced Impacts represent the re-spending by households resulting from the direct and indirect impacts. For example, the wholesaler providing supplies to the catering service company will use funds received from McCormick Place to pay employees. Employees, in turn, use that pay (in the form of wages) to purchase local goods.

Key Inputs

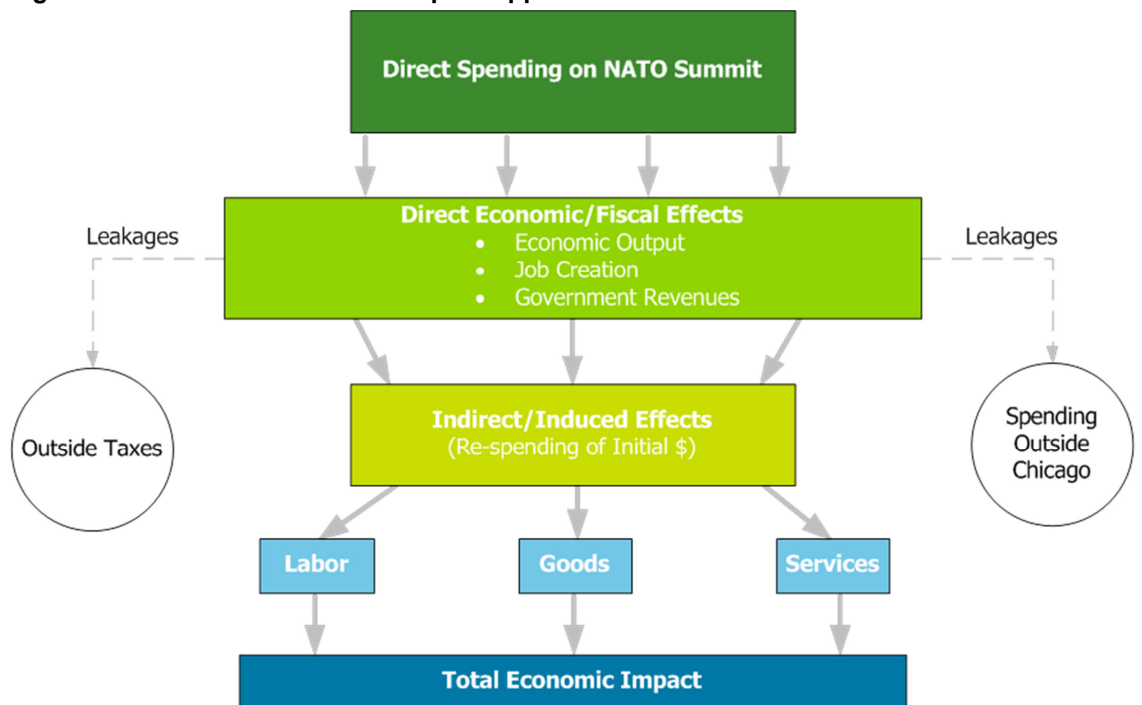
- 7,500 Individual delegates
- 5,000 additional foreign ministers, support staff, security details, spouses, etc.
- 2,300 members of the media
- 6,400 other staff and attendees of the Summit and ancillary events
- 49,300 hotel nights

In addition, assumptions were made around various linkages between the ancillary events and the Summit itself, and typical spending patterns of visitors and delegates based on historical trends.

Due to “expenditure leakage,” spending effects do not continue indefinitely. Leakage occurs when spending takes place outside of the community (e.g., when employees purchases goods or services from a supplier outside Chicago). It is also important to note that not all local spending benefits the City of Chicago economy; some impact is received in the area where the goods are produced (Figure 2).

Displacement Impacts: This study made key assumptions about possible displacement impacts of the Summit – events and visits that were cancelled or deferred due to the Summit. Business travelers or other visitors possibly altered plans in order to avoid perceived crowding or disruption from Summit activities. Construction and other business could be deferred due to precautions around the Summit. Conferences originally scheduled to be held during the Summit were rescheduled for other dates this year, so it is assumed that their related business and construction will still take place in Chicago in 2012; therefore, these displacement impacts on business travel or tourism should be minimal.

Figure 2. Overview of Economic Impact Approach



Chicago on the World Stage: The NATO Summit

A World Class Event

This NATO Summit and its related events have been collaboratively organized and executed by the NATO Summit Host Committee, the City of Chicago, the Federal Government and a number of contracting organizations. This section will begin with an overview of these organizations' involvement in the pre-meeting activities; the events and structure of the Summit itself; and the events that are ancillary to the Summit. It will then discuss how these activities result in economic impacts.

Pre-Meeting Activities

Because of the complexity of hosting an international event on a scale as large as the NATO Summit, planning and preparation began almost as soon as the City was selected as host on June 11, 2011.

The Host Committee acted as a clearinghouse for event information, budgetary needs, and logistical requests. It worked to build summit plans, infrastructure and operations, as well as plan the series of receptions and events that will take place in conjunction with the Summit.

As the host city, Chicago worked to create an environment that allows for positive international interactions and limited disruption to residents. For example, the City of Chicago will provide additional police, fire, water, and transportation services. City personnel providing these services have conducted Summit-specific training to prepare for the volume of delegates and other Summit attendees and events. Additional equipment, such as crowd-and-traffic-control devices, was acquired to support the City's provision of these additional services.

Also in preparation for the Summit, advance teams visited Chicago to review logistics, plan meetings and events, and define security measures. Between March 28 and March 30, the largest visit involved 675 delegation staff members and 200 journalists, and resulted in nearly 2,000 hotel nights.

McCormick Place leadership and staff have been working with the Federal Government and a number of contractors to provide, for example, food, security, and voice and data communications capacity for the event.

Requirements of the Summit have also prompted McCormick Place to upgrade several meeting areas with new fixtures, wiring, and technology. Cellular service is being permanently expanded in the area surrounding McCormick Place to accommodate the increased traffic, an investment that was not previously planned.

In order to host the Summit, McCormick Place rescheduled the annual National Restaurant Association (NRA) Convention to an alternate weekend, so its economic impact was shifted but not lost. While some NRA attendees were unable to change their plans, others reported that the new schedule allowed greater participation and coordination with other conventions. No other

cancellations or significant scheduling changes were made to accommodate the Summit. Likewise, it is anticipated that any general business or leisure travelers to Chicago who may prefer to avoid the Summit will be shifting to different dates in 2012. Thus, displacement impacts were minimal to none.

Financial support for pre-planning activities came from the Host Committee, the Federal Government, as well as non-governmental bodies and corporate organizations. Many local Chicago organizations have provided in-kind or donated services and products to support the Summit. One company, for example, sponsored the Summit by donating a significant amount of wireless communication equipment to the City to bolster the signal for residents and Summit attendees alike.



Source: McCormick Place

The NATO Summit

The Summit will take place May 20 and 21. As described in the introduction, heads of state and delegates will be arriving from over 50 countries.

Over 7,500 individual delegates are expected to attend. Many country leaders will also be accompanied by foreign ministers, and other support staff, as well as security details and spouses – a total of 5,000 additional attendees. Roughly 2,300 members of the media from around the globe will also arrive in Chicago to cover the event (**Figure 3**).

In addition to the Summit, each delegation will attend other activities and meetings during their time in Chicago. For example, delegates will participate in talks and have the opportunity for informal interactions throughout the event. Members of the media will have a high tech media center at McCormick Place. Spouses of the delegates will be hosted at various locations throughout Chicago during the Summit.

On average, delegates will stay 4 nights in Chicago, though some delegates' stays are as long as 15 nights and begin as early as May 8 – a full 12 days before the Summit officially begins. Several domestic contingents organized by the State Department will have a significant presence in the City by the beginning of May. All of the Summit delegations will be on-site by May 19 and most will leave by May 22.

While some staff and members of delegations will provide their own transportation, many of the delegates, media, and staff will have private transportation arrangements from the airport to McCormick Place and throughout the event.

Ancillary Events

Building on the presence of thousands of Summit attendees in Chicago, many non-NATO related organizations are hosting events related to the Summit. These events take direct advantage of the presence of the Summit in order to draw additional speakers, staff, attendees, or media from outside the City.

Ancillary programming is being executed by the Chicago Council on Global Affairs (CCGA), Chicago Public Schools, the League of Chicago Theaters, and World Sport Chicago as well as other organizations. One example is the CCGA NATO Summit Speaker Series. The series consists of

seven speaking events taking place during the three months prior to the Summit. Dignitaries scheduled to speak in this series include the Ambassador of Bahrain to the U.S., the NATO Supreme Allied Commander for Transformation, and the Managing Director of the World Bank, among others. **Table 1** presents a small sample of the events set to take place in Chicago around the Summit.

Table 1. Sample Ancillary Events

Date	Event	Special Guests
3/21/2012	Chicago Council on Global Affairs: G8 NATO Speaker Series – The Chicago Summits: A British Perspective	Sir Peter Westmacott – British Ambassador to the United States
4/23/2012-4/25/2012	World Summit of Nobel Peace Laureates: “Speak Up, Speak Out for Freedom and Rights”	His Holiness the Dalai Lama – Tibet, President Frederik Willem de Klerk – South Africa, President Jimmy Carter – United States, President Mikhail Gorbachev – Russia, Professor Muhammad Yunus – Bangladesh
5/16/2012-5/18/2012	7 th US-Africa Trade and Investment Forum	President Goodluck Jonathan – Nigeria, Other African Leaders

The ancillary events are estimated to attract 2,900 out-of-town guests. These guests add to the thousands of local residents who plan to attend, and the delegates and dignitaries already in town for the Summit who will attend as well.

Impacts of the Chicago NATO Summit

Sources of Economic Impact

The impacts of the NATO Summit on the Chicago economy began during pre-event activities and are estimated to continue through the event and potentially beyond (see **Other Impacts**). The largest economic impacts from pre-event activities resulted from spending by host organizations and advance teams visiting the City to plan for the event.

Impacts from the Summit itself will result from spending on transportation, logistics, and conference services, as well as delegation and media-related events and receptions. It will also result from visitor (Summit attendees and ancillary attendees) spending on hotels, food, transportation, other goods, and services.

Economic impacts from ancillary events will result from visitor spending on hotels, food, transportation, goods, and services.

Figure 3. Summit-related Visitors to Chicago in May

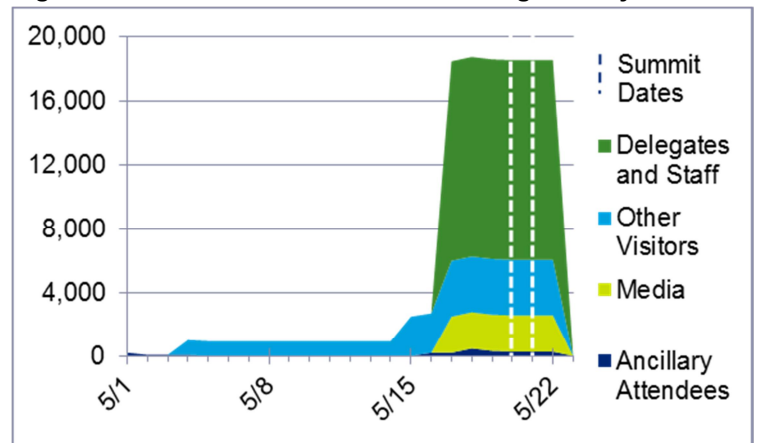


Figure 3 provides a snapshot of the arrival of visitors to Chicago as a result of Summit and ancillary events. The chart focuses on the month of May, when most delegations and visitors to ancillary events begin arriving in the City. As mentioned above, there have also been many advance trips and other ancillary events in Chicago prior to May that had economic impacts. It is important to note that the figure depicts the total attendance for each day with each group of visitors building on the number of visitors in other groups. Peak attendance (May 20-21) is over 18,500 visitors.

Economic Benefits for the City

The 2012 NATO Summit will generate an estimated \$128.2 million for the City of Chicago economy in direct, indirect, and induced spending, and an additional \$3.0 million in fiscal impacts through tax receipts for the City. Close to 2,200 people will be employed in temporary work focused on planning and executing the Summit. This study does not include overtime hours for existing City of Chicago employees when determining the employment impact. 49,300 hotel nights will be purchased by the more than 21,200 delegates, support staff and members of the media attending the Summit, as well as the attendees of ancillary events. As outlined below, the sources of direct impacts for the Summit include organizational impact, Summit impact and ancillary event impact. Details for each source of direct impact are listed below.

Estimates of Direct Benefits

Direct organizational impact, estimated to be \$58.6 million, represents the impact of expenditures by the City, Host Committee, and other bodies on Summit preparation and activities.

Direct Summit impact, estimated to be \$21.4 million, includes food, transportation, and accommodations purchased and paid for by the 18,300 delegates, staff, and members of the media anticipated to be attending the Summit. Ancillary event impact, estimated to be \$3.3 million, includes food, transportation and accommodations purchased and paid for by 2,900 estimated attendees of events scheduled due to the presence of the Summit.

Summary of Total Impacts

Based on the direct impact figures, the indirect and induced impacts of the Summit can be evaluated. These impacts are detailed in **Table 2** which provides a summary of the overall impacts of the Summit.

Table 2. Summary of Total Impact of the NATO Summit to the City of Chicago (\$'s in millions)

Category	Direct	Indirect	Induced	Total
Organizational Impact	\$58.6	\$5.5	\$25.3	\$89.4
Summit Impact	\$21.4	\$6.2	\$6.0	\$33.6
Ancillary Event Impact	\$3.3	\$0.9	\$1.0	\$5.2
Total	\$83.3	\$12.6	\$32.3	\$128.2
City of Chicago Tax Revenue				\$3.0
Temporary Employment ¹				2,200
Total Visitors				21,200
Summit Delegates and Staff				16,000
Media Personnel				2,300
Ancillary Event Attendees				2,900
Hotel Nights				49,300

¹ Preparation and execution of the Summit will result in the temporary employment of close to 2,200 people.

Other Impacts

Exposing Chicago to the World, and the World to Chicago

In addition to the economic impacts quantified in this report, Chicago is likely to experience qualitative benefits from the presence of the NATO Summit as well. These include global attention on Chicago, reinforcing Chicago's brand as a world-class city, and elevating Chicago's role as host for future global events.

International Attention on Chicago

With more than 2,300 members of the media and thousands of other visitors attending the Summit, Chicago will be the focus of thousands of news stories. This international attention can result in valuable exposure and advertising. Other cities that have hosted recent international summits on this scale have seen thousands of global media impressions, and placed this marketing value in the tens of millions of dollars. However, the financial value of Chicago's media attention is uncertain. For an international event of this scale, protests or other unscheduled disruptions may occur. These could result in mixed international attention. The overall cost/benefit of exposure is hard to estimate reliably and was not within the scope of this analysis.

Reinforcing Chicago's Brand as a World Class City

In addition to media exposure, the Summit will present Chicago's many assets to the delegates, staff, and other visitors as they experience the City. Through activities and cultural events scheduled during the Summit, Chicago will expose and reinforce its brand as a multicultural, global city. Attendees and visitors alike will see Chicago's world-class features – theater, dining, architecture, etc. – before and during the Summit. This may strengthen Chicago's brand as a leading global city, encouraging attendees and visitors to schedule other international gatherings in Chicago or visit the City recreationally. Ultimately, the Summit could foster international relationships with organizations and businesses in Chicago.

Elevating Chicago's Role as International Host

Chicago is already an established host to some of the nation's largest conventions. A successful NATO Summit will reinforce the City's ability to provide high-quality security, transportation, infrastructure, and hospitality on an international scale. The example set by a successful NATO Summit can be used as a selling point for additional international industry conventions and other gatherings.

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