

## DRAFT LETTER OF ENDORSEMENT

To Whom It May Concern:

The City of Fort Pierce would like to express its support of the Steam Locomotive Association #253, Inc. and the 1924 ALCO Steam Locomotive #253 and its museum.

The City is proud to have provided support since 2009 when the locomotive was brought back to her home rails in Fort Pierce. The organization's mission to preserve and restore this valuable historic legacy should emerge as a major tourist attraction and presents the opportunity for a significant impact on the economy of the area.

The museum has the ability to create a living history center where our youth are exposed to the nostalgic days of steam transportation when steam railroads played a major role in the early development of Florida's growth and expansion.

I am pleased to state that, in my opinion, Locomotive #253 is a good candidate for restoration to operating condition. The Association and its personnel have developed a sensible restoration plan for Locomotive #253 and bring years of experience and knowledge to this important project.

I look forward to our continuing relationship to usher in a new era of steam railroading in Florida for decades to come.

Sincerely,

## **Steam Locomotive Association #253, Inc.**

### NEEDS ANALYSIS and ECONOMIC IMPACT

Heritage tourism has been a growing trend, as more families and individuals wish to integrate recreation with meaningful educational experiences. Heritage tourism is focused on the experience and preservation of a distinctive place and its stories, from the past to the present. Steam locomotive exhibits and railroad museums are quite prevalent in the world and such operations elsewhere in the nation have drawn tens of thousands of visitors from around the world. Most visitors extend their visitation utilizing local facilities and visiting other attractions. It is estimated that an operational steam locomotive situated in a prime tourist setting will generate twenty times the rebuild investment in local revenue, once service has been initiated.

Although few economic impact studies exist with regard to locomotive exhibits or railroad museums, there are many anecdotal references to how successful they have been. However, one very interesting study was conducted recently by Western Carolina University which measured the economic and fiscal impact of The Great Smokey Mountain Railroad on the economy of Jackson County, North Carolina. The study relates to GSMR operating a Spur Line, Train Depot, Steam Engine and Turntable in Jackson County, NC. There are striking similarities between this operation in North Carolina and the operation of #253 in Fort Pierce and therefore many conclusions and parallels can be inferred. Both operations utilize a Steam Locomotive, a Train Depot, Visitor Excursions, and ongoing maintenance. The study found that the direct and indirect effect of their operation in terms of dollars would contribute a total of \$25,979,093 to the local economy. This figure is annual and recurring. In addition to its economic impact, the study found that GSMR's operation could contribute \$4,042,743 tax dollars annually to support federal, state, and local initiatives.<sup>1</sup>

Following the study, the County awarded \$700,000 for the restoration of Steam Locomotive #1702 located in Bryson City, North Carolina.

Jackson County, NC has a population of 40,919 (2013), while St. Lucie County has a population of 286,832 (2013). So, let us interpolate the above figures to reflect the real impact on our own economy here in St. Lucie County. With a multiple of 7.01 (St. Lucie County is 7.01 times larger than Jackson County) the total economic impact is \$182,113,441 annually with \$28,339,628 contributed in taxes. It is estimated that direct employment would add 16 full time jobs and indirect employment would add 210 full time jobs.

The operation of Steam Locomotive #253 could indeed be the economic engine for Fort Pierce and St. Lucie County.

This important legacy of Florida's past will be showcased for centuries to come and shared, not only with South Florida, but throughout our Nation as well.

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<sup>1</sup> Western Carolina University, Estimating the Economic Impact of GSMR Turntable and Spur/Steam Engine/Train Depot in Town of Dillsboro, Jackson County, North Carolina

## **Estimating the Economic Impact of GSMR Turntable and Spur/Steam Engine/Train Depot in Town of Dillsboro, Jackson County, North Carolina**

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### **Purpose of the Study & Key Findings**

This report estimates the economic and fiscal impact of Great Smoky Mountains Railroad's (GSMR) plan to: (1) operate steam trains, (2) build a new turntable, and (3) re-open the train depot in Town of Dillsboro in Jackson County, North Carolina. Impacts are reported in terms of dollars and jobs created. The basic framework used for this study is built in Jackson County.

To determine the economic impact the GSMR would have on the Town of Dillsboro, the IMPLAN software modeling system and database were used. In terms of dollars, the GSMR would contribute \$25,979,093 to the local economy with its proposal. In terms of employment, the proposal would create and/or maintain 314.1 jobs for the local economy. In addition to its economic impact, the GSMR's proposal could provide \$4,042,743 tax dollars to support federal, state and local initiatives.

In addition to the economic and fiscal impacts shown above, construction of the Turntable and Spur would have an extra one-time impact. It is estimated that this additional, one-time impact would be \$1,056,648. In terms of employment, 10.5 jobs would be created and/or maintained. Estimated fiscal impacts in Federal, and State/Local state governments would be \$56,166 and \$26,862, respectively.

### **Scenarios**

The GSMR brought about 60,000 people a year to the Jackson County tourist-oriented town of Dillsboro, before its Dillsboro operations were shut down in 2008. Since new research has not been conducted to estimate the additional riders, it is assumed that the same number of people will visit Dillsboro to ride the train if the station is re-opened with the Steam Engine. It is estimated that 55,146<sup>1</sup> train riders would come to Dillsboro to take the train.

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<sup>1</sup> The Steam Engine stopped operating in 2004. The Dillsboro depot was closed in August 2008. The average annual train ridership between 2005 and 2007 (Before-Closure Period) was 195,030 while the average between 2009 and 2012 was 139,884 (After-Closure Period). The difference in the two average values was used as an estimate.

According to the train rider survey in 2007, the average total spending per adult was \$252.78. Thus, it is estimated that total (new) visitor spending would be \$ 13,939,805.88. The inflation-adjusted value is \$ 15,481,949.98.

A total of 6 new full-time positions and a minimum of 8 seasonal positions would be necessary to operate the Steam Operation. Steam would operate between May and December (6 + 5.3 = 11.3 FTE). With the growth of steam ridership, additional positions will be necessary to support departments such as food and beverage and accounting, which is not included in this analysis.

Total estimated cost of construction of the Turntable and Spur is \$712,293, which consists of \$502,743 for the Turntable, and \$209,550 for the Spur<sup>2</sup>.

It is obvious that a turntable will become a major attraction in the area, and bring new visitors who may or may not ride the train. In the analysis, however, the number of new visitors is not included, resulting in underestimating the economic impact substantially.

## **Methods and Procedures**

To conduct the economic impact analysis, an input-output model was constructed. The researchers utilized the IMPLAN (Impact Analysis for PLANing, Minnesota IMPLAN Group 2010) software input-output model and database to construct a basic input-output model. The input-output model is useful for estimating the economic impact and understanding how the impacts ripple throughout an economy.

Dollar figures for goods and services purchased in Jackson County were entered into an IMPLAN-generated model. IMPLAN then analyzes these dollars to understand the direct and secondary impacts on the local economy.

The first level of analysis measures the direct impact. Direct effects are those dollars spent on goods and services that are available within the regional or local economy. Direct dollars are those clearly and obviously traceable to GSMR. Examples of direct effects include wages paid and supplies purchased by GSMR.

Direct effects trigger the second and third levels of analysis, both indirect and induced effects. Direct dollars are traced by an input-output analysis to detect secondary impact dollar spending. Secondary impact dollars accumulate as a result of both indirect and induced effects. Indirect secondary effects are the dollars generated by expenditures necessary to replenish goods or improve services that have been purchased by direct (initial) impact expenditures. Induced secondary effects are the dollars generated by local households as a result of the direct effects.

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<sup>2</sup> The Spur is the track that will run from the main line track onto the table.

The indirect and induced effects are commonly known as the multiplier. The multiplier effect shows how the direct expenditures get multiplied through the economy; it calculates spending that takes place as a result of the "ripple effect." Multipliers are calculated based on supplier relationships and employee consumption patterns. It essentially means that every dollar received by business owners and employees is re-spent within the region, which, therefore, multiplies the initial sales and generates revenues in other sectors of the local economy. IMPLAN estimates the magnitude of both primary and secondary impacts for each industry, which forms the so-called "multipliers."

It should be noted that a portion of direct and secondary dollar spending goes for goods and services that are not purchased in the local community, as well as to pay state and federal taxes. Money used to purchase items that are not available in the local community and money used to pay state and federal taxes leaves the local economy, and so does not continue to circulate within the local economy.

## **Results**

### *Economic Impact*

Compared with the annual train ridership and visitor spending, construction of the Turntable and Spur would be a one-time expense. Thus, its economic impact is estimated separately. Table 1 shows the economic impact results using IMPLAN. When combined, the direct impact of the GSMR due to a train depot with a Steam Engine and visitor spending is \$17,651,954. The indirect and induced effects of these same categories are \$2,976,052 and \$5,351,087, respectively. Thus, in terms of dollars, the GSMR would contribute \$25,979,093 to the local economy with its proposal. This figure is annual and recurring. The impact may not be realized in the initial years as it will take time to build ridership. However, since the figures used are averages, it is plausible that the impact will be greater in the future. In employment, the proposal would create and/or maintain 314.1 jobs for the local economy. Note that the estimates cannot be differentiated between the new jobs and the existing jobs in this analysis.

### *Fiscal Impact*

Related to the economic impact analysis, one can estimate the fiscal impact of the proposal in terms of federal, state, and local taxes. The results of this analysis were broken out into two categories: federal non-defense related taxes and state and local non-education related taxes as shown in Table 2. Four tax categories constitute the federal taxes generated by the GSMR. They are: social security taxes; indirect business taxes; corporate profit taxes; and personal income taxes. A total of \$2,410,844 would be contributed to federal taxes. In terms of taxes that remain locally, the GSMR can be credited with \$1,631,899 in tax payments. Thus, in addition to its economic impact, the GSMR's proposal could provide \$4,042,743 tax dollars to support federal, state, and local initiatives.

**Table 1. Economic Impacts of GSMR**

Impact Type	Employment	Labor Income	Value Added	Output
Direct Effect	224.3	\$8,198,642	\$12,034,528	\$17,651,954
Indirect Effect	34.8	\$792,200	\$1,823,612	\$2,976,052
Induced Effect	55.0	\$1,598,751	\$3,383,800	\$5,351,087
Total Effect	314.1	\$10,589,593	\$17,241,940	\$25,979,093

Source: Authors' estimation using IMPLAN software and data

**Table 2. Fiscal Impact of GSMR**

Type of Tax	Tax Impact
<b>Federal Government Non-Defense</b>	<b>\$2,410,844</b>
Social Security Tax	\$1,310,602
Indirect Business Taxes	\$192,736
Corporate Profits Tax	\$371,144
Personal Tax: Income Tax	\$536,362
<b>State/Local Government Non-Education</b>	<b>\$1,631,899</b>
Social Security Tax	\$49,093
Indirect Business Taxes	\$1,215,733
Corporate Profits Tax	\$49,615
Personal Tax: Income Tax	\$314,869
Dividends	\$2,589
<b>Total</b>	<b>\$4,042,743</b>

Source: Authors' estimation using IMPLAN software and data