

Major sporting events – are they worth the money?

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The impacts of sporting events

- My message:
 - Sporting events are parties – a break from daily routine
 - BUT: they are expensive
 - Event organisers:
 - underestimate the costs
 - exaggerate the revenues
 - for the event and the host region

The cost side

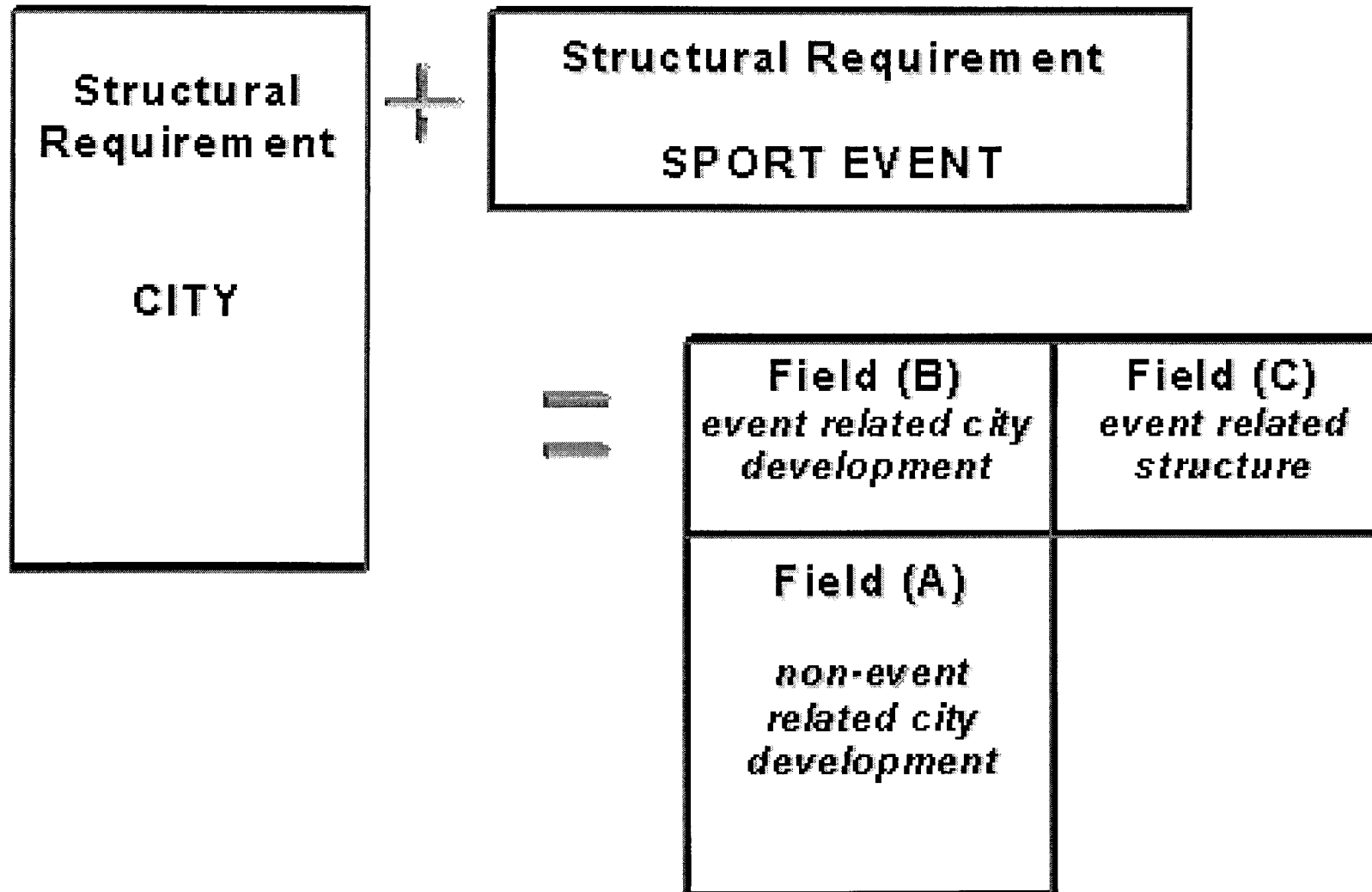
REMEMBER:

- Resources spent on hosting events can alternatively produce other goods and services

Investments

- Infrastructure required to host major events

Structural requirement



- Too much of C can reduce A and B
- “White elephants”
 - Stadiums and facilities you don’t need after the event is over

Some examples:

2002 World Cup soccer finals:

Korea:

- 10 new stadiums at a cost of \$2 billion
- Capacity: 40000-70000
- Average attendance at Korean League soccer matches: 3000

Japan:

- 7 new and 3 refurbished stadiums
- Cost: \$4 billion
- Capacity: 42.000 – 75.000
- Average attendance at J-league matches:
16000

Euro 2004

- Build and refurbished 10 stadiums
- Cost: €729 million
- Capacity: 30000-65000
- Some in cities of 40-50000 inhabitants
- Braga:
 - Average attendance: 5000

Other examples:

- Nigeria spent \$300 million on football stadium – more than the annual budget on education
- Lillehammer has an ice hockey arena rooming 60% of its population
- South Africa and 2010 World Cup soccer finals?

Total costs on infrastructure:

- Beijing Olympics:
 - \$22 billion
- Portugal Euro 2004:
 - \$4,4 billion
- Japan 2002 WC soccer:
 - \$5,6 billion
- 1996 Atlanta Olympics
 - \$600 million
- 1998 Nagano Olympics
 - \$1,3 billion

Operating cost

- Olympics and World Cup soccer finals
 - Not less than \$2 billion – most likely more
- Athens:
 - \$1,6 billion on security
- Governmental subsidies hide the real cost

Long term benefits

- Promotion of host destination
 - Stimulate inbound tourism and other export?
- New facilities for locals

Awareness of host destination

Some surveys:

1988 Winter Olympics Calgary:

- Increased awareness in Europe and the US documented
- Back to normal after some years

2002 Salt Lake City:

- No increase on awareness of city/state – but more knowledge on landscape/facilities

1995 IAAF WC – Gothenburg:

- No influence on image of city

Euro 2000:

- Moderate increase in some countries
- BUT: 55% of respondents did not remember the host nations one year after the event
- In 2001 - 90% in Spain, France, and Italy did not remember where Euro 1996 was hosted!!!!

Tourism effects

- Short term
- Long term

Short term – some examples

Mike Tyson's boxing match in Manchester

Worth £12 million?

or

£1,5 million?

Some common pitfalls

- **Don't count expenditures of local spectators**
- An internal redistribution of money the region already has
- Same principle for all revenues (sponsorship, media rights and public funding)

- 1997 WC skiing in Trondheim:
 - 470,000 spectators = 42,000 visitors
- 2004 WC Offshore boat race in Trondheim (Norway) worth NOK375 million?

Crowding out impacts

- Other tourists stay away
- Los Angeles Olympics
 - Profitable for event organiser / disaster for local tourism industry – due to crowding out
- 2002 World Cup soccer finals
 - More European tourists than normal – less Asian tourists than normal
 - Number of visitors in 2002 equal to same period in 2001 => No net effects

- Capacity constraints generate more import than in normal periods
 - ⇒ Leakages => reduced local revenues

Multipliers

- Output multipliers exaggerate
- Income multipliers more accurate
- Higher leakages than normal during mega events

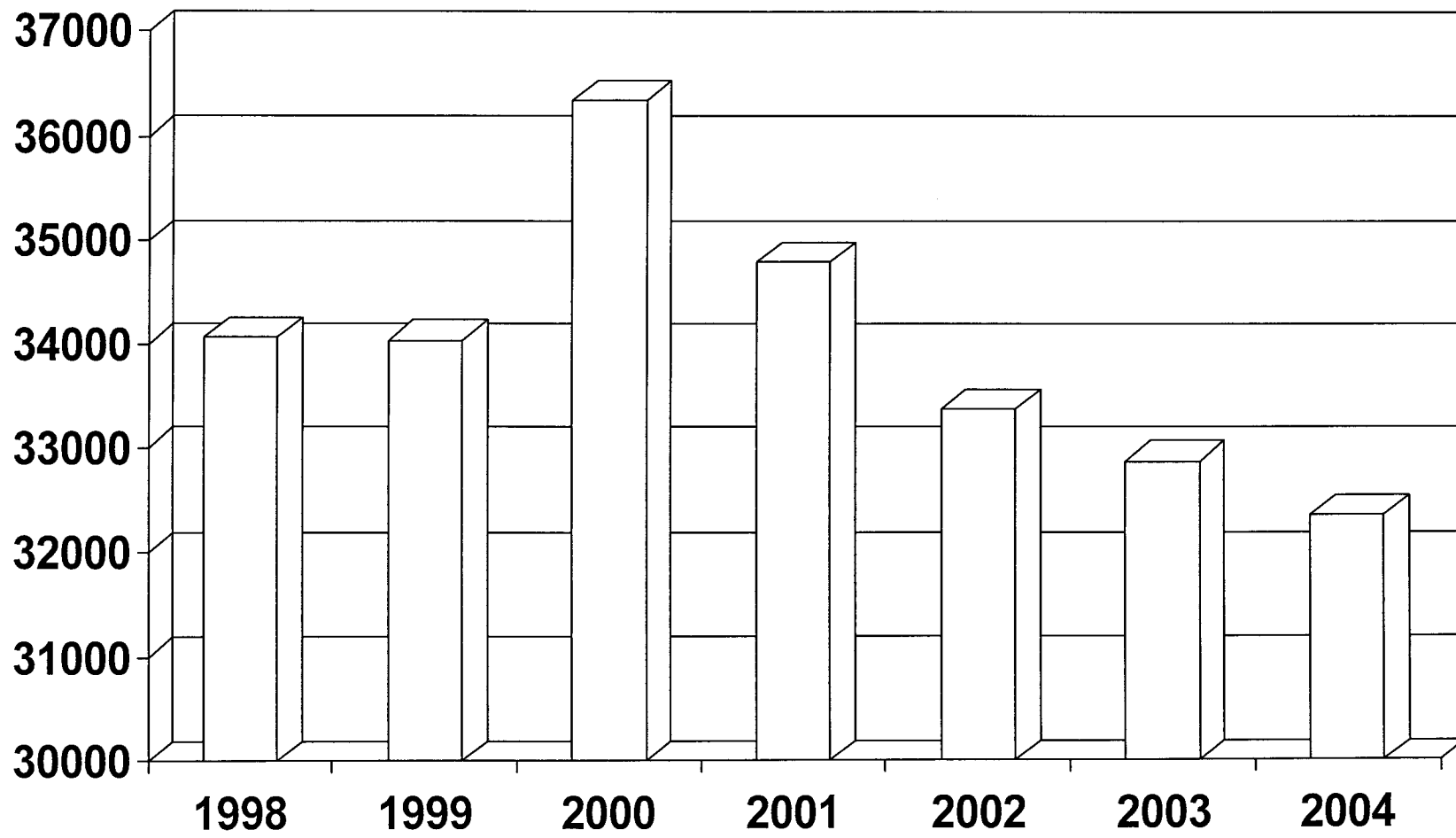
Long term tourism

- Mixed results:
 - Positive experiences
 - 1992 Barcelona Olympics
 - 1988 Seoul Olympics
 - 2000 Sydney Games
 - Positive pre-event effects
 - No post event effects
- Olympic experience centres in Lillehammer, Albertville and Calgary closed down
- Few post-event analyses exist

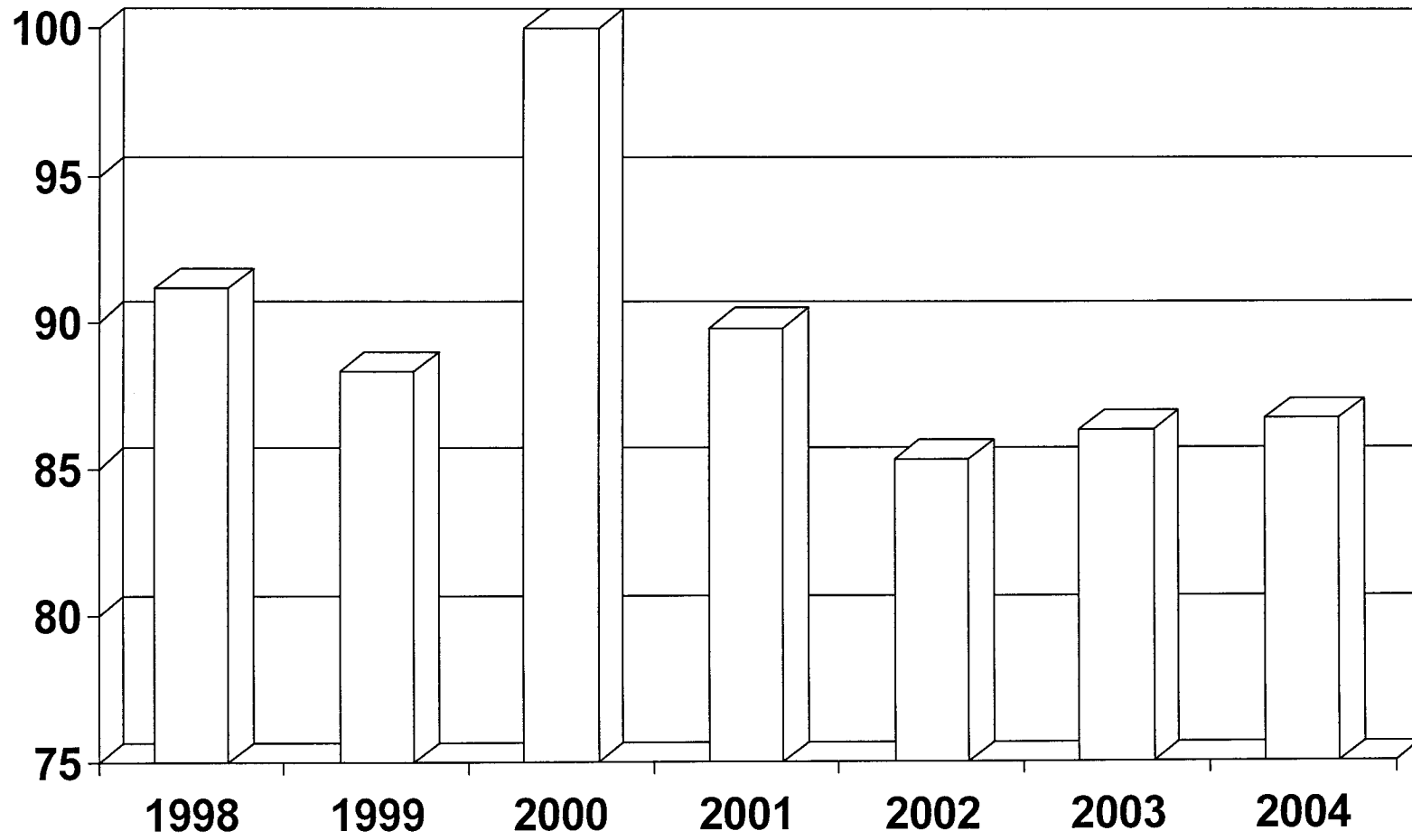
Over-investments in accommodation sector

	Increase hotel rooms	Occupancy rate Olympic year	Chance occupancy rate one year after
1984 Los Angeles	5,8%	75 %	- 1%
1988 Seoul	42-48%	72 %	- 2 %
1992 Barcelona	38%	65 %	- 5 %
1996 Atlanta	10-13%	68 %	- 3 %
2000 Sydney	40 %	49 %	- 3 %
2008 Beijing	62,5%	n.a.	n.a.

Employment accommodation sector NSW (Australia)



Income per guest night – NSW (Australia)



TV rights - distribution

FIFA World Cup soccer finals:

- 100% to FIFA / 0% to host nation

UEFA Championship National teams:

- 90% to UEFA / 10% to host nation

UEFA's Champions League:

- 25% to UEFA / 75 % to clubs

WC-athletics:

- 100 % to IAAF / 0% to host city

Olympics:

- 51 % to IOC / 49 % to host city

Conclusion:

- Major sporting events are festivals – a party outside the daily routine
- But they cost – more event organisers predict and the revenues they bring in
- Governmental subsidies => a rationale for the host city
- Tourism sector a “free-rider”- others pay the bill
- Montreal’s tax payers still paying on the 1976 Olympics!!!!