

**Major sports events**

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**Are they worth the money?**

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# Outline

- The stakeholders involved in major sports events
- The cost side
- The revenues / benefits
- Are the events worth the money
- The future

- The most popular events generate enormous revenues
  - TV rights, sponsorship-support, governmental subsidies...
  - TV rights:
    - 2008 Beijing Olympic: \$1715 million
    - 2006 Turin Winter Olympics: \$832 million
  
- But – they also costs!
  
- Who reap the fruits and who pays the costs?

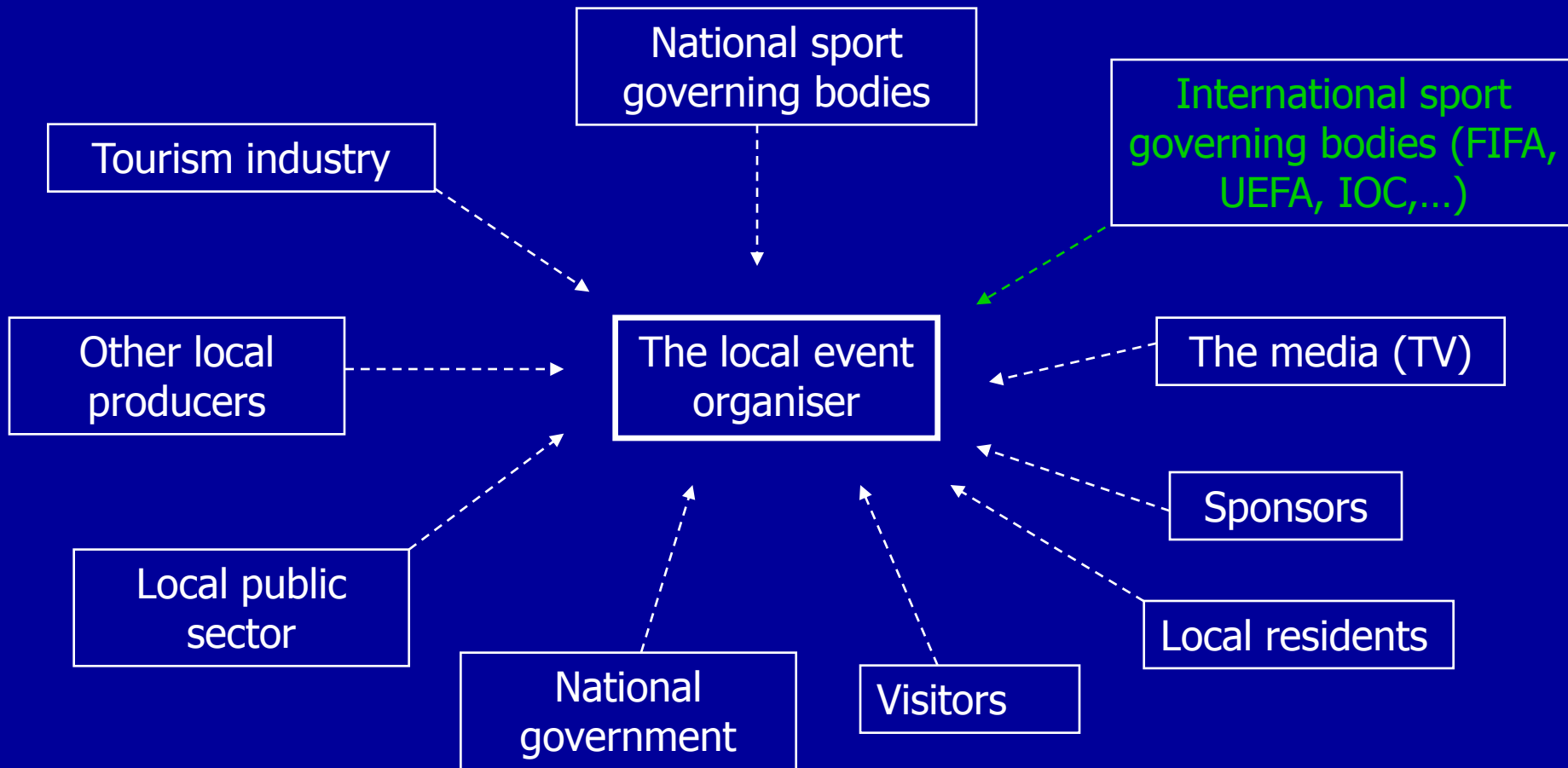
# Stakeholders involved in sporting events



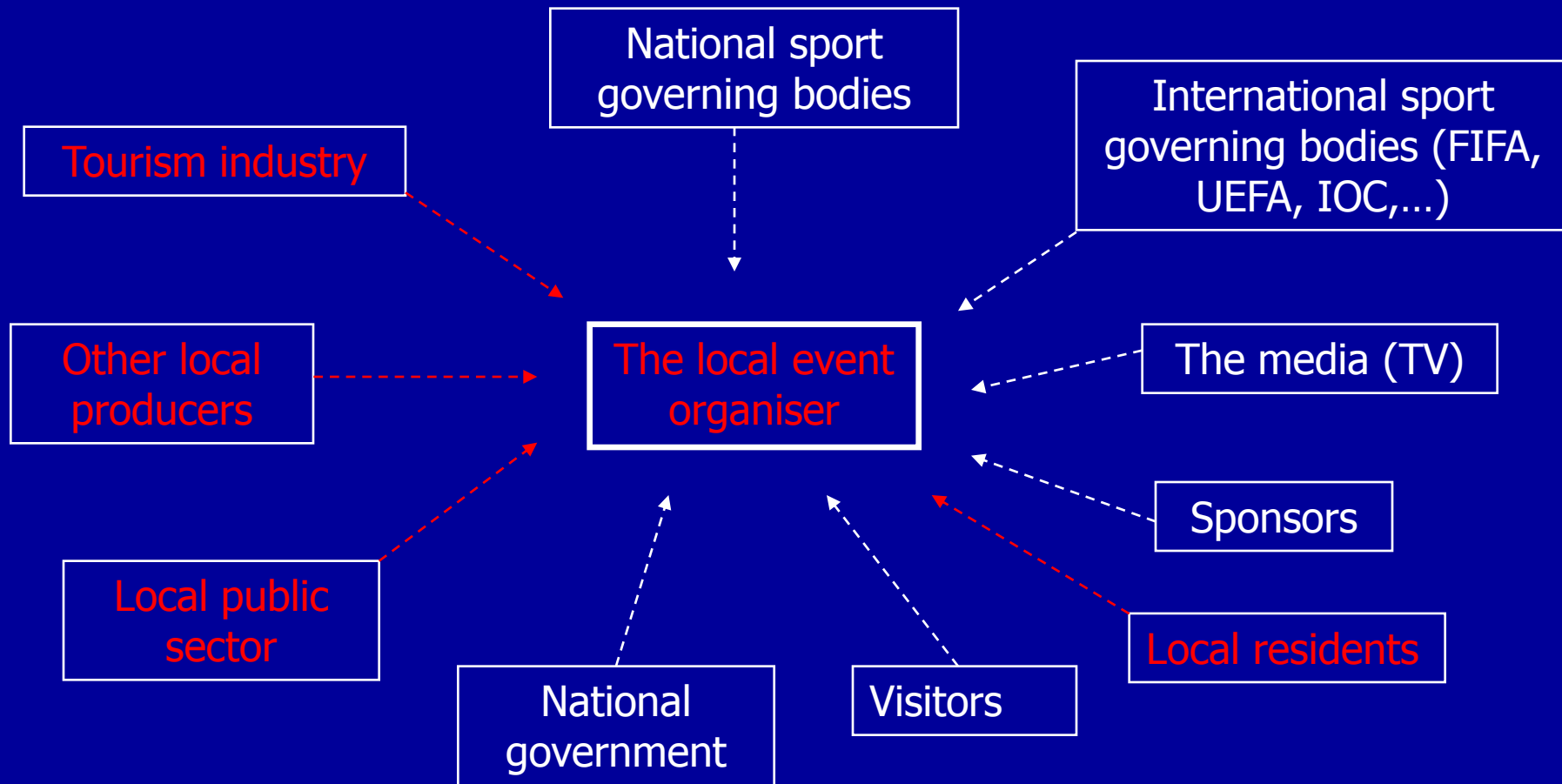
# The producer



# The juridical owner of the event



# The local stakeholders



# The cost side:

- Why so much more expensive than first planned?
- Some examples



# London 2012:

**B | B | C**

Thursday, 15 March 2007

## Olympics budget rises to £9.3bn

**The budget for the 2012 London Olympics has risen to £9.35bn, Culture Secretary Tessa Jowell has told MPs.**

The revised budget is nearly four times the £2.4bn estimate when London's bid succeeded less than two years ago. Construction is now budgeted at £5.3bn, there is a £2.7bn "contingency fund", and tax and security costs have risen.



# Athens 2004:

INTERNATIONAL

Herald Tribune

THURSDAY, JULY 7, 2005

## Olympics: Dream games, nightmare bill

*Olympics has so far cost Greece a record \$13 billion*

Jacques Rogge: The Athens Olympics were "unforgettable, dream games."  
**One year later, the cost of those games is also unforgettable.**

The Greek Finance Ministry still tallying up the bill, which has already reached a **record \$13 billion**. Greece had **initially planned to spend \$5.5 billion**.

The price tag, inflated by **chronic delays, massive security and cost overruns**, way over budget.

**Security alone cost Athens \$1.4 billion**

# Summer Olympics 1972-2000: Operational cost increases

City	First calculation	Last calculation	Years	Percent increase
Munich 1972	Mar. 68	Sep. 74	6	+222%
Montreal 1976	Nov. 72	Apr. 77	5	+538%
Los Angeles 1984	1981	Oct. 84	3	+20%
Seoul 1988	1982	1989	7	+82%
Barcelona 1992	1988	1993	5	+28%
Atlanta 1996	1989	1997	8	+51%
Sydney 2000	1993	2001	8	+68%

# Summer Olympics 1972: Construction cost increases

City	First calculation	Last calculation	Years	Percent increase
Munich 1972	Nov. 65	Sep. 74	9	+171%
Montreal 1976	Nov. 72	Apr. 77	5	+385%
Los Angeles 1984	1983	Oct. 84	1	+3.4%
Seoul 1988	1982	1989	7	+352%
Barcelona 1992	n.a.	n.a.	n.a.	n.a.
Atlanta 1996	1989	1997	8	+14%
Sydney 2000	1990	2001	11	+228%

# Winter Olympics 1998-2010

	Bid book Olympic costs	Final account Olympic costs	<b>Increase %</b>	Bid book Olympic costs	Final account Non- Olympic costs	<b>Increase %</b>
Nagano 98	\$450 million	\$875	<b>94</b>	711	n.a.	<b>n.a.</b>
Salt Lake 02	\$655	\$1287	<b>97</b>	1127	n.a.	<b>n.a.</b>
Torino 06	\$660	\$1357	<b>106</b>	597	967	<b>62</b>
Vancouver 10	\$846	\$1629	<b>93</b>	389	532	<b>37</b>

# Lillehammer 1994

- Financial guarantee from national government:

From NOK1,4 billion to NOK7,4 billion

**Why this pattern?**

# Important issues

- Are the cost budgets correct?
- Unforeseen costs increases
- Mechanisms driving up the costs during the preparations

(Planned and unplanned cost increases)

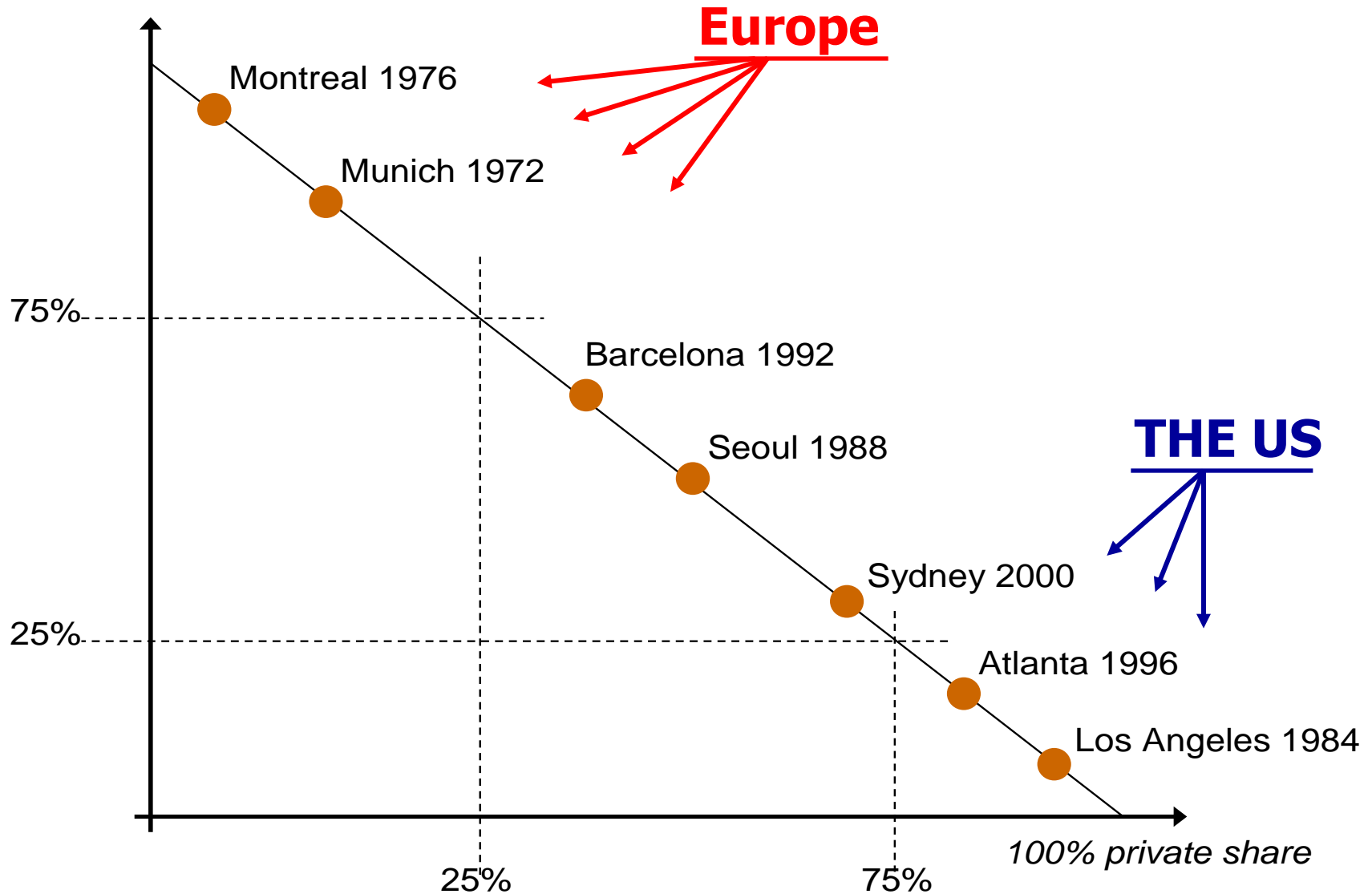


# Cost budgets:

- Who pays the costs?
  - The US: Local stakeholders
  - Europe: National government

# Distribution: Private / public sector funding

100% public share



# The local stakeholders

- Different motives at different points of time during the process
- Underestimate costs before being awarded the event – persuading the government
- Maximise the governmental support after being awarded the event (infrastructure, sport arenas,...)

# Consultancy reports

Crompton (1995):

- “In many cases, errors in assessments of impacts from sports-events have been used to deliberately mislead decision-makers and the public, leading to too high expectations
- Can we trust the pre-event consultancy reports?

## **An example:**

# **Rambøll's Copenhagen Olympic report**

- Underestimating the costs and exaggerating the tourism impacts
  - Copy the Barcelona revenues for less than 10% of the Barcelona costs
- Exaggerate positive health effects
- On purpose?????

# Olympic cities: Construction cost increases

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# Unforeseen cost increases

- One-time experience
- September 11 and its consequences for security costs
- Requirements from other powerful stakeholders
  - The media, sponsors, international sport governing body,....
  - Example:
    - The 1997 WC Skiing in Trondheim

# The Positive Impacts

- Monetary revenues
  - Financial transfers from outside the region
  - Promoting the region and its products
- Non-monetary impacts
  - Feel good factor
  - Celebration / festival
  - Having a party
  - Pride
  - ....
  - ....



# The monetary revenues

## Definition:

- Transfers into the region that not would have occurred without the event
  - TV-rights
  - Sponsorship
  - Tourism
  - Governmental support
    - Only a regional national benefit

**Some experiences:**

# TV rights:

	Local host	“Owner”
The Olympics	49 %	51 %
FIFA World cup	0 %	100 %
IAAF World Championship	0 %	100 %
IIHF World Championship	0 %	100 %
UEFA Euro Championship	10 %	90 %
UEFA Champions League	75 % (82 %)	25 % (18 %)

# TV rights:

	Local host	“Owner”
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**Why this difference?**

**Some geographical experiences:**

# **1976 Montreal Olympics:**

- A financial disaster for the city and the event organiser
- Costs increased enormously
- Bad planning
- No support from National Government
- Olympic tax until 2006

# 1984 Los Angeles Olympics:

- The first “commercial” Olympics
- Very profitable for the event organiser
  - Surplus: \$386 million
- Very unprofitable for the local tourist industry – crowding-out effect
  - Olympic tourists spent less than “ordinary tourists”
  - Loss tourism sector: \$331 million
- The only applicant => good cards towards the IOC

# 1988 Calgary Winter Olympics:

- Increased knowledge of the city in Europe (and US)
- "Back to normal" after some years
- Growth in post-event tourism – but mainly due to other reasons than the Olympics (Oil-industry)



# 1988 Summer Olympics, Seoul, Korea

- Growth in tourism the first years after the Games
- Good planning from the government and national stakeholders
- The Olympics a promotion of Korea as a tourist destination and of Korean high tech products

# 1992 Barcelona Olympics

- A success story
- Positive long-term impacts – tourism and other industries – a more popular city to locate business in
- But costly:
  - Investments in infrastructure:
    - Before the Games (1986-1992): DK79 billion
    - After the Games (1993-2000): DK 74 billion
- The Olympics an investment:
  - Investment costs: 85%
  - Operating costs: 15%
- Increased capacity at the supply side => mediate economic problems

# 1994 Lillehammer Winter Olympics

- Increased activity in the tourism industry – before and after the Games
- Moderate (if any) effects in other industries
- Governmental subsidies – arenas and infrastructure
- Olav Spilling (Norwegian researcher):
  - The long-term industrial impacts were very marginal and did in no way justify the huge costs of hosting the events.
  - If the main argument for hosting a mega-event like the Winter-Olympics is the long-term economic impacts it will generate, the Lillehammer experience quite clearly points to the conclusion that it is a **waste of money**.

# 2000 Summer Olympics, Sydney

- Increased inbound tourism before the Games
  - Congress activity
- Post event tourism significantly lower than expected
  - September 11, Bali bombs, Sars epidemic??????
  - But why stronger growth in inbound tourism to New Zealand and Thailand from 1994 to 2004?
  - Capacity growth => reduced profitability
  - Promotion effects varied:
    - Both positive and negative for Australia

# FIFA's World Cup:

1994 USA:

Negative short term effects – crowding out effects outbalanced football tourists

2002 Japan/South Korea:

Korea:

- Same number of tourists as same period 2001
- European tourists displaced Asian tourists
- Higher expenditures among football tourists

Japan:

- Actual number of tourists significantly lower than expectations
- 30,000 more than same period 2001

- Investments in expensive stadiums – far beyond “normal” demand

2006 Germany:

Positive short-term tourist effects – no crowding out

# Promotion effects:

Surveys in connection to the 2000 Football Euro Belgium / Nederland:

In 2001:

- Only 10% remembered that Euro 1996 was in England
- 55% had forgotten that Euro 2000 was hosted in Belgium/Netherlands (One year after the event!!!!!!!)

**Do people still want the events?**

**Yes they do:**

A survey of local residents opinion (Preuss & Solberg, 2006)

# Results:

- Local residents' opinions towards hosting major sporting events
- Factors influencing peoples' opinion
- Secondary data from 54 event cities/nations (also including "only" candidates) – total of 117 polls/surveys



# Event categories:

- Olympic Games (45)
- Euro football championship (6)
- WC soccer finals (1)
- Rugby WC (1)
- WC skiing, Nordic Games (1)

# Event categories:

- Events already hosted (12)
- Cities/nations loosing the bid (34)
- Cities winning bids – but events not yet hosted (3)
- Applicants future events - decision not made (5)

# Percentage of residents in favour of hosting the events:

Period:	Minimum	Maximum	<b>Mean-value</b>
Prebid / bid	32	96	<b>75</b>
Preparation	53	96	<b>81</b>
Event year	46	95	<b>81</b>
Average	32	96	<b>76</b>

# Factors influencing the attitudes

- Income:
  - The lower GDP the more positive
- Growth:
  - Positive effect
- Public debt
  - Negative effect

# 1994 Lillehammer Olympics – percentage of supporters

	1991	1994
Locals	50%	87%
All Norway	56%	82%

# The Exceptions

- The 1976 Denver Winter Olympics
  - Moved to Innsbruck, Austria after local referendum
  
- The 2004 Stockholm Olympics
  - Lost the competition, partly due to negative attitudes among locals

# Willingness to pay – surveys:

- 1997 World Skiing Championship, Trondheim, Norway
  - NOK 1700 per person
- 2012 London Olympics:
  - Local residents:  $£22*10 = £220$
  - Manchester residents  $£12*10 = £120$
  - Glasgow residents  $£11*10 = £110$

# Conclusions

- *Significant cost overruns the rule (US the exception)*
- *Monetary revenues lower than expectations*
- *The alternative cost: Varies from one nation to another*
  
- *But: Residents want the events – also willing to pay*
  
- *Olav Spilling:*
  - *The Lillehammer Olympics was a great experience, although not in "economic terms."*
  
- *The lasting effect?*
  - *Olympic experience centres in Albertville, Calgary and Lillehammer all closed down shortly after the Games*



# The future:

- Mega events in Europe:
  - An instrument for local politicians
  - Governmental funding of upgrading of infrastructure
  - Unrealistic hopes of tourism effects
- The competition for the events decides who will benefit and who will pay the costs
- The UEFA-TV right example

**Thanks for your attention!**