

## Lecture 10a. RELOCE: 2010

### Event-based regeneration:



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### Introduction

The lecture examines the question of how major sporting and cultural events have become closely linked with local economic regeneration. Most of the material is taken from contemporary articles with a particular emphasis on the regenerative effect of successful modern Olympic games. A bibliography is provided so that you can access the source material.

### Definitions & background

We begin by looking at some of the relevant definitions:

Essex & Chalkley define the Olympic Games as “**hallmark**” events that are “**transitory**” bringing **short-term international participation and attention but having long-term consequences for the host city**. They point out that to stage the games cities have to invest considerable sums not only in sporting facilities but also infrastructure but these remain as “legacies” for the future. They suggest that ever escalating cost of staging the Olympics can only be justified [by the host city] on the grounds that it is “seen to as leading to a major programme of regeneration and improvement”.

Indeed the recent bid by London for the 2012 games is anchored firmly on the proposition that it would act as a catalyst for regeneration of the Lee Valley in East London. The Bid’s web site describes the regeneration effects as:

*“A lasting legacy for future generations. - London 2012 would provide a lasting legacy for future generations - in health, homes and jobs and, of course, sport. The bid is based around a vision that the London Games would make a major difference, bequeathing an immense legacy - locally, nationally and internationally”.*

<http://www.london2012.org/en/news/publications/Candidatefile/Candidatefile.htm>

The London bid concept is based on four main legacy benefits:

- To bequeath world-class sports facilities which become the heart of existing communities;
- To provide a national asset to support Britain's competitors across the range of Olympic and Paralympic sports;
- To kick-start regeneration in the east of London, leading to a high-quality environment for business and job opportunities for local people;
- To create the biggest new urban park in Europe in 150 years.

*“Benefiting the community through regeneration The Olympic Park will be created in the Lower Lea Valley, 13 km east from the centre of London. This area is ripe for redevelopment. By staging the Games in this part of the city, the most enduring legacy of the Olympics will be the regeneration of an entire community for the direct benefit of everyone who lives there.*

*The Olympic Park will become a hub for east London, bringing communities together and acting as a catalyst for profound social and economic change. It will become a model of social inclusion, opening up opportunities for education, cultural and skills development and jobs for people across the UK and London, but especially in the Lea Valley and surrounding areas.*

*The new facilities in the Olympic Park will be open to the whole community, not just elite athletes. This will lead to more opportunities for everyone to participate in sport and physical activity. This will create a more inclusive, more active community, leading to a fitter society and reducing health inequalities.”* London 2012 Candidate File, Volume 1–Theme 1 Concept and legacy.

The host city is to be announced in July 2005 at an IOC meeting in Singapore.

### More than just mega events

Essex & Chalkley describe hallmark events are part of post-fordism transition from an industrial to a post-industrial society. To compensate for de-industrialisation cities have had to become more **proactive and entrepreneurial** with intense inter-urban competition for jobs and investment. It is

against this background that the **urban spectacles can be seen as part of the strategy for urban renewal**. Staging (or bidding) for hallmark events also involves **extensive marketing**, which also figures in attempts to **attract inward investment**. However Essex & Chalkley point out this process isn't exactly new, promotion of festivals and events have left their mark on the urban landscape for over 100 years as the building of the Eiffel Tower for the Paris Exhibition of 1889 demonstrates.

The Olympics and other mega events also promote **direct economic activity** as well as providing a legacy for the host city in terms of enhanced facilities and infrastructure. Direct effects include **tourist expenditure, construction and subsequent stadia/facilities operation** not just during the games but also before and afterwards.

However, Gratton *et al* examine the short-run impact of sporting events in the UK. Focusing mainly on **four types of events**; ranging from on-off **major spectator to mainly competitor events** usually held in **existing stadia**. They find that the major spectator events have the largest potential economic impact but that hosting irregular, one-off major international spectator/ competitor events are the most risky (see later).

### **Physical economic Legacy of Olympics**

Essex & Chalkley review the physical impact of the Olympic Games from 1896 through to 2000 ranking the host cities by 3 categories;

1896	Athens	Low	Games relatively small scale
1900	Paris	Low	Games relatively small scale
1904	St Louis	Low	Used existing facilities over several months
1908	London	Med	New sports facilities @ White City
1912	Stockholm	Med	New sports facilities specialist stadium
1924	Paris	Med	Wooden barracks utilised as Olympic village
1932	Los Angeles	Med	Stadium and new Olympic village
1936	Berlin	Med	New Stadium, pool, etc. administration + village
1948	London	Low	Post war austerity used existing facilities
1952	Helsinki	Med	Sporting venues + village subsequently used as residential
1956	Melbourne	Med	Sporting venues + village subsequently used as residential
1960	Rome	High	Venues + village + roads & airport and cityscape
1964	Tokyo	High	Extensive urban improvements ranging from roads & harbour to tourism, water, sewage facilities used existing sporting facilities
1968	Mexico city	Low	Poor state of economy made use of scattered facilities
1972	Munich	High	Redeveloped derelict site now self-sustaining community, pedestrianisation, roads, parking shopping and hotels.
1976	Montreal	High	Olympic park, roads, subway & airport – massive loss maker partly on the back of severe recession.
1980	Moscow	High	New sports facilities + renovation of existing venues, hotels, air terminal, press centre
1984	Los Angeles	Low	Mainly used facilities from previous games
1988	Seoul	High	Sports facilities + village, major environmental improvements + subway, enlarged airport, extension of bus routes and cultural and arts renewal.
1992	Barcelona	High	Extensive urban improvement programme new-build sports facilities and refurbishment + village restructuring of transport, technology and communications.
1996	Atlanta	Med	Sporting venues + village subsequently put to other uses
2000	Sydney	High	Re-use of contaminated land for main village + venues, green games model of eco-sensitive design.

Essex S & Chalkley B, (1998)

#### **Low impact locations where little additional facilities were provided (Low)**

Athens 1896, Paris 1900, St Louis 1904, London 1948, Mexico City 1968, Los Angeles 1984

#### **Games focusing on mainly sporting facilities (Medium)**

London 1908, Stockholm 1912, Paris 1924, Los Angeles 1932, Berlin 1936, Helsinki 1952, Melbourne 1956, Atlanta 1996

#### **Games stimulating transformations of the built environment (High)**

Rome 1960, Tokyo 1964, Munich 1972, Montreal 1976, Moscow 1980, Seoul 1988, Barcelona 1992, Sydney 2000 and Athens 2004

Essex & Chalkley point out that the distributional effects of the Olympic games are also controversial.

- Does public investment represent a subsidy to affluent consumers and visitors at the expense of consumption for the local underprivileged?
- Part of wider debate about property led regeneration – is this at the expense of education and training, affordable housing and quality of social services?
- Equity issue about awarding games - capital accumulation in prosperous western cities but should benefit poorer nations.
- Should there be one purpose built venue to overcome threats such as terrorism.

Olympics may be said to accelerate change rather than initiate it. But:

- Not to the same scale
- Infrastructure plans may be devised but not implemented
- Pressure exerted to complete urban development and renewal by focus of world media

### **Economic outcomes from Olympics**

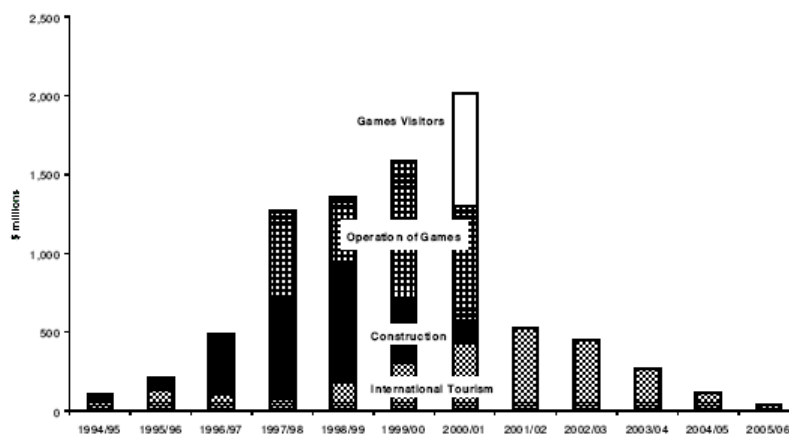
There are only a few systematic studies of the impact of Olympic Games thus far most studies are carried out prior to the games taking place and are hopelessly optimistic; for example, the Sydney Olympic Games of 2004.

### **Sydney**

Madden 2002 examines the impact of the Sydney Olympics based on consultancy work he undertook for international consultants to the games Arthur Andersen (the auditors for Enron). The study was conducted just prior to the games taking place and used a large-scale multi regional computable general equilibrium model as opposed to an input-output approach, which had been employed by KPMG prior to Sydney winning the games.

Madden divides the analysis into 4 distinct expenditure sections:

1. Operation of the Games over the three years of preparation prior to the Games, and in the four weeks of Olympic and Paralympic events in September/October 2000;
2. Construction of the Games site, including sporting venues, accommodation for participants and facilities for officials and the media, together with the necessary upgrading of transport infrastructure;
3. Games-visitor expenditure: i.e. interstate and overseas visitor expenditure, by spectators, athletes, officials, media and sponsors for the Games and Games-related activities;
4. Induced-tourism expenditure: i.e. arising from visits to Sydney, and other Australian destinations, generated by heightened international awareness of Australia through international media coverage of the Games, and pre-Games stories.



Source: CREA/ Arthur Andersen

These four classifications reflect the direct economic effects the total effect calculations rely on the model. The direct expenditure peaks in the games year 2000, with the preceding three years also showing heavy expenditure in the Construction and games operation stages. Induced tourism expenditure is highest in the years following the games then tailing off in subsequent years. Overall it is estimated that the total direct effect is \$8.4billion.

Madden estimates that the effects of the games were as follows:

Percentage change		Phase		
		Pre-Event	Event Year	Post-Event
Real GDP	NSW	0.40	0.90	-0.03
	Aust	0.16	0.39	0.01
Employment	NSW	0.37	0.89	-0.06
	Aust	0.16	0.41	0.00
Capital stock	NSW	0.46	0.91	0.00
	Aust	0.16	0.39	0.01
Real consumption	NSW	0.25	0.63	-0.05
	Aust	0.11	0.32	-0.02
Real investment	NSW	1.18	0.71	0.01
	Aust	0.48	0.37	0.03
Consumer price index	NSW	0.02	0.21	0.11
	Aust	0.05	0.13	0.11
National real wage		0.04	0.10	0.03

His findings suggest that there were improvements across the range of economic indicators for both New South Wales and the country in general. In terms of Capital stock and Real investment these stretch right through to the post event stage 2005/06. Employment, Real GDP and Consumption tail off in the post event stages as the effect of construction and event management drop out of the equation.

He concludes that the effect of the games over the 12-year period would be to boost the economy as shown below. However, the impact is severely reduced if the induced tourism effect is lower than anticipated and this is mainly beneficial during the immediate post games period

	Baseline		0.5 induced tourism	
	NSW	Aust.	NSW	Aust.
GSP/(GDP) \$b	\$5.1	\$6.5	3.8	4.9
HH Consumption \$b	\$2.0	\$2.5	1.2	1.4
Employment Jobs	5,300	7,500		

Gratton *et al* (2005) quotes a study by Sanahuja of the Barcelona Olympics in 1992. Despite the fact that the games were the most expensive ever staged (at that time) they are generally viewed as a success in regenerative terms the city rose in the European rankings from 11<sup>th</sup> to 6<sup>th</sup> and the impact on tourism was significant.

**Legacy benefits of the Barcelona Olympic Games**

	1990	2001
Hotel capacity (beds)	18, 567	34, 303
Number of tourists	1, 732, 902	3, 378, 636
Number overnights	3, 795, 522	7, 969, 496
Average room occupancy (%)	71	84
Average stay	2.84	3.17
Tourist by origin %		
Spain	51.2	31.3
Europe	32	39.5
Others (US, Japan, Latin America)	16.8	29.2

Sanahuja 2002

### A less optimistic view of the outcomes

**Baade & Matheson** challenge the concept that mega sporting events (primarily the Olympics and World Cup football) act as economic boosters. For instance, they review data from the Sydney Olympic that suggests that substitution effects are evident, not only are resources supporting the games of necessity drawn from elsewhere but also tourism draw to the games had a displacement effect elsewhere. More importantly they also question whether people who would have made the trip [to the location of the games] were put off because of congestion etc. whether spending as reported is gross or net and whether the multiplier is in effect as large as predicted give known supply constraints and assumptions of elastic supply conditions.

In respect to the 1994 World Cup hosted by the US they found that although it attracted an estimated 3.5million fans the resulting \$33b economic impact did not materialise. Baade & Matheson suggest that there was an overall economic impact was around \$9b short of what was anticipated. The shortfall was highest in larger cities such as New York and Los Angeles but a surplus was recorded in Dallas and Boston. The cautionary note from this study is that although the legacy benefits in terms of infrastructure and stadia may accrue to the location the short-term economic boost to the economy may not be as great as the optimists suggest.

	Expected growth \$b	Actual growth \$b	Difference		Expected growth \$b	Actual growth \$b	Difference
Bergan Passaic	0.59	0.74	0.15	New York	4.55	1.05	-3.50
Boston	3.83	3.98	0.15	Newark	0.77	0.12	-0.65
Chicago	4.45	5.45	0.99	Orlando	1.17	0.81	-0.36
Dallas	2.97	3.30	0.33	San Francisco	1.73	0.68	-1.06
Detroit	4.90	4.84	-0.05	San Jose	1.72	0.97	-0.75
Fort Worth	1.00	0.82	-0.18	Washington DC	3.97	3.17	-0.79
Los Angeles	1.69	-1.85	-3.54	Overall	33.33	24.08	-9.25

Baade & Matheson 2004

### The Millennium Stadium

The questionable economic consequences of the impact of a mega sporting venue is also highlighted by **Jones (2002)**. Examining the Millennium Stadium at Cardiff, he suggests that whilst it is assumed to that benefits trickle down from the corporations, property developers, sports teams, and stadium operators to the wider community, largely in the form of employment growth, the scale, and quality, of employment is uncertain as experience in the US shows. This is largely of low paid, low skill, casual and part time employment, with developments cut off from their hinterland and hardly suitable to spark regeneration or positively influence economic growth. He also suggests that multiplier analyses do not take account of opportunity costs of public financing and support, but may measure in part expenditure switching rather than net additions.

Jones identifies three broad themes of potential impacts;

- the expenditure impacts of visitation;
- the contribution to urban renewal made by physical development; and
- the effects on investment and visitation of regular media exposure in the sports pages and on television

He concludes that:

- Expenditure impacts can be extremely significant, for example tens of millions for the Rugby World Cup, although the proportion of total economic value, which accrues to the host region, is open to question.
- The contribution to urban renewal may also be significant, with most UK developments explicitly tied to a regeneration strategy. However, the development of a regeneration strategy based on an industry with a history of low paid, low value employment is problematic, particularly where substantial public sums may be made available to support such developments.
- The successful hosting of a high-impact sporting event that engenders extensive global media coverage at least cannot harm the host region. However, evidence regarding the extent to which such events can spur behavioural changes amongst potential visitors, or encourage investment, which would otherwise not have occurred, is sadly lacking.

Three types of economic outcome may occur in a city hosting major sporting events:

- The host city may return fully to the status quo after the event;
- There may be an increased level of employment in the longer term but no impact on growth rates;
- New companies, structures and skills put in place to service the event may result in a ‘step change’ in rates of economic growth over a long period.

Although he does not go as far as to say which outcome dominates.

### A wide spread of events

Gratton *et al* examined the short-run impact of sporting events in the UK. For the Euro 96 football championships, although these used existing stadia, the impact on host cities was significant. They estimate the event attracted 280,000 overseas visitors, spending around £120m as well as £75m from UK residents living outside the 8 venue cities. This gave a 3% boost to net earning from travel and tourism and a 0.25% boost to exports pushing the balance of trade into surplus. They estimate that Government revenues were also boosted by around £64m from VAT on tickets through to increased betting and corporation tax. Although the FA made an operating loss on the tournament of -£1.7m the net effect after taking into consideration prize money was a surplus of £2.5m. There were some displacement effects in areas such as conference trade.

The point they make is that although these events make operating losses the effect on the wider economy is usually positive. They also cite events in Australia:

Event	Operating loss A\$	Impact on GSP A\$
1985 Adelaide Grand Prix	2.6	23.6
1992 Adelaide Grand Prix	4.0	37.4
1991 Eastern Creek Motor Cycle Grand Prix	4.8	13.6
1994 Brisbane World Masters Games	2.8	50.6

Gratton *et al* after Mules & Falkner (1996)

The main focus of their study was 6 different sporting events in the UK ranging from Golf and Cricket to swimming and badminton. Overall the events that were part of the annual cycle, golf, cricket and athletics generated more significant economic impacts than the irregular events (swimming etc.) this was partly because their attendance levels were higher and closer to initial predictions. The expenditure by participants and spectators into items like accommodation, food & drink and shopping was also significantly different across the different sports.

They develop a useful classification of events into 4 types

Type A	Irregular, one off, major international spectator events, these generate significant economic activity and media interest e.g. Olympics, Football World Cup etc.
Type B	Major spectator events, significant economic activity & media interest part of the annual domestic cycle e.g. Test matches, 6 Nations Rugby, Open golf, Cup final etc.
Type C	Irregular, one-off major international spectator/ competitor events generating limited economic activity e.g. European boxing and swimming championships
Type D	Major competitor events generating limited economic activity and part of an annual cycle e.g. National championships

Gratton *et al*

The majority of sports events in any year are of Types C and D. Type A and B events will generate the largest economic benefits to the cities that host them. This is already well known for Type A events, hence the fierce competition between cities to host them. The majority of Type B events either do not move venues from year to year (e.g. Wimbledon) or if they do, cities are not able to bid to host them.

What is not generally realized, however, is that Britain is unusual in having a very high number of Type B events. This means it has an advantage over most other nations in terms of expertise and

experience in staging them. Type B events are a low-risk investment for any hosting city since spectator demand is relatively easy to predict. However, for cities trying to follow an event-led tourism strategy, such events are not normally 'on the market'.

The result is that cities tend to compete to stage Type C events. This is the most uncertain category in terms of economic impact. The main problem being that attendance is notoriously hard to predict in advance and evidence suggests that predictions are generally wide of the mark.

Type D events, though of limited economic significance, also have limited additional costs of staging, since they are annual events. For this category of event the benefits do not cover the costs in economic terms and is thus not a rational strategy in term of event tourism but might be important to the host city in terms of their marketing strategy in demonstrating vibrancy to help attract inward investment.

In a second, more recent paper Gratton *et al* (2005) reviewed the impact of 16 impact studies carried out to assess the economic benefits from sporting events. All the studies employed the same methodology and were thus comparable. Impacts ranged from £25.46million from the Flora London Marathon to £180,000 from the IAAF Grand Prix 1 Athletics meeting in Sheffield on a Sunday in June 1997. He concludes that the majority of the additional expenditure is "spectator driven" and there is a strong correlation between the number of spectator admissions and the absolute economic impact of the event. Although competitors and media representatives spend the most per head per day (£60 and 100) most of this is on subsistence items such as food and accommodation. Spectators are estimated to spend far less around £50 but they are mainly day-visitor and spend on shopping and other activities that competitors do not have time for. It is the sheer number of spectators that creates the impact.

Year	Event	Host city	Event days	Impact (£ million)	Impact per event day (£ million)
1997	World Badminton	Glasgow	14	2.22	0.16
1997	European Junior Boxing	Birmingham	9	0.51	0.06
1997	1st Ashes Test Cricket England v Australia	Birmingham	5	5.06	1.01
1997	IAAF Grand Prix 1 Athletics	Sheffield	1	0.18	0.18
1997	European Junior Swimming	Glasgow	4	0.26	0.06
1997	Women's British Open Golf	Sunningdale	4	2.07	0.52
1998	European Short Course Swimming	Sheffield	3	0.31	0.10
1999	European Show Jumping	Hickstead	5	2.20	0.44
1999	World Judo	Birmingham	4	1.94	0.49
1999	World Indoor Climbing	Birmingham	3	0.40	0.13
2000	Flora London Marathon	London	1	25.46	25.46
2000	Spar Europa Cup, Athletics	Gateshead	2	0.97	0.48
2001	World Amateur Boxing	Belfast	8	1.49	0.19
2001	World Half Marathon	Bristol	1	0.58	0.58
2003	World Cup Triathlon	Manchester	1	1.67	1.67
2003	World Indoor Athletics	Birmingham	3	3.16	1.05

Source: Gratton et al (2005)

Gratton concludes that major sports events are now a significant part of Britain's tourism industry. Britain has, partly by historical accident rather than by design, become the global market leader in staging of major sports events because many of its' annual domestic sporting competitions (such as, the FA Cup Final and Wimbledon) attract a large number of overseas visitors and a global television audience. Major sports events held in Britain are a crucial ingredient in the creation of the tourist image of Britain.

Their evidence indicates that some major sports events also have the potential to generate significant economic impact. This is most recognized in the USA and Australia, but has been less so in Britain. The Australian Tourist Commission estimates that major events contribute 5% of Australia's total tourism income each year.



## **Conclusions**

- Mega sporting events offer a significant opportunity to bring forward economic regeneration.
- The regenerative effect of major sporting events such as the Olympics has grown over recent years and often the only way that the attendant expense can be justified is the supposed economic regenerative effect on the host city.
- Whilst it is clear that there is a clear physical legacy from major sporting events such as the Olympics, it is not clear that the economic booster effect is long lasting.
- The evidence suggests that predictions of the economic benefits are often overly optimistic and that the actual benefits are less fulsome.
- There is concern that the substitution and displacement effects are not fully accounted for and that the quality of resultant employment is poor.
- There is a lack of evidence to substantiate the claim that massive media exposure through sporting events translates into additional tourism or inward investment.
- For most cities hosting smaller spectator/ competitor events may be the most realistic opportunity but the economic outcomes from these are far less certain.

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