SOME THOUGHTS ON THE GENERAL ECONOMIES OF CITIES/STATES/PROVINCES AFTER HOSTING THE OLYMPIC GAMES

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Introduction

The Baron Pierre de Coubertin's original scheme for Modern Olympic Games, presented at an international sports conference at the Sorbonne in Paris in June 1894, made few provisions for the financial underwriting of the grand project. Providence and the beneficence of host cites and, of course, states/provinces and national governments would somehow take care of financial costs. And this is exactly what occurred for the first three-quarters of a century in modern Olympic history. And even from the early 1970s when Olympic host cities, the fundamentally responsible parties for mustering the financial means for executing the Games, began to realize some revenue from the proceeds of television rights fees and, later, in the 1980s when corporate sponsorship income was added to the revenue pot, there still remained vast deficits between income and expense, deficits that state/provincial and federal governments were called upon to rescue. There has never been an Olympic Games, Winter or Summer, where a host city was able to balance every cost associated with putting on the Games from the traditional revenue sources it had at its disposal—so-called private monies in the form of television rights fees, corporate sponsorships fees, ticket sales, coin sales, sales of licensed goods, and private donations. The application of public financing has always been a fact of life. Sometimes, the application of public financing is immediate and final. At other times, it is long and drawn-out, as was the case of Montreal's 1976 Olympic Summer Games, whose Olympic debt was finally erased 30 years later, in 2006. The most recent case, that of the Games in Athens in 2004, might just equal Montreal's plight. The cost of the Athens Olympic Games skyrocketed to over 14 billion euros, over 6 times their original planned estimate. Escalation of the final cost of an Olympic Games has been a constant of history.

If it is a fact that bidding for, organizing, and executing Olympic Games is a costly and high risk enterprise, then why do various cities in the world feverishly compete with each other to become an Olympic Games host? The answer to that question is developed below.

An Olympic Games Host City's Rationale for Seeking the Great Festival

What I refer to as the "P" triad and what my colleague Larry Gerlach, University of Utah Olympic historian, identifies as the three "Ps"[1] constitute the underlying motivational factors for seeing the Games. They are: (1) Publicity, (2) Pride, and (3) Profit (or at least the prospect of profit, despite the long history of anything but). I explore each.

Publicity: When an event commands an assembly of thousands upon thousands of on-site spectators and, more importantly, a television viewing audience of almost two-thirds of the world's entire population, advertisers of goods and services, as well as cities seeking world recognition and acknowledgement, sit up and take notice. For the entire run-up period prior to the opening of an Olympic Games and even more definitively the 16 days following, the host city's image is literally presented to the world at large. Why is that important? It is important because every prospective Olympic host city in history has had something to sell—its business environment, its vacation or holiday destination possibilities, its cultural and historical traditions, indeed, its celebration of hopes and dreams. In most instances, such hopes and dreams are bound to economic considerations. In simplistic terms, if you are trying to sell something, "it pays to advertise."

Profit: Since 1984 in particular, when Peter Ueberroth organized and executed the Los Angeles Olympic Games with a reported profit of some $250 million, there has been a marked acceleration in the number of host cities bidding for the Games. Ueberroth's remarkable achievement was perceived to be the model for producing financially profitable Games. What the world lost sight of, however, was the fact that Los Angeles did not have to build any facilities—they were all in place and ready for use with only slight modification. Also ignored by prospective host cities was the fact that in the final analysis Los Angeles was successful in transferring considerable costs to the Federal government's authority. The claims by Organizing Committees that they have met their costs or made a profit has to be ameliorated by the fact that they seldom intend to or actually pay for substantial infrastructure costs: transportation, telecommunications, sports venues, and security. As these services ultimately assuage public needs, the

Organizers argue that they should be borne by public funding. Thus, financially profitable Olympic Games is a myth, nothing more.

Pride: There is no doubt about the fact that there is a great deal of civic pride aroused by hosting an Olympic festival. This pride surges back and forth across such civic entities as City Councils, Chambers of Commerce, Churches, Departments of Tourism, Corporate Headquarters and, perhaps most indelibly, the "man on the street." But, whereas *publicity* and *profit* can be measured quantitatively, *pride* cannot be. Therefore, it becomes a more extrinsic rather than intrinsic outcome. Pride can be qualitatively measured by both private memories (spectators, torchbearers, volunteers, etc.) and public memories (monuments, commemorations, anniversaries, etc.).[2] At best, though, memory is a temporary thing, something that fades more quickly than the longevity of facilities, for instance.

Answers to Provocative Questions

With at least a modest realization of the extravagant costs associated with bidding for and staging an Olympic festival, together with an understanding as to why cities zealously seek the Games, there remains the need to discuss, albeit only briefly, what dividends, if any, have accrued for the host city after the Games have come and gone. In essence, what of the Bidding and Organizing Committees' dreams and aspirations, indeed their publicly-expressed rationales for seeking the Games? Or, expressed in another way, despite the rhetoric, what gains and losses has history demonstrated?

Sporting Venues and Public Construction Projects: There is little doubt that surrounding all editions of Olympic Games, both Summer and Winter, with the possible exception of Los Angeles in 1984, an indelible improvement can be noted in the number and quality of sports venues, the sophistication of telecommunications infrastructure, and the quality and quantity of transportation facility. In general, these areas of endeavor relate to pubic consumption. In the case of the former (sports venues), history has shown us that the continuing cost of maintaining and operating such facilities in post-Olympic times far outstrips revenues generated from public use (skating, swimming, etc.), or by renting facilities to sports teams and/or organizers of sports events.[3] Indeed, as one disenchanted Sydneyite groused after learning that his city's Olympic games had produced a $1.7 billion (Australian) deficit for the citizens of New South Wales to pay, together with a $10 million request made to the New South Wales government by distressed private investors for the maintenance and continued operation of Sydney's Olympic stadium, "I predict our grandchildren will be paying off these facilities."[4] In the cases of the latter, (telecommunications and transportation facilities), history demonstrates a much more favorable outcome. New highway systems improved or built from scratch, subways upgraded and extended, security systems sophisticated, communications systems revamped, etc., are all real and important outcomes of hosting an Olympic Games, both during and long after the event itself. In effect, their maintenance requires continued employment of citizens.

The Question of Tourism: One of the chief arguments made by bidders for and organizers of Olympic Games is that tourism is greatly enhanced by displaying a city and/or site to the world via a flamboyant Olympic television broadcast process. The analogy here is comparable to a tourist agent speaking directly to a customer with brochures, video tapes, and graphic persuaders at hand. But Olympic venues can accommodate only so many, and most are not tourists at all, but rather "one visit" Olympic pilgrims. There are other factors that mitigate against an Olympic city being seen as an attractive tourist destination: for instance, perceived or real, violence and terrorism (Mexico City 1968, Munich 1972), commercial tawdriness (Atlanta 1996), bad weather (Calgary 1988), remoteness/travel expense (Sydney 2002, Tokyo 1964, Seoul 1988, Sydney 2002, and, certainly, Beijing 2008), weather, environmental and poverty concerns (Mexico City 1968, Athens 2004), security/volatile world areas (Berlin 1936, Moscow 1980, Seoul 1988, Athens 2004). In general, history tells us that there may well be a spike in tourism directly before and during the Olympic Games in any host city and surrounding locale, but a quick return to normalcy in the post-Olympic period is the rule.

Other Sectors of the Economy Benefiting from the Games: An economic area that has profited from the Olympics is private business. But that assertion has a caveat. Private business firms must make substantial investment in order to realize its quest to profit from the Olympic environment. The quest is underscored by a firm's intent to: (1) generate new business, (2) enhance brand awareness, (3) cultivate loyalty and protect existing market share, and (4) improve employee morale and productivity.

The case of Lindemans Wine and the 2000 Sydney Olympics is instructive and provides but one example of hundreds that relate to the point posed here. First, Lindemans paid $5 million for the right to be a lower level Olympic sponsor and use Olympic insignia in its marketing activities. Second, it spent over $100 million developing its investment. It established a wine bar on the Olympic stadium site, "reaching" hundreds of thousands of Olympic pilgrims. It provided all Olympic VIP Sydney sites with its product. Most importantly, it bundled up planeloads of North

American (especially American) liquor distributors and flew them to Australia, where they were housed, "wine and dined," ticketed and escorted to Olympic events, and returned home to reflect on the experience. The result was a virtual explosion of Australian wines, including, of course, Lindemans, on the American and Canadian markets. The resulting economic performance figures for Lindemans were impressive—its overseas market increased by 75%. "It takes money to make money," so the saying goes. It also takes a willingness to engage risk. For many business firms who have invested in each, the dividends have been excellent. "Olympic business is good business," it would seem.

Sectors of the Economy Not Benefiting from the Games as Much as Expected: Though hotel, restaurant, and service industries might normally be expected to expand considerably with an influx of Olympic tourists during the time of the Games, that expectation has to be somewhat constrained. Olympic tourists have traditionally sought meals/accommodation needs in such expensive facilities as hotels/motels and restaurants. Accommodation in private domiciles provide an alternative. In Sydney at the 2000 Games, for instance, 80% of Olympic visitors stayed in the home of a family or friend or in hostels and rented houses. Only 18% stayed in hotels or motels, which normally require one to eat out.[5] The restaurant and "eating out" industry experienced a difficult month during the Sydney Games. This problem, in part, is usually exacerbated by inflated prices on the part of retailers, hoping, of course, to cash in quickly on a rapidly disappearing market. Another industry that appears not to profit from the Olympic Games is real estate. In Sydney, the real estate market disintergrated. In Athens, the same story occurred. The historical rule has been that real estate prices inflate before and during the Olympics and deflate afterwards. Thus, the time to buy is afterwards, not before. The public knows this all too well.

Forecast for Vancouver-2010

It is not usually the province of an historian to predict the future; we leave usually leave that to the sociologists. Nevertheless, I put that reservation aside for the moment and advance some personal predictions for Vancouver and its post-2010 Olympic atmosphere. First, in general, I predict an atmosphere neither particularly better nor particularly worse for having hosted the 2010 Olympic Winter Games. There will certainly be plusses and minuses, on-sets and off-sets, so to speak. On the plus side of the ledger, new or renovated facilities that have reasonably popular mass appeal (hockey, ice skating, skiing, snow-boarding, for instance) will provide positive legacies, and, in all probability, prove to be well worth the investment. On the minus side of the Olympic facilities question, however, those with little mass popular appeal (ski-jumps, luge courses, bob-sled runs, speed skating ovals, for instance), will become white elephant investments, costing more to maintain and operate than offset by user fees. The only hope for them to remain viable is for national training centres to be established there, but that is moot because Calgary, with its better than two decade history in that regard, pretty well nullifies the prospect.

If history is a guide, tourism in Vancouver and British Columbia should spike during the Games for obvious reasons, but it is unlikely to sustain that increased plateau much beyond the Olympic event. Tourists in large numbers will not come to Vancouver to view the resident Olympic legacy (facilities). Neither are they likely to come in droves to witness single sport promotions in those facilities. It is the multi-sport nature of the Olympics and the celebratory nature of the great festival itself that draws spectators, not particularly fascination towards a particular sport. The one caveat in the face of this reality has to do with the new highway from Vancouver to Whistler. That new facility might well impact on the numbers of folks using Whistler as a tourist destination.

Open to debate is whether the Olympics will be good for Vancouver and B.C. business and construction communities post-Olympics. In the case of business, this may be difficult even to determine. How does one examine the data? History has shown that faced with examination of financial returns, nuclear units, including families and business corporations, retreat to the inner sanctums of privacy. The construction industry, obviously, will benefit from preparation for the Games. This, of course, includes employment. But, in order to sustain the pre-Olympic level of construction there have to be other reasons apparent, such as population growth, tourism growth, and business growth. There are no guarantees in any of those fields of endeavor.

If history repeats itself, then such sectors of the economy as real estate, food service, and hotel/motel accommodation will not appreciably be affected by the Games at the time of their celebration, let alone in the period following their disappearance.

A Final Word

Is hosting the Olympics worth it for the host city, the state or province, indeed the nation? A majority of Canadians, Australians, Americans, and Italians believe that hosting the Games (Calgary 1988, Sydney 2000, Salt Lake City 2002, Torino 2006[6]) believed that the Games were good for the economy and that they paid significant dividends for the nation. Unfortunately, the surveys that produced those feelings were taken within a month following the close of the Games at a time when each host was basking in the afterglow of their endeavor. Even though there must be restrained forecast for sustained economic upturn following a hosting, economics do not and should not tell the whole story. As the Atlanta Constitution remarked following Atlanta's 1996 Games, "The Olympics are a temporary thing. It's like a rocket that shoots into the sky, a big expensive rocket, and then it's gone . . . Maybe the best thing is to forget about the Olympics and go about the business of becoming a first class city."[7] That said, there is little doubt that hosting the Olympics, beyond any other global mega-event, will lend to the reputation of a city being measured as a "first class city." In rationalizing the awesome expenditure of public funds to backstop the deficits incurred in staging the 2000 Games, Bob Carr, New South Wales Premier, spoke eloquently: "One of the many lessons of the Olympics was that a great public festival—and that is essentially what the Olympics were—can unite and energize an entire community. What we are really doing during the Games is celebrating our achievements, our character and history in a world where success is more than ever measured in terms of creativity and ideas. That is why this festival is needed, and why my government supported it generously."[8] Economics aside, perhaps Premier Carr's expressed thought characterizes the true profit line of hosting Olympic Games.

[1] Larry Gerlach, "Salt Lake City - Legacies of the 2002 Winter Olympics," Paper presented at the Olympic Winter Games Legacies Symposium, Vancouver, University of British Columbia, November 2006.

[2] See Richard Cashman, *The Bitter-Sweet Awakening: The Legacy of the Sydney 2000 Olympic Games* (Sydney: Walla Walla Press, 2006), pp. 21-22.

[3] Robert K. Barney, Stephen R. Wenn, Scott G. Martyn, *Selling the Five Rings: The International Olympic Committee and the Rise of Olympic Commercialism* (Salt Lake City: University of Utah Press, 2002),

[4] Dennis Passa, "No More Fun and Games: Sydney Still Trying to Figure Out What to Do with Olympic Facilities," *Toronto Sunday Sun*, 16 September 2001.

[5] Barney, et al., *Selling the Five Rings*, p. 12.

[6] Piervincenzo Bondonio and Nadia Campaniello, "Torino 2006: What Kind of Olympic Winter Games Were They? A Preliminary Account from an Organizational and Economic Perspective," *Olympika: The International Journal of Olympic Studies*, Volume XV -2006, pp. 1-34.

[7] *Atlanta Journal and Constitution*, 13 July 1997.

[8] Bob Carr, "Why Sydney Needs to Celebrate and Pay for the Privilege," *Sydney Morning Herald*, 3 November 2000.