

# [Impact of the olympic games on tourism](https://assignbuster.com/impact-of-the-olympic-games-on-tourism/)

### The potential contribution of the 2012 Olympic Games to tourism

### Abstract

With budgets for the hosting of the Olympic Games often requiring significant upward revision before final costs are calculated there has been an increasing level of concern about the areas of benefits that these events bring to the host cities and nations. Much of this concern is focused upon the tourism benefits.

Using three previous Olympic events together with the staging of the Commonwealth Games in Manchester as case studies, this research seeks to ascertain whether the predicted tourism benefit from hosting the 2012 Olympic Games can realistically be achieved or if they are simply estimates raised in an effort to justify the huge capital investment required to stage the games.

The results of the case study into the three Olympic events show mixed results in terms of reality matching expectations. In particular, the area of concern in all of these events has been the failure of the cities to see a continuation of improvement to employment.

However, the Manchester case study produced a positive result on all counts of tourism benefits, including employment. What makes this event different from the others is that the organisers in this case concentrated a considerable amount of effort on developing a sustainable legacy programme. The committee responsible for this programme have treated it as a separate project and this has enabled the focus of achieving benefits to be maintained.

It is considered that if the LOCOG incorporates the positive aspects of this research into their Olympic planning it will be able to achieve the estimated expectations.

## 1. Introduction

In March 2005, four months before bid for the 2012 Olympic Games was won by London, the UK government extended the budget for this event from £2. 4 billion to £9. 35 billion, a nearly fourfold increase (BBC News 2005). In justifying this enormous increase in costs and echoing the comments of other Olympic cities in the past, the UK government and 2012 Olympic organisers have said there will be ongoing economic benefits resulting from the event being held in London.

It has been suggested that many of these benefits will accrue to the tourism and hospitality sector. In support of this comment the organisers, LOCOG [1] (2007) and ODA [2] , point to the fact that it is increasing hotel accommodation in the London area and, in addition, providing a number of new sporting and cultural facilities that will be available for use in the future, attracting continual leisure and tourism activities. Furthermore, it is stated the increase in tourists during the event will have the effect of increasing subsequent tourist visits to London and the UK as a whole as well as their impact during the event itself. These moves are also expected to have a positive long term impact upon tourism businesses and employment in the area. However, reports into the results of tourism benefits achieved from previous events of this nature show a different view (Madden 2002) and suggest that the claims being made by the LOCOG and other stakeholders might be optimistic.

It is the resolution of this dichotomy of opinions that forms the focus for this paper. The aim of this research is to assess whether the pre-event claims being made by the 2012 Olympic organisers, which are supported by research conducted by independent researchers (Blake 2005 and Oxford Economics 2007) will bring tourism benefits to London and the UK. These will be measured against three factors, these being tourism numbers and financial benefit, hotel occupancy, and tourism and hospitality employment levels.

### 1. 1. Aims and objectives

In order to address the issues focused upon within this study, the following research question being resolved is: –

Whether the hosting of the 2012 Olympic Games in London will provide the City and the UK tourism industry with potential benefits both during and post the event.

To provide a framework and direction aimed at addressing this question, two main objectives have also been set.

* London 2012 Olympic Games legacy

There will be a detailed and critical analysis of the intended legacy of the Games which will also examine the supporting evidence.

* Previous event results

For comparison purposes post event reports on three significant previous events of a similar nature will be presented and evaluated.

### 1. 2. Overview

Following this introduction, section two provides an overview of the data collection method used. In section three the findings will be presented and discussed before the study is brought to a conclusion in section four, where appropriate recommendations will be made.

## 2. Methodology

Due to the limitations in terms of time, cost and geographical location, it has been decided that the appropriate research method to be used for this research will rely upon the collection of data from secondary sources. These will include information collected from the official 2012 Olympic websites of the LOCOG (2007) and other related stakeholders as well as independent research conducted by academics and other tourism stakeholders. Other resources have also been used, including publications available from bookshops and libraries and journal articles. Similar resource locations have been relied upon for the collection of data relating to the comparative events.

Although it is sometimes perceived that there are limitations to the secondary data collection approach in this case it was considered that the depth of previous and immediate research is sufficiently robust to add value to the findings of this study. For example, sufficient academic and practical research material is available to be able to provide a direct comparison between the intentions of the 2012 Olympic Games legacy expectations and the actual results that have been achieved from previous events, including those held within the UK and in other international locations.

## 3. Discussion of research findings

In all events apart from the London 2012 the research conducted for this study has included the examination of the legacy claimed to result from hosting special events by the organisers and the findings from subsequent research and reviews conducted by various academic and tourism stakeholders.

For ease of reference this section of the research has been divided into relevant segments. The findings of the research are presented within the first three segments and these are followed by a discussion, analysis and evaluation of these findings that will provide a conclusion to the research question.

### 3. 1. London 2012 Olympic Games legacy

In their official legacy for the games, the London 2012 Olympic organisers have highlighted several benefits that they expect to result from hosting the games. In relation to the tourism sector, these can be identified in the following six key areas according to the LOCOG (2007), all of which are considered to have longer term benefits that will accrue to the hospitality and tourism sectors.

* Accommodation

Included within the infrastructure costs of the games is the construction of an additional 15, 000 hotel rooms, increasing current accommodation in the London area by around 15%.

* Employment

It is anticipated that the event will require a significant increase in the numbers of persons employed within the tourism sector. This increase is expected to occur across a range of areas including hotels, restaurants and bars and other destination and attraction facilities.

* Numbers of tourists

With 9 million tickets being printed for the games, added to the participating teams, their support staff and the international media attendance, it is expected that in excess of 10 million tourists will be attracted to London during the course of the event.

* Sporting facilities

Of the sporting facilities being built for the games five of these will be made available for tourism, sporting and leisure use post the games themselves.

* Infrastructure

Improvements are being made to transportation links and a regeneration programme for areas of London will be taking place, thus making these places more attractive to tourists.

* Destinations and attractions

The creation of a new Olympic Park, which in addition to recreational facilities will have areas dedicated to the creation of natural wildlife habitats, is designed to add to the attraction of London as a tourist destination.

### 3. 2. Findings of anticipated tourism benefits of the 2012 Olympic Games

Several studies have been commissioned and conducted in an attempt to evaluate and predict the economic benefit that will result from London’s hosting of the Olympic Games. Having considered these studies, it has been decided that those most appropriate to this study are the study conducted by Oxford Economics (2007) and Blake (2005). In both cases the central determinates of expectations have been used.

The findings of the Oxford Economics (2007) study were based upon a comparison of the results studied from fifteen previous events of the same nature. The results suggested that the net tourism gain in financial terms during the years from 2007- 2017 will be £2. 09 billion, of which £1. 47 (70. 33%) will be directly attributable to London. In analysing this result, the following can be drawn from these figures when compared between the pre-games; event and post event periods (figure 1).

Figure 1 Tourism financial benefits

|  |  |  |  |
| --- | --- | --- | --- |
| Benefit  | Pre-Games  | Games  | Post games  |
| London Percentage  | 17%  | 35%  | 48%  |
| UK Percentage  | 15%  | 31%  | 54%  |
| London Fiscal  | £249. 9 million  | £514. 5 million  | £ 705. 6 million  |
| RUK Fiscal  | £ 63. 6 million  | £133. 4 million  | £ 423. 0 million  |
| UK fiscal  | £313. 5 million  | £647. 9 million  | £1128. 6 million  |

Data source: Oxford Economics (2007)

These results are largely supported by the research conducted by Adam Blake (2005) who, by using a combination of prediction methods, also agrees that although there is a small rise in pre-games spending the major benefits are attributable to the year of the event and the subsequent period. However, in addition to the financial statistics Blake’s research also provides statistical information in respect of the three main issues being studied within this paper.

For example, in terms of the increase in tourist numbers because of the event it is anticipated within this research that the following changes in percentage terms would be achieved (figure 2) over and above the anticipated growth in this area.

With regard to the increased numbers of full time employment position created, Blake (2005) also anticipates that this will increase because of the games, particularly within the following areas (see figure 3).

Figure 3 increase in FTE

|  |  |  |  |
| --- | --- | --- | --- |
| Sector  | 2005-2011 Pre-Games  | 2012 Games  | 2013-2016 Post games  |
| Sports Facilities  | -302  | 4, 361  | 708  |
| Hotels  | 2, 554  | 1, 686  | 2, 972  |
| Bars  | 2, 094  | 952  | 2, 359  |
| Land Transport  | 292  | 3, 057  | -701  |
| Air Transport  | 661  | 191  | 745  |
| Visitor attractions  | -11  | 1, 062  | -40  |

Therefore, it is concluded by both of the studies examined that the hosting of the 2012 Olympic Games by London will produce positive and lasting tourism benefits for both the city itself and the country as a whole.

### 3. 3 Findings from previous similar events

For comparison purposes, four previous events have been used within this research. These include three prior Olympic Games held in Atlanta (1996), Sydney (2000) and Athens (2004) and the Commonwealth Games held in Manchester in 2002.

To provide a detailed analysis of the tourism benefits in the case of the four the research has been concentrated upon analysing the statistical returns for the six years prior to the event, the year of the event and the four subsequent years. In terms of timescale this therefore will relate to the 12 year period being used for estimations by the researchers into the tourism benefits of the London Olympic Games event (Blake 2005) and therefore is anticipated to produce a reasonable set of comparatives.

#### Atlanta 1996

The 1996 Olympic Games, hosted by Atlanta, also saw its financial cost rise from a budgeted $1. 7 to over $2 billion, which equated to a 30% increase (Humphreys and Plummer 2003), much of which increase (70%) had to be funded from the public purse.

Tourism numbers and their spending in Georgia during the year of the Atlanta Olympic Games increased by approximately $1. 5 billion, achieving a record $14. 7 billion in 1996, which was a considerable increase upon the previous seven years results. However, this revenue fell back in the following three years and only exceeded the 1996 record in 2000 when revenues reached $15. 5 billion.

Tourism numbers for the state of Georgia also increased during 1996 and 1997 as a direct result of the games. In the subsequent years however, as Engle (1999) research indicated, this did not resolve itself into longer term benefits, due partly to the fact that the city of Atlanta lost a considerable amount of business convention tourism. This has affected hotel occupancy post the games event, which has remained static at 64% throughout the twelve year period.

In terms of the tourism benefit for employment, the result in this case was that in the 77, 000 additional jobs anticipated were created as estimated by the year of the games. However, a considerable percentage of these were short-term positions and less than half that number remained long-term (Engle 1999). Nevertheless, this does show a positive benefit to the community.

#### Sydney 2000

In real terms the Sydney Olympic Games in 2000 cost twice as much as its predecessor, with even the estimated budget of $4 billion (Madden 2002, p. 9) being exceeded when the actual costs were computed.

The tourism benefits relating to the numbers of tourists and their spending in this instance can only be identified for Australia as a whole [3] . These show that the numbers of tourists grew from just under 5. 8 million in 1994 to 8. 672 million in the year 2000, an increase of 47. 33% during the period, nearly a quarter of which was achieved in the year of the games being staged. In the four years subsequent to this time there has been a further increase in tourism of 14. 24%. All of the increase was achieved in 2004 following three years that showed a total drop of 2. 39%. However, in terms of revenue impact, the statistics show that tourism spends has fallen in the twelve year period by around 2%. These results have been reflected in the rate of growth of hotel occupancy, which has seen a similar pattern of growth during the period under review (Arthur Andersen 2000).

However, one are of concern relative to potential tourism benefits from the Sydney games is the poor performance of employment. Despite a rapid growth in this area in the years leading up to the games, post the event there has been a sharp reversal of this trend (figure 4), with the New South Wales showing the sharpest fall.

Two other issues that have detracted from the tourism benefits of the Sydney 2000 games include the fact that the city has still not managed to make some of the facilities pay for themselves, which has left the authorities with a bill of around $46 million per annum (Owen 2005). Secondly, although during the year of the games tourism spend increased in the areas and for the businesses located close to the facilities, those not within the immediate vicinity suffered a loss in revenues during 2000 (Owen 2005). These costs are seldom accounted for by bid organisers and promoters but they do have an impact of the profitability levels for the tourism and hospitality sectors.

These results show that the legacy of the Sydney games has been mixed in terms of the subsequent tourism benefits that it has brought to the city and the country.

#### Athens 2004

The cost of the Athens Olympic Games again doubled against the previous games (Associated Press 2004). However, in this case there was a mitigating circumstances as these were the first games to be held post the 9/11 event, which led to additional security costs totalling $1. 5 billion, a factor that is becoming increasingly important at events of this nature ((Baade and Matheson. 2002a, p. 5).

Athens has seen mixed results in terms of the tourism benefits culminating from the games. In terms of the tourism numbers in the year subsequent to the games this showed a rise of 10%. (Hubbard 2005). However, other subsequent reports reveal that the facilities constructed for the games have not been made full use of in the past four years (Hersh 2008), leaving the country’s tourism sector in a position where it has not capitalised upon the impact of the event. Nevertheless, in terms of the revenue received from tourism in Greece, in the four years from 2000 to 2004, this rose from $17. 7 billion to $29. 6 billion, an increase of over 67% for the period. This has resulted in an increase in hotel occupancy during the same period.

However, like other of the case study cities, there has not been a marked improvement in the levels of employment in the tourism industry experienced since 2000. Therefore, it would appear that some of the tourism benefits from the Athens Olympics have centred solely on the year of the event whilst others have had an extended lifespan.

#### Manchester 2002

The last major international sporting event to be held in the UK was the Commonwealth games in Manchester in 2002. In regards to cost the budget and eventual cost of this event was insignificant when compared with the Olympic Games but, at around £80 million it is still an investment that is expected to produce a positive return in relation to tourism benefits for the area.

The Manchester Commonwealth Games legacy programme anticipated that the games would produce the following benefits for tourism in the area (Ecotec 2007): –

* 300, 000 new visitors a year spending £18 million in the local economy
* Increase in mid-range hotel accommodation
* 6, 400 new jobs

According to recent reports (Ottewell 2006) tourism in Manchester has seen a significant growth in the past eight years, which reflects the benefit that hosting the Commonwealth Games has brought to the area. Visitor numbers have risen from 79 million to 94 million between 2000 and 2005 and tourism spend has seen a growth to a level of £3. 92 billion (£3. 05 billion in 2000). Furthermore, in terms of tourism related employment, this figure has also risen to 59, 046 in 2005 (51, 704 in 2000), an increase of 7, 342. When these figures are compared with the estimates that were produced as part of the original bid calculations it is apparent that in all areas the expectations have been exceeded.

This shows that the city has certainly benefitted from the legacy programme that used a considerable element of the capital budget set aside for the games has had the desired effect and produced the required returns (Eurotec 2007). The positive result achieved in this instance is further evidenced by a statement given by one of the games organisers in 2007.

“ We estimated that £22m in business benefits across the northwest derived from the Games at the time,” says Rosin. “ There was £2. 7m added value for every £1m invested. There has been investment in the financial sectors, in the city centre and in particular in east Manchester. Associated retail development and the creation of employment for local people in this area can be directly attributed to the Commonwealth Games ” (Editorial (2007).

These results have occurred despite the fact that in other areas of the economy, including the GDP, Manchester has seen less of an improvement (Ecotec 2007).

### 3. 4. Discussion

Perhaps the most important aspect of the findings to note is that, from the time of the Atlanta Olympic Games in 1996, the cost of hosting this four year event has escalated at an ever increasing rate. In fact, as the following graph shows (figure 4) the capital investment has doubled on every occasion, including the latest event in Bejjing in 2008.

Despite the fact that in most cases a proportion of the costs can be defrayed as a result of sales of media coverage and sponsorship, valued at in excess of $1 billion per event (CBS 1988), this cost escalation does mean that the expectation in regards to the return achieved on this investment has also risen. In other words the benefits, including those enjoyed by the tourism sector, need to have shown significant improvements.

However, if the cost of the London Olympic Games in 2012 does not escalate from its current costs of around £9 billion, it will not only be the first time the games cost have reduced since 1996 but also its return expectations will be lower.

Nevertheless, when the expectations of the LOCOG (2007) and other researchers (Blake 2005) are considered against the actual results that have attached to the three previous Olympic Games events being used as comparisons, it is apparent that there are concerns that the London organisers need to consider. In particular, two issues seem to be a recurring problem during the years following the games. The first of these is the use and capitalisation of the sporting venues. In the cases of both Sydney and Athens these have proved difficult to make economically viable post the event. The second issue is tourism employment. In all three Olympic Games case studies, this area of benefits does not seem to have continued to any great extent post the games.

However, the result of the Manchester experience has shown that there can be tourism benefits in all of the major areas that have formed the focus of this study. In this city tourism numbers, tourist spend, hotel occupancy and employment have all seen continued growth both at the time of the Commonwealth Games and during the subsequent three years. One of the major differences between this case and the others is that a considerable amount of the investment raised for the games was directed into a definitive legacy programme, which was treated as a separate project and aimed to be an ongoing process rather than culminating in 2002.

### 3. 5. Summary and evaluation

One of the difficulties of evaluating a research issue of this nature is that it is impossible to perform an exact comparison as each event takes place during a different chronological period. For example, an issue that can be said to significant alter the results would be the economic position of the country and other countries during the timescale being evaluated. Furthermore, the detailed statistics in each case is kept in a differing format which adds to the analytical difficulties.

However, by accessing and comparing the information relating to each case study from a range of previous researches it is considered that the information and findings presented have been able to be appropriately verified and can therefore be considered reliable. Therefore, although studies by other researchers (Baade, Robert A. & Victor Matheson. (2002) and Gratton and Henry (2001)) have indicated that the Games have not impacted upon following years GDP as a whole, it is considered that this has been due to other economic factors and not relevant to the benefits or otherwise of tourism.

## 4. Conclusion and recommendations

The research question set at the commencement of this research sought to determine: –

Whether the hosting of the 2012 Olympic Games in London will provide the City and the UK tourism industry with potential benefits both during and post the event.

Despite the limitations of the research conducted for this paper, this being restricted to five sporting events that have occurred within the past twelve years, it is considered that, with certain provisions, the response to this question is that the hosting of the 2012 Olympic games can produce potential tourism benefits for London and UK both during and in the years following the event. Whilst the comment of Baade and Matheson (2002, p. 98) that “ the evidence suggests that the economic impact of the Olympics is transitory, onetime changes rather than a ‘ steady-state’ change, ” is concurred with to a certain extent, it must be tempered with the fact that in certain areas of tourism benefits have been achieved. The poor results they refer to is more due to lack of planning and management by the organisers rather than any external forces or influences.

In this respect therefore, it is important to provide the following recommendations to the organisers of the London Olympic Games that should be considered if they wish to achieve a successful and sustainable outcome for the tourism industry.

### 4. 1. Recommendations

In essence recommendations being made can be determined within two main areas, these being related to the planning and execution stages.

Planning

An essential element of the planning for Olympic Games events is to take notice of the research that has been conducted For example, in this instance the research conducted into the three games that have been used as case studies within this research have all identified areas where improvements might have been made, both at the planning stage and subsequently.

Furthermore, research into the Manchester sporting event has shown the benefit of have an identifiable and robust legacy programme which, to a certain extent, should operate independently of the event itself and continue into following years. This position has provided dividends for the Manchester tourism industry that have surpassed the expectations.

Execution

Secondly, the execution of the legacy strategy is important. All aspects of the post event period have to be meticulously planned and implemented within the required timescale, which as the Greek tourism minister indicated, includes the immediate six or seven months post the games (Hersh 2008), as this is a critical time to build foundations for future success.

### 4. 2. Summary

If the London organisers learn from the lessons of past events and particularly take on board the successes that have been achieved in Manchester, there is no reason why the games should not produce a series of lasting benefits for the London and UK tourism sectors.

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