

## SHOULD COUNTRIES WORLDWIDE BE MORE INTERESTED IN HOSTING SPORTS MEGA-EVENTS?

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### **ABSTRACT**

*Tourism is nowadays recognized as an important sector that has an impact on the development of country economy. Tourism activities have a real impact on economic and social development as they contribute to the GDP and because of its role that it plays on the labor market.*

*The ability of the national economy to benefit from tourism depends on the availability of investment to develop the necessary infrastructure and on its ability to supply the needs of tourists. Hosting sports mega-events is a theme with important impacts on the national economy.*

*The scope of the paper is to present the impact of sports mega-events tourism on the hosting city/country. The paper also treats why sport mega-events are an attractive opportunity for countries but also what some possible losses may appear if choosing to host them.*

**Keywords:** *tourism, event tourism, sports events, mega-events*

**JEL Classification:** *L83, M2*

### **Introduction**

This paper aims to study sports mega-events and the impact they have in economic, social, political and especially tourism. Option in choosing this theme for the present work originated in the desire to know the events that constitute a factor of attraction for tourists and a prerequisite to achieve tourist information activities. Based on these studies we can shape new destinations that have tourist recreation and participation in events that will become history as the main motivation.

This study is intended to highlight the feasibility of organizing a sport mega-event and to demonstrate whether the final host city or country stands to gain or loss, as the success at Barcelona in 1992 or the fiasco at Montreal in 1976. Both losses and gains can be tangible and intangible, and if hosting sports mega-events does not seem to be out to win, and intangible benefits can be, as would be promoting that long-term turns out to be a win more than a financial plus realized only when organizing the event.

### **Event tourism**

Tourism is one of the most successful sectors in modern times. This industry, which begins its existence, the high scale, only in 1960, has developed rapidly and securely over the past 40 years, resulting in major increases in income and people traveling abroad. It proved to be a resilient industry during the economic crisis, not showing any sign of weakness or slowdown, even in conditions of uncertainty caused by events such as the September 11 and other terrorist attacks, and even unexpected illness or unforeseen weather phenomena.

The structure of the tourist traffic has undergone significant, which led to the emergence of modern forms of travel; these include business tourism, which enjoys great appreciation from "consumers" and, consequently, from the organizers. A major niche tourism business, which occupies a large part of its scope, is events tourism. The latter is a term that is used in the literature to describe

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the strategy development and marketing of tourist destinations, so it can be fulfilled all the potential economic benefits brought about by events.

According to DEX (Academia Romana, 2012), original meaning of the term event is not only the important chance, but by manifestation. In an inflationary use of the term event emphasizes its meaning. Thus it comes as any chance to be labeled as an event. Glossary of Terminology M.I.C.E. defines the event as "meeting a number of people in one place, to conduct or complete a specific task. The meeting may be ad hoc or predetermined "(Davidson & Cope, 2003).

Since tourism is one of the fastest growing industries today, events in the tourism industry are becoming increasingly important. People have become more interested in events of all kinds, and will travel long distances increasingly higher to participate in events that they find interesting. Events can provide economic and social benefits for different purposes, and therefore, destination managers can and should use events effectively in the role of tourism. It has become widely accepted that every community or destination should adopt long-term strategic approach on tourism events meaning planning and development activities in order to achieve maximum tourism potential events.

Like all forms of tourism that require special interest, event tourism should be seen in both directions, both the demand and supply. Consumer perspective requires the determination of some elements: who travels aiming those specific events and why, and also who attends the events on the trip. Also, as researchers, we are interested to find out what the event tourists do and how they spend the money. Included in this part of the application is also assessing the value of events to promote a positive image of the destination and also a co-branding between destinations.

On the supply side, destinations create, facilitate and promote events of any kind to several purposes: to attract tourists (especially during low season), serve as a catalyst (for urban renewal and infrastructure development and tourism capacity destination), to encourage a positive image of the destination and to help develop an area much more attractive and profitable, in which people work, live, invest and animating attractions or specific areas.

### **Sport mega-events**

A mega event is a large-scale event, which focuses on a business, sports, tourism, cultural, religious theme, or any other, characterized by the participation of a large audience, often having international importance. For a given destination may be occasional (as applicable to Summer Olympics or the Winter Olympics), or repetitive (such as circuits Dakar Moto GP Grand Prix held in Barcelona, Cannes Film Festival, Rio de Janeiro Festival). In most cases, a mega event can have a decisive impact on the development of the host city or country, both economically and culturally, tourism, social and political.

Mega events are normally defined as "short-term fixed events" or "short-term events with far-reaching consequences for their host cities." Many academic studies on the social and economic impact of such events have their starting point in the last definition.

Sport mega-events are not a new phenomenon, as they can be traced back to the ancient Greek Olympics. Now, however, there is a growing interest worldwide in respect of mega-events in general and of sport mega-events as a direct effect of high income dedicated to these activities.

Sport and tourism are considered to be among the most popular leisure experiences for recreation purposes (Ritchie & Adair, 2004). The sport is now considered by many to be the greatest social phenomenon (Kurtzman & Zauhar, 2003) and tourism the largest industry (Goeldner & Ritchie, 2006). Global growth and the impact of tourism in general, are indicated by the number of people traveling internationally. It is estimated that international arrivals will increase from 730 million in 2002 to 1.56 billion in 2020.

Attempts to host a mega event, or more precisely a sports mega-event increased significantly in the last two decades. Not only the appearance of professionalism in sport, combined with higher income per capita and transmission technology improvements have made mega events truly global experiences, but also considers countries and regions all over these events as opportunities for encapsulation of tangible and intangible large potential benefits for the host. What was less clear so far is the size of these benefits. Although scientists have tried to measure the economic gains resulting from hosting a mega event since the 1980s, however, just in recent decades has intensified the debate on potential gains, both in terms of tangible economic benefits and economic intangible benefits

(we include non-quantifiable benefits like national pride, patriotism and image of the country). However, the most difficult to quantify and forecast are certain aspects which can be summarized in the following question: are gains from tourism, trade and tickets valuable enough to undermine the infrastructure costs, stadiums, security and marketing? The empirical results can vary considerably in the works. Measuring just economic gains from hosting the Summer Olympics, Preuss (Preuss, 2007) and Baade and Matheson (Baade & Matheson, 2004) show that earnings are ambiguous. The benefits of hosting the FIFA World Cup are equally questionable (Szymanski, 2002) (Lee & Taylor, 2005). As the two largest sporting mega-events on the planet and the seemingly endless interest from host countries, these results come as a surprise. "Smaller" mega events received less attention.

If interest in hosting these two events doesn't decline even in front of the negative financial statements, then surely some other positive earnings, assets must be in the game. This view is claimed by more recent work, especially on the two major events worldwide, Summer Olympics and the FIFA World Cup (Maenning & Du Plessis, 2007). While the costs and benefits (tangible and intangible), remain a source of debate, the focus has shifted recently to those aspects that are measurable, such as tourism behavior (Solberg & Preuss, 2006). Preuss argues that macro cost-benefit analyzes and economic impact assessments rely too heavily on assumptions to justify the results and urges greater emphasis on a 'bottom-up' approach. This usually involves evaluation questionnaires and surveys assessing directly the behavior of individuals.

Benefits of the mega event does occur, thus intensifying activities related to the event (tourists visiting to support their teams, for example), but the signal that it sends to the host country mega event (or is willing to host). Moreover, there is a similar impact on trade for those countries that have won the bid to host the Olympics and those who were lost. Measuring behavior of tourists from a comparative perspective also allows an examination of movements or concentrations of tourists (Matheson, 2002). Since some tourists may be attracted to an event (tourists specific event), some travelers 'normal' frequently visiting the region may choose to avoid that location when there is a mega event. This can happen for a variety of reasons of supply or demand, including rising prices, supply constraints in terms of security issues, accommodation and transport, or simply the preferences of visitors. However, quantifying these effects of agglomeration is problematic because tourism behavior is determined by factors specific to the country and time. A comparative analysis therefore including a series of mega events over a longer period of time, can provide a more consistent evaluation of its size.

### **The impact of mega events on host countries**

The events have the potential to earn agenda and increase cooperation between different actors towards a common cause. Fixed deadlines are an incentive to carry out projects that would otherwise have planned a longer time to be completed. Significance of mega events such as the Olympic Games has increased to an extent where the second level cities, which were usually bidding for events were replaced by the major economic centers such as London, New York, Tokyo or Paris. However, this process has seen growing submission of applications from cities belonging to developing countries, yet little research has been done so far on its grounds. Rio de Janeiro is one of those cities that bid for the Olympics continuously in recent years. Despite unsuccessful bids for the 2004 and 2012 Olympics, the city was entrusted chance to host mainland version Americas, Pan American Games. It was expected that this experience will provide the city elements of organization and expertise to be successful in future 2016 Olympics bid, auction won in October 2009.

However, the complexity of the organization and extended urban intervention associated with mega-event preparation corresponded to substantial costs for the host community. The development of academic research that aimed to investigate the social impact associated with mega events can be interpreted as a need to balance the optimistic speech justifying them. It is claimed such that the net costs of mega events are much higher than the net benefits. Intrusive event affects different aspect of everyday life of the community, such as housing, employment, recreation, transportation, taxes, civil and democratic participation.

Strategy on mega events is a politically charged action very risky and courageous while requiring negotiation and consensus among those who are in charge (Kidd, 1992). Decisions are traditionally taken top-down structure and process, from conceptualization tender offer until the planning stage, often override democratic processes relating to transparency and public participation

(Law, 2002). Smith argues that, historically, governments are not very efficient when it comes to mega events hosted (Smith, 2003).

Operation costs of a mega event are enormous and growing. Following the terrorist incidents in 1972 and 2000 Olympics and reported the event on 11 September 2001 in the United States, security measures themselves can reach hundreds of millions of dollars (Matheson & Baade, 2004). Salt Lake City has spent in excess of \$ 300 million only for security for the 2002 Winter Olympics in addition to other \$ 1.7 billion in operating expenses. Even if we were to exclude construction costs, only operational costs of the Summer Olympics and the Winter Games usually exceed \$ 1 billion. With costs of this magnitude, can the economic impact of an event, even one the size of the World Cup or the Olympics, compensate the host nation for operating costs and infrastructure? Economic past and present analysis to the impact have predicted the economic windfall from hosting the World Cup and Olympics. Astrologers of World Cup 1994 in the United States, for example, predicted that it would bring thousands of visitors to the country and an increase of \$ 4 billion to the US economy. Bid for World Cup South Africa 2006 was based, in part, on the promise that will support the economy by about \$ 6 billion and create 129,000 new jobs. The highest estimates so far have been provided by co-host the World Cup in 2002. A study by the Institute for Human Studies Dentsu estimated impact of \$ 24.8 billion from the Japan Cup and impact of \$ 8.9 billion for Korea South. As a percentage of total national income, these figures are 0.6 and 2.2 percent of Japanese economies and, respectively, the South Korean (Finer, 2002).

In contrast to event organizers, which are making submitted predictions about the potential impact of a mega event, several researchers have examined past economic data for cities that have hosted mega sporting events to make post-estimates of the economic impact of these competitions. In the evaluation of the impact of the American football championship, Super Bowl, Philip Porter disputed claims of the National Football League (NFL), who held a substantial economic impact. In fact, Porter gave a proper measurement of the economic impact of the Super Bowl that would show that the event had no impact (Porter, 1999). Baade and Matheson examined the 1984 and 1996 Summer Olympics using metropolitan data for employment of labor (Baade & Matheson, Bidding for the Olympics: Fool's gold?, 2003). Their examination revealed that the 1984 Olympics in Los Angeles, have led to an unexplained increase of 5,000 jobs during the year. If all unexplained increases were attributed to the presence of the Olympics, it can be said that the Games have produced this effect to the employment of labor. The employment effect of labor would translate into a boost of about \$ 300 million to the economy of Los Angeles. Estimates for the Atlanta economy in the period 1994-1996 ranged from an increase in employment of up to 3,500 jobs in an increase of up to 42,000 jobs. While the estimates for Atlanta have a great deal of uncertainty, even the most generous estimate was about half of the increase of 77,000 jobs predicted by the organizing committee. Baade and Matheson also examined the 1994 World Cup using data as metropolitan income. While some have predicted a positive cumulative impact of \$ 4 billion on the 9 host cities, Baade and Matheson found that in 1994, the economies of the host cities have experienced a growth which was \$ 4 billion less than it was normally expected for these metropolitan areas. What caused these large differences between forecast and actual figures ought to look upon public officials who bet on a massive influx of tourists to pay the costs of hosting this mega event.

### **Justifications to support mega events**

Few events can reach the Olympics in terms of audience and importance in contemporary society. The media coverage of global and fierce competition between cities participating in the tender to become the host country for the Summer and Winter Olympics can be a proof. Justification of urban transformation gave the Olympics greater economic importance (Waitt, 1999). The continued growth and economic rationale for the event around the town-host and sponsors produced effects that extend far beyond supply facility and event management. The city tasked to host the event is given instantly a substantial amount of television rights from the International Olympic Committee - about \$ 600 million for the Games in Sydney in 2000 (Hiller, 2000). Actual size of television rights and sponsorship is usually accented in the speech of entrepreneurs as a dominant financial ingredient for business justification.

The benefits of hosting, as Cox argues, are "too attractive to be rejected" (Cox, 1996). They can be highlighted into 3 intrinsic groups (Vigor, Mean, & Tims, 2004):

- Global exposure
- Economic dividends
- Urban transformation

The amounts injected into the local, regional and national economy by the public and private sectors have a significant economic impact and multiplier effect. The 7-year preparation phase is marked by an intense economic activity, especially IMOD in construction, tourism, real estate and related services industry. Visibility above is competitive in attracting future investment strategy, future events and more tourists. Economic dividends are exemplified by creating jobs, new networks of trade, new industries and increasing flows of tourists.

The costs associated with staging the Olympics are so great that, as Essex and Chalkley said, are justifiable only if they are directed to a major regeneration and improving the composition of "heavy" urban. The funding is channeled mainly on two fronts: the renovation and construction of facilities and improvement of infrastructure and the environment required for efficient operations of the event: for example, airport capacity, capacity of accommodation, public transport, telecommunications, water and sewage systems (Essex & Chalkley, 1998).

The deadline for completion of the programs provides a clear focus for labor synergy among different levels of government and the private sector. Moreover, helps speeding up urban regeneration, which normally would have required a much longer time. Barcelona is a fundamental example for urban intervention. Regeneration area Poble Nou for the Olympic Village meant a massive program of infrastructure development, especially in housing, transport, water and sewage systems, 4 km recovery of polluted beach and integration of the area in general urban structure. A revitalized city is attractive to investors, tourists and the host community.

Inheritances are a thermometer for residents to help them judge the validity of hosting the event. Physical legacies are found in the form of improved transportation and communication systems, improved infrastructure, progress and improve housing, sports facilities and new areas for recreation. The new facilities and recreational areas may, however, act as anchors for continuous regeneration. For entrepreneurs, the main legacy is somewhat less tangible. They expect the city unearthed after the event to be upgraded to the global urban hierarchy system and become a node in cultural and economic activity.

## **Conclusions**

Hosting major events has been a successful strategy for a wide range of cities around the world. Barcelona in Spain used the 1992 Olympics to put itself on the stage as a world-class city. Vancouver did the same in 1986 with its Expo, and reinforced this in 2010 with the Winter Olympics. On a smaller scale, towns like Kamloops, British Columbia and Sherbrooke, Quebec, have both used sport tourism and sport events as the lead for their overall tourism and community development. However one thing links these cities: they all had a clear strategy that they have followed closely over many years.

Organizing sport mega-events involves both gains and losses from different points of view, as we have the cases of success at Barcelona in 1992 and the fiasco in Montreal in 1976.

Both losses and gains may be tangible and intangible, and if the host of a sport mega-event does not seem to be out to win, there may find intangible benefits such as promotion, which in the long run turns out to be a win much bigger than a financial plus realized only when organizing the event.

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