

# Olympic economics

## Sydney and the destination economy

**Last summer, a global television audience of billions watched in awe as Sydney's staging of the Olympic Games took the event to new heights. With the medals awarded and the Olympic spectators long gone, what impact did the Games have on Sydney, and what does the future hold for the multitude of facilities created specifically for this huge spectacle? Locum Chairman **Richard Tibbott**, who was there to experience the Games at first hand, investigates.**

There has been time for some reflection on the experience of Sydney as the Olympic City destination. Apart from the sporting and hospitality memories, one of the remarkable facets of the Olympic experience was to see how the competence of the Aussie Games was being used as the role model for improving the 'fitness' of the Australian economy. 'Simply the best', ran the headline in *The Australian* of 11 October after Samaranch had repeated the universal opinion of athletes, sponsors, and business leaders. It would be wrong to think of the Sydney Games as only a sporting achievement – it is in fact an achievement in engineering, marketing, finance, operations management and communications technology. It is an achievement in public and private partnership that saw the Homebush site – formerly home to the city abattoir and rubbish dump – created, with exceptional transport connections to the Sydney city region.

Some politicians see the Sydney Olympics, undoubtedly an achievement that captured the imagination of the nation, as a direct route to performance on a world economic stage. Australians find it hard to relate Olympic achievement to the poor performance of the Australian dollar and the inadequate structure of the economy. Bob Carr, the Premier of New South Wales, sees the Games as a symbol of the modernisation of the Australian economy, a platform for further elite performance and a repudiation of the nostalgic attachment to a golden past and old-fashioned egalitarianism. During the controversy of the pre-Olympic development period, some commentators found that the Olympics had become a metaphor for the pursuit of excellence in the world economy and for Australia taking up an international role. Australia is becoming more ambitious as a nation and its people are developing higher aspirations for Australian society than ever before. As one commentator noted, 'The Sydney Olympics marked the death of the "she'll be all right on the night" ethos – an echo of the old lazy Australia'.

Just as the Tokyo Games of 1964 marked the point when Japan moved



*Stadium Australia and the other new facilities around it will have to compete to survive*

to change both the world's and its own view of itself, so the Sydney Games has done this for Australia. Australia wants to harness the Olympic energy and move from its new-found status as a sporting and tourism destination to become one for inward investment. The feasibility of this transition has yet to be assessed: such broad economic aspirations have not been subjected to economic analysis.

### Measuring impact

It is widely assumed that the Olympics Games have a broad economic impact and that the Games have an unequivocally positive effect on the host country and city. More and more cities are now coming forward as Olympic bidders. The macroeconomic impact of a summer Olympic Games is assumed to be over US\$5 billion. The direct impact of investment and visitation is clear if short-term. The broader image benefits would be proven in the longer term: providing a platform for a nation's corporations to excel and providing a showcase for a city region to attract inward investors.

These notions remain assertions supported by limited anecdotal evidence. Remarkably few of the Olympic cities have given proper attention to the evaluation of the economic impact of the Olympic Games either before or after their staging. Only after the funding catastrophe of the Montreal Games in 1976, leaving the city with a legacy of deficit funding, and after the 1984 Los Angeles Games had shown a new commercial funding pathway, did the matter of economic development impacts and public-private partnership initiatives really gain attention. The assessment of economic benefit of an Olympic Games is extremely complex. Only now, as a result of the work by Holger Preuss at

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the University of Mainz, is a methodology for undertaking such studies on a comparative basis becoming clear.

Two issues are frequently the focus of debate in Olympic cities: the levels of visitor expenditure in the Olympic city and the long-term economics of the major Olympic venues.

Munich 1972 undertook cost analyses but did not forecast benefits. The records of Moscow 1980 have been 'lost' and there is no published analysis or even data available. Los Angeles 1984 made a limited economic analysis without fully covering the public interest because the Games had been run as a private business. Seoul 1988 had no published economic forecast although a post hoc analysis was conducted. Barcelona 1992 conducted forecast and post hoc economic analyses as did Atlanta 1996, but the methodologies are incompatible and the analysis open to question. The most thorough set of economic analyses has been conducted by Sydney 2000, starting as early as 1993 and repeated in 1997 and 1999. Where comparisons have been made by Holger Preuss they only serve to illustrate the range of experience.

Take, for example, the statistics on visitation:

### Olympic visitation and spend

	Los Angeles 1984	Seoul 1988	Barcelona 1992	Atlanta 1996	Sydney 2000
Visitors to City in Accommodation ('000s)	609	240	250-422	736	84-245
Olympic Family Visitors ('000s)	28.5	39	55	72	36
All Out-of-City Visitors ('000s)	770	240	450	968	N/a
Consumption Expenditures (US\$ billion)	1.15	0.84	2.06	2.35	1.48

The figures raise more questions than they answer. Perhaps all that can be deduced is that the true number of foreign visitors to an Olympics is only around 400,000 to 800,000, depending upon the geographic location of the city. Nevertheless, this level of visitation is a massive achievement in relation to the normal distribution of world tourism behaviour. Australia, for example, normally has around four million tourist visitors per annum. However, the need for caution in interpreting visitation figures is illustrated by the experience of each of the last five Olympic cities, each of which have shown a net decrease of between 1% and 5% in the level of hotel occupancy during the Olympic year. There is a substantial perception of overcrowding and high room rates that depresses normal visitor demand, and many visitors stay with friends and family. There are often localised negative effects of an Olympic Games. In the immediate aftermath of the Sydney Games tourist operators in the neighbouring state of Queensland were reporting on the 'Olympic drain' and claiming that their tourism season would be the worst on record! Similarly, some Sydney retailers reported that sales were down, but many others admitted that all that had happened was that the unrealistic expectations of an Olympic sales boom had not been achieved.

There are bound to be market substitution effects and radical changes in local market dynamics during an Olympic period given the scale of enterprise and effect that the Olympic event programme has on the TV viewing behaviour of the resident population. These types of effect are of little strategic importance. More important is the matter of the long-term future of the Olympic facilities.



*The Olympic site at Homebush included exceptional connections to the Sydney city region*

### Olympic facilities and the long-term economic challenge

Sydney faces an enormous challenge in this regard. The market for seats in large venues is entirely related to the quality of the programme. Australia has found it difficult to attract sufficient of the major events, promoters and concert performers available in the world. The problems of time-zones, low population and travel costs are fundamental difficulties that Australia has done well to minimise over the last 20 years.

Finding a viable long-term future for the Homebush Olympic complex will be a very tough task. Even though Homebush attracted 7.2 million visitors prior to the Olympics as Australia marvelled at the quality of the complex, long-term viability demands contracted tenants who will put in place sports excellence initiatives and stage future events of substantial scale. The Olympic facility specification is demanding. In meeting it, Sydney had to meet many challenges, such as building a velodrome without ever having held a world-class cycling event in Australia before. The resulting sports event complex at Homebush is now the world's best. Despite this, it needs to be sustained in the face of strong competition from existing modernised event venues in the city. The new Stadium Australia competes with the Sydney Football Stadium and Sydney Cricket Ground, and the adjacent Sydney Superdome competes with the similar-sized Sydney Entertainment Centre in the city centre, but is criticised as poorly managed. Stadium Australia has failed to land the contract for the Australian Rules Football game in 2001, and only nine event days are scheduled in 2001 for Stadium Australia so far. On a brighter note, the reconfiguration of the vast 110,000-seat stadium to a more football-friendly 85,000-seat facility will assist long-term viability. Currently Sydney has a remarkable set of stadia and indoor arenas, but it is going to take time before the event programme and consumer response can sustain these investments in the long term. Meanwhile political criticism is muted because the facilities were not wholly publicly financed.

So what can Sydney really expect? The short-term benefits for the city are clear, and medium-term difficulties with the economic viability of Homebush and key venues are perhaps expected and can be worked on. At the same time, the Olympics have helped to create a more competitive economic attitude in Australia, and it is the benefits that are being generated by this that will far outweigh and outlast other factors.