

# Going for gold

Holding a prestigious event such as the Olympics or the FIFA World Cup is a great marketing opportunity for a city but does it really provide long-term benefits? **By Kirsty Tuxford** ▶



It took Montreal's government 30 years to pay off the CAD1.47 billion (US\$1.42 billion) debt accrued from the building of the 1976 Olympic stadium complex. Today, local wags have nicknamed the stadium the 'Big Owe' and while its derelict feel made it ideal for the filming of the new zombie movie *Warm Bodies*, the lengthy debt repayment demonstrates that the short-term prestige from hosting a major sporting event can quickly turn into a real horror show if there is no planned legacy.

"Experience has shown that disappointing outcomes and high levels of frustration come when an event and the subsequent projects needed to deliver the event distract governmental authorities from their existing plans," says Lars Haue-Pedersen, Managing Director of TSE Consulting, an international consultancy firm specialising in sports events for cities.

Cities can end up saddled with debt simply because the costs of the necessary infrastructure go over budget—South Africa originally budgeted 818 million rand (US\$89 million) for stadia investment in 2004, and later ended up revising this figure to 15 billion rand for World-Cup related investments in 2006. Viable uses for stadia after the event are often anti-climactic. The SuperDome, a 21,000-seat venue built for the basketball and gymnastics at the Sydney Olympics went into receivership in 2004 (leaving the taxpayer with the bill) before re-opening in 2009 as a conference and events centre.

But with a proper strategy, the opportunities afforded by hosting of major sporting events can be long-term and catalytic in a city's development. Although the Superdome went through receivership, Sydney has learned many lessons about how to successfully manage venues post-Olympics. The Sydney Olympic Park Authority is the body now responsible for the 640 hectares that make up Sydney Olympic Park. This includes the archery, aquatic, athletic and hockey centres and the sports centre and sports halls. The site also encompasses the venues of the Olympic Stadium (now ANZ Stadium),

the Sydney Superdome (now Allphones Arena) and the Sydney Showground site, all of which were key Olympic venues—though these sites are independently managed the Authority works closely with their management.

The Authority is working towards a Master Plan 2030, which foresees the Olympic park evolving into a vibrant town, mixing residential, commercial, entertainment, business and sporting facilities. The Olympic Park Authority says that the venues under their management are now 'generally profitable' and heavily used by the public and national sporting teams.

"The operations of the Sydney Olympic Park Authority are partly self-funded through a variety of revenue measures and the percentage of this revenue continues to rise," explains Michael James, Executive Manager, Media & Government Relations, Sydney Olympic Park Authority. "In 2011-12, approximately 60 percent of the Authority's annual operating cash expenses (excluding depreciation) were funded through revenue from operations."

Sydney has turned its Olympic venues into valuable assets—the park is already attracting major events, and even looks set to beat its 2030 target to attract a daily population of 50,000 workers, students and residents, with an additional 25,000 daily visitors.

Venues managed privately have also been successful. The Allphones Arena is the second-most successful indoor arena in the world by ticket sales, after London's O2 Arena. The Sydney Showground precinct plays host to the largest annual event in the southern hemisphere, the Sydney Royal Easter Show—and is the site for conferences, exhibitions and music festivals year round. The key to this success was the implementation of the 2030 Master Plan which saw the Olympic venues as a part of a greater urban development project.

### The costs and benefits of sporting events

While it is important to have a strategy to incorporate the venues from sporting events into the existing development



plans of the city, there is no hiding from the fact that hosting a global sporting event comes with a painful price tag. The UK Minister for Sport Hugh Robertson said in October 2012 that the cost of the London 2012 Olympics came in at £8.9 billion.

But can two weeks of international sport justify the expense? The London Olympics were funded by a number of sources—the London Organising Committee of the Olympic Games and Paralympic Games Limited, is a private company with a budget of more than £2 billion, and was in charge of the organisation, funding, preparation and staging of the London 2012 Games. The public sector Olympic Delivery Authority is funded by the Department for Culture, Media and Sport, the Greater London Authority, and the Olympic Lottery Distributor, and was responsible for the development and building of new infrastructure and venues. National Lottery funds (£2.2 billion) were also used to construct facilities. The Department for Culture, Media and Sport manages central government funding of the Games and wider regeneration costs, and the Greater London Authority contributed £925 million to the Olympic Delivery Authority for the revitalisation, infrastructure and facilities for London residents' use during the Games and in the future.

The aim of London's bid was to use the event as part of a regeneration strategy for the eastern districts of the city and to build and leave an infrastructure for future use. London created a company prior to the start of the Olympics to manage what happens after the Olympics—the Olympic Park Legacy Company was responsible for the legacy of the Games and the regeneration project (it later became the London Legacy Development Corporation (LLDC)). In addition, the East London Business Alliance established the London Legacy 2020 to ensure that East London benefits from the legacy of the Olympics, and local residents are seeing new parks, sporting venues and new homes for sale and rent, plus an educational campus and

community health centre. In this way the hosting of a global sporting event was part of Mayor Boris Johnson's vision for regeneration of East London.

Regeneration of the port area was also part of the strategy for Barcelona in hosting the 1992 Olympics, but the Catalan capital also used the platform of a global sporting event to develop the potential of the city to host major annual conferences and to make the city one of the world's leading conference and exhibition venues (see next article).

The development of tourism is another obvious benefit of hosting international sports events. Three-quarters of people surveyed in Germany at the time of the 2006 World Cup had come especially for the Cup and for almost half of respondents was their first visit (43 percent). The long-term effect and lasting impact of this major sporting event is borne out by the fact that 16 percent combined their visit with a holiday in Germany and 10 percent used the World Cup as an opportunity to visit friends and family. Just over 300,000 tourists arrived in South Africa for the primary purpose of attending the World Cup and revenue in South Africa from foreign Visa card spending reached USD\$426.2 million during the lead-up to, during, and after, the 2010 FIFA World Cup.

According to consultants Grant Thornton, 96 percent of visitors to the South African World Cup confirmed that they would visit the country again, while 92 percent said they would recommend it to friends and relatives. TNS Research Surveys estimate that brand South Africa received the equivalent of R2 billion (US\$294 million) of advertising by being host to the tournament.

But despite these benefits, cities should not expect the event itself to bring short-term profit. "In terms of the financial impact, in most cases it is unrealistic for a host city to generate a substantial net financial impact from hosting a major event; just like a sponsor of the same event would not expect to cover their entire sponsorship through direct sales during the event," explains TSE's Haue-Pedersen. ▶

“McDonalds doesn’t sponsor the Olympics because they think they can sell more hamburgers during the two weeks of the Olympic Games. They do it because of the long-term impact that the sponsorship can have on their marketing and sales efforts. In the same way, cities should host events as part of their efforts to promote, brand and market their city—and if they do it well, they can generate substantial additional ‘sales’ afterwards.”

South Africa achieved this. The country’s post-FIFA World Cup attracted considerable interest from international investors and multinationals—perceptions about the continent as a business destination have been positively affected by hosting the World Cup. For example, the German printing company Rako Labels made a R77 million (US\$11.3 million) investment in a new facility in Cape

Town with the firm’s MD Uwe Bögl confirming that the interest of German companies in investing in South Africa was assisted by the successful hosting of the World Cup.

One of the biggest benefits for host cities, which is also exemplified by South Africa, is the upgrading of infrastructure. Besides the building of new stadiums, the government improved national roads and airports and invested in public transport including Africa’s first high speed rail service, the Gautrain, and the development of Bus Rapid Transit systems in Johannesburg, Cape Town and Port Elizabeth. ICT upgrades included over 128,000 kilometres of new fibre installed across the country.

**Maximising the benefits of a global event**  
While the benefits are clear from past cities’s experiences, maximising

those benefits depends on the strategy employed by the city.

“The best outcomes arise when events provide a platform through which to focus and energise already existing city initiatives, what we call an ‘event-themed approach,’” says TSE’s Haue-Pedersen. “Winning cities are taking this approach where city plans are already partly developed and then events are used to provide meaning and focus to the various projects within these plans. This approach safeguards against investment and development efforts being wasted on the creation of projects only developed for the event. It also ensures that existing projects are highlighted through the theme of a major event.”

Qatar’s strategy has been to make hosting the FIFA World Cup in 2022 part of its overall developmental vision. “Sustainability is playing a major role

nowadays in the staging of major sporting events and this had already been an integral component during the bidding process,” says a spokesperson from FIFA. “For Qatar the 2022 FIFA World Cup is part of their overall 2030 vision and they have developed an integrated concept to make sure that the infrastructure they build will be benefitting Qatar and the region beyond 2022.” In fact, Qatar’s press reports that five of the new stadiums will be partly recycled with the seating being sent for use in developing countries. Stadia design is also flexible, allowing for conversion into hotels, spas and other leisure facilities post-Cup. The World Cup in Qatar is also boosting the solar industry in the region, as organisers look into utilising as much solar energy as possible.

Similarly, Brazil is using the opportunities provided by its upcoming Olympics in 2016 to push through existing development plans. “It is important that the Olympic project aligns with the interests and the needs of the country in this moment,” explains Marcio Fortes, President of the Olympic Public Authority. “In Brazil, the fact that we have the PAC [the federal government’s major infrastructure programme] in progress, with a lot of projects for urban roads and planned investments in airports, energy, sanitation and other areas of basic infrastructure, then this creates favourable conditions for hosting the Games. We have taken advantage of the event to rush deadlines in order to meet existing needs.”

The country’s strategy to attract international interest is comprehensive in that it doesn’t only focus on increasing tourism and related sectors, but is also using the Olympics and World Cup to highlight its level of organisational ability and expanding industry sectors such as oil and gas. And thousands of jobs have been created in several sectors.

“According to the Department of Work and Income of Rio, about 5,500 people are working to modernise the Maracanã stadium which is under renovation for the World Cup in 2014 and which will also serve the Olympics,” says Fortes. “The Metro Line 4 extension has

created 3,500 jobs, and there are about 500 employees working on the Olympic Park.” In fact the UN, in the guise of the International Labour Organisation has launched a project in Brazil to maximise the benefits for employment from the Olympics (see box).



Lars Haue-Pedersen, Managing Director, TSE Consulting

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Consulting*

As the above examples show, the key to making events work is to tie them in with the current social and environmental development plans of the city. “The cities that are seeing long-term benefits of hosting events are those that focus on leveraging programmes and

systems that already exist in their cities and that can be supported, strengthened and energised through the event rather than trying to create impact solely through the mechanisms of the event itself,” says Haue-Pedersen.

#### Who benefits?

The extent to which hosting an event is beneficial for a city depends on from whose point of view the effects of the event are assessed. The public sector rubs its hands in glee because it can accelerate existing development programmes and global events offer fresh new identities for places that have a poor image. The private sector gains from investing in areas where large events will be staged because the time restraints on projects alleviate risks, and most infrastructure is built on low-value land, so value creation once investment begins, is rapid. It’s also a great opportunity for marketing and profile raising if private companies get their brand associated with the developments.

But a truly successful event has to benefit the city’s people, so the focus is not on the future use of the venues but on how major sports events can affect citizens’ quality of life and the social and economic development of the communities.

“Successful sports event cities are now taking an approach that is more focused on people than on places,” says Haue-Pedersen. “Events, therefore, are more effective when linked to people-oriented initiatives that have the over-arching goal of improving social conditions (the quality of life) as well as driving economic development.”

South Africa is an excellent example of this. Despite the many documented successes of South Africa’s hosting of the World Cup and the fact that it was named the ‘World’s Leading Sports Tourism Destination’ at the 2012 World Travel Awards, South Africa’s cabinet revealed in May 2011 that it would not be bidding for the 2020 Olympics. As government spokesman Jimmy Manyi said: “It is better to consolidate the gains of the 2010 FIFA World Cup for now and focus the country’s attention on the delivery of basic services to all South Africans.” ■

## Generating employment from the FIFA World Cup

A large number of the host cities for major sporting events, especially in developing countries, face significant problems related to labour, such as unemployment, under-employment and inappropriate working conditions. Urban poverty is intrinsically related to such problems.

Given the magnitude of investments necessary for a city to host an international event, and also the economic opportunities arising from it, like tourism and commerce, many needed jobs could be generated. However, it is important to have policies and programmes to make the most of such a situation: to offer opportunities to the largest possible number of local enterprises and to promote decent jobs, which are fairly remunerated, carried out under safe working conditions, and underpinned by adequate social protection and respect for rights at work. It is also important that they respect gender, generational and racial equity.

For the forthcoming World Soccer Cup to be held in Brazil in 2014, the Brazilian government is committed to addressing the social problems facing the country, with initiatives to improve the livelihoods of those in the lower income range through the strategic development and expansion of social programmes, as well as financial aid and professional training to facilitate access to the labour market, especially by young people.

The ILO (International Labour Office) has designed a strategy of support for government. In consultation with national constituents (workers’ and employers’ organisations and the government), four sectors of the economy have been chosen as targets for action: construction, tourism, commerce and textiles.

It is estimated that the economic impact of the 2014 World Cup will reach US\$92 billion, causing Brazil’s GDP to grow an additional 3.8 per cent per year between 2010 and 2019. During the World Cup, Brazil is expected to receive more than 3.7 million tourists, who will bring an additional US\$5 billion into the nation’s economy. The country is investing some USD\$33 billion in infrastructure, including stadiums, transport, airports, ports, hotels and other facilities. There is a great opportunity to address labour issues on a significant scale given this context of vast resources.

The ILO project is based on three pillars: (i) the strengthening of social dialogue, (a participatory process involving workers, employers and the government), (ii) capacity development activities for the promotion of decent work, and (iii) support to labour inspection. Work with local authorities is included in this agenda. Local authorities deal daily and face-to-face with the problems of unemployment and lack of decent working conditions of the municipal population, including also the inadequate representation or participation of key stakeholders. The capacity of such authorities in regard to labour-related issues needs to be strengthened.

Each activity included in the ILO project has an output of its own; therefore the project is being implemented in an incremental manner according to the availability of resources. A number of activities have already started, such as in the city of Cuiaba (one of the host cities), and liaisons with the World Cup Management Committee (a Federal Government body which defines, approves and supervises the actions foreseen in the strategic action plan designed by the Brazilian Government for hosting the Cup). Other activities are in the pipeline.

The ILO is targeting selected host cities and also providing support to national-level activities related to the organisation of the Cup, such as the aforementioned Managing Committee. The ILO will keep the other host cities informed about the activities in the selected cities, provide relevant material and promote replication. In addition, synergies are being explored with other actors also working on the World Cup, such as the Ministry of Labour and Employment, other government authorities and Building and Wood Workers International.

Given the magnitude and visibility of the World Cup, good practices will leave a legacy for the country. In addition, the long-term objective of the ILO project is to create a model of intervention that could be applied in other major sporting events worldwide and which could also be used in other types of large-scale urban projects.

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