

Economic impact and regeneration of local communities

Work in this area divides into six broad categories – the economic benefits to be derived from general increases in fitness and health; the overall economic importance of sport to the economy; the economic importance of sports teams to US cities and the impact of new stadia on domestic property prices in the UK; the economic impact of varying sizes of sporting events; the environmental impacts of large scale events.

Using secondary data Pratt et al, Martin et al and Nicholl et al illustrate the direct and indirect economic benefits to be obtained from increased physical activity and associated health improvements. Using large-scale survey data from the USA, Martin et al illustrate substantial medical cost differences between the physically active and inactive, with the largest differences being among women 55 and older. Martin et al and Nicholl et al illustrate that the cost benefits accrue most for those aged 45 plus, but that in younger age groups the costs of disease prevention are outweighed by sports-related injuries. Both suggest that some health care costs among adolescents could be reduced via the promotion of safer sports.

The work of Taks and Kesenne, the Leisure Industries Research Unit (two entries) and Cambridge Econometrics all outline the macro-economic importance of sport and sports-related expenditure (although many of the data sources have acknowledged limitations and the precise nature of 'sports-related' expenditure is not always clear). The latest information from the Leisure Industries Research Unit (2006) indicates that in 2003 sport-related economic activity in England accounted for £13,531 million and about 421,000 jobs (1.8% of total employment).

The work of Austrian and Rosentraub, on sports-related developments in four cities in the USA, concludes that a focus on sports and the hospitality sector can contribute to downtown development, coupled with commitments from other businesses to expand or stay downtown (although they express some concerns about opportunity costs and equity). Coates and Humphreys examine the impact of sports teams in 37 cities in the USA and conclude that the positive impact is concentrated in particular employment sectors and, because some expenditure is substitution, it has a negative effect on some others. Santo questions the general view that there is no relationship between sports facilities in US cities and economic development by examining the new breed of iconic down-town stadia. The author stresses the importance of taking into account location and the nature of visiting teams in analysing the economic impact of stadia.

In the UK, Davies reports on a qualitative study of the impact on residential property prices of the Cardiff Millennium Stadium and the City of Manchester Stadium. It is suggested that each stadium had a positive impact on the

property market, although the strength and geographical coverage differed. It is argued that, to safeguard the short-term financial and amenity gains, careful management of regular football matches in Manchester is required. In the multi-event Millennium Stadium there is less potential for negative impacts. In a much more statistically robust study Ahfeldt and Kavetsos illustrate that the development of the new Wembley and the Emirates stadia in London led to significant and positive increases in residential property prices. They illustrate both direct and indirect economic effects, stressing the role of iconic architecture and urban design as a catalyst of stadium externalities and neighbourhood revitalization. Real estate markets tend to value the stadium effects in anticipation, which is an important finding for future intervention analyses.

Although the most systematically researched area is the economic impact of sports events, Crompton suggests that many economic impact analyses report inaccurate results and illustrates 11 common sources of error. The work of Madden and Crowe provides a detailed illustration of the complexities involved in the estimation of the projected economic impact of a mega event (the Sydney Olympics). It deals with the pre-Games preparation and construction phase; the Games year; the post-Games phase (2000/01 to 2005/06). It considers a wide range of factors, details the assumptions that need to be considered in such calculations and outlines a series of measures required to maximise economic returns.

Mondello and Rishe take account of some of Crompton's concerns in a survey-based analysis of the economic impact of a variety of amateur sporting events in several cities in the USA. Although the data were collected during the events, the authors conclude that the impacts of such events depend on a number of factors: the number and origin of non-local teams, the proximity of the teams involved; length of visitor stay; operational and organisational expenditures by non-local organisations.

Baade et al explore the accuracy of forecasting in relation to the 1994 World Cup in the USA. Using a balance of payment model and data on metropolitan growth they conclude that, although impacts were uneven, overall the predictions substantially over-estimated the real economic impacts. They explain this because of a 'crowding out' effect on non-match days over a three-week period, lost convention business and televised matches keeping locals at home. Preuss illustrates the need to take account of the economic impact of 10 different types of resident/visitor groups, the opportunity costs of deterred visitors and four expenditure effects – benefits, costs, reallocation and neutral. The New Zealand Tourism Research Institute's annotated bibliography questions the methodology of many impact studies and also suggests that there is no agreement on the single best way to measure an event's economic impacts and benefits. It suggests that economic impacts are maximised when government, event organisers and the private sector interact effectively. It agrees that sporting events have the potential to build the brand of host destinations if they are strategically incorporated into an overall marketing plan.

In order to provide a more systematic basis for the economic evaluation of sports events, UK Sport produced a guide to research methodology and multiplier analysis. Measuring Success 1 provides a guide, based on the work of the Leisure Industries Research Unit, to the definition and measurement of the economic impacts of a range of sports events (reported in a number of articles in this section). Based on a typology of the varying balance between spectators and competitors, this work illustrates the different economic potential of different types of events. Measuring Success 2 extends this work and provides detailed analysis of 16 major sporting events including the spending levels and patterns of key groups, a balance of payments analysis for certain international events, the impact of Lottery funding and an evaluation of the accuracy of the forecasting model. This work is illustrated and summarised by Gratton et al's review of the economic impact of sports events of varying size in the UK, in which they outline a number of factors impacting on the scale of economic impacts. Likewise the work by Dobson et al on Euro '96 in England illustrates that that such a spectator intensive event had significant economic impact on local economies and cities and town not directly hosting the events were also substantial beneficiaries. Jones examines the economic impact of the 1999 Rugby World Cup in Wales and concludes that although there were several positive impacts these were reduced by the fact that many of the games took place outside Wales.

Coleman and Ramchandani provide a review of evidence relating to the positive economic impacts of non-elite mass participation sporting events (mostly marathons), which require little infrastructural investment but can raise place recognition and generate tourist income. The authors argue that the displacement effects associated with elite events are much less and such events can be self-financing as they can attract sponsorship, participants are prepared to pay and they can attract large numbers of (free) volunteers. Wilson illustrates, via a study of four local swimming events, the potential of such events to generate economic benefit to the host communities providing that secondary spending opportunities and appropriate infrastructure are in place.

From a sport tourism perspective and using Scottish input-output tables Allan et al provide an analysis of the economic impact of Glasgow Rangers and Glasgow Celtic. They claim that their approach is an improvement on the UK sport methodology as they are able to estimate indirect and induced effects and qualify the impact on GDP, income and employment. They conclude that these two teams have a direct expenditure impact on the Glasgow economy similar to hosting the Olympic Games every 12 years.

Dwyer et al argue that the traditional approach to the estimation of the economic impact of sports events via the use of input-output tables is deficient in that it over-estimates net benefits because of unrealistic assumptions. They propose the use of computable general equilibrium models and illustrate the approach via a case study of the Melbourne Formula 1 Grand Prix. They argue that there is a need to adopt a cost-benefit approach to large scale events and those effects outside the local area should not be ignored.

McKay and Plumb assess the impact of four Olympic Games on real estate markets and conclude that they had varied impacts on different sectors (hotel, residential, office and retail) and that the impacts were largely indirect and experienced over a long period of time. Essex and Chalkey review the effects of the Olympic Games on the built environment and conclude that the Games accelerate change and that many transport and environmental improvements would probably not have occurred without the Games.

Barget and Gouguet draw on environmental economics to assess both positive and negative externalities in relation to a Davis Cup match. They argue that the total economic value of an event must take account of the use value to consumers, optional value and existence values. They propose a combination of contingent valuation method and citizenship panels.

Jones illustrates an increasingly important policy area - the potential environmental costs of large scale sports events and the need for full cost benefit analyses of such events. He uses a case study of the 2004 World Rally Championship in Wales to illustrate the use of input-output accounts to estimate carbon emissions and waste associated with the event. Jones concludes that the 'enviro-economic efficiency' of events can be estimated using data on spectator and organiser activity together with established environmental accounts. Such a method also provides organisers with information as to how to reduce the environmental impacts.

Because research on the economic impact of sport covers a wide and diverse range of issues it is difficult to provide a succinct summary of priority research needs.

- Two common factors are debates about definitions and an urgent need for the improvement of data sources and estimation techniques. The variation in definitions and the variable data sources place substantial limitations on comparisons in many areas – especially health-related savings and macro-economic impacts.
- In the area of sports-related development and regeneration there is a clear need for more systematic research to explore the conditions necessary for such investment to be effective.
- Research on the economic impact of sports events has grown substantially in recent years, but as the work included here clearly illustrates, there is a need for considerable rigour in evaluating current research and undertaking necessary additional research on a variety of events.

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Added to the Value of Sport Monitor in September 2011:

Ahlfeldt, G.M. and Kavetsos, G. (2011) *Form or Function? The Impact of New Football Stadia on Property Prices in London*. Unpublished.

<http://mpa.ub.uni-muenchen.de/25003/>

Coleman, R. and Ramchandani, G. (2010) The hidden benefits of non-elite mass participation sports events: an economic perspective, *International Journal of Sports Marketing and Sponsorship*, 12(1)

Davies, L.E. (2005) Not in my back yard! Sports stadia location and the property market, *Area*, 37(3), 268-276

New Zealand Tourism Research Institute (2007) *The benefits of events: an annotated bibliography*, AUT University

Wilson, R. (2006) The economic impact of local sports events: significant, limited or otherwise? A case study of four swimming events, *Managing Leisure*, 11, 57-70