



INTERNATIONAL
OLYMPIC
COMMITTEE



Ricky Hauser

Recommendation Report to the International Olympic Committee

Professor Miele

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Introduction

Ever since the Olympics made its revival after centuries of being inactive in 1896, this has created a sense of national pride for fans and athletes in order to support their home countries. Unfortunately, the Olympic Games have caused issues for the host countries. The biggest consequence of all is a country would face financial hardships including recessions and even depressions.

It is obvious that a country would not intentionally bring themselves into financial turmoil so why would a country host the Olympics knowing this? As the Chief Operating Officer of Quality Management, I was hired by Mr. Thomas Bach, President of the International Olympic Committee to find why countries face these hardships and to find solutions to avoid these hardships that a country may face.

The results that were found are that the costs of building the facilities as well as the unknown factors in the process of the time the host country bids to host the Olympics outweigh the revenue factors that the Olympics generates. Please find the specific results of my research in the Results section of the Recommendation Report.

Research Methods

I began my research by interviewing Dr. Ceyda Mumcu, professor at the University of New Haven who has extensive experience in economics and sport marketing. I did this in order to find why countries would host the Olympics in the first place if past experience shows that the countries who host the Olympics will face financial hardship.

I asked Dr. Mumcu the following questions:

1. Why do countries host the Olympics?
2. Since the Olympics cause major financial disasters in countries, why do you believe countries keep hosting the Olympics?

Topic 1: Why a Country Hosts the Olympics

According to Dr. Mumcu, countries will host the Olympics for many reasons. The first reason being that this is a short-term expenditure in order to generate revenue in the long-term. This will put a country on the map¹ and generate more tourism which will in turn, make the country more money. The theory is that those who are only visiting the host country specifically to watch the Olympics live or visiting the country so that they can experience the Olympics first hand will return as they enjoyed their stay at the country.

Additionally, a benefit of hosting the Olympics is that they are not only a sense of economic prosperity in the long-term, but it creates a sense of national pride, which is something that cannot be bought with money. Citizens of the country love to see their home win and be able to say that they are the best. Also, if there are upstanding issues in the country, it will bring the citizens of the country closer together. For example, during the 1980 Winter Olympics in Lake Placid, New York, the Cold War involving the United States of America and the Soviet Union had become more tense. No one had ever beaten the Soviet Union in hockey, but at the 1980 Winter Olympics, the Miracle on Ice² occurred and this brought all of America closer together and gave Americans a sense of national pride.

Topic 2: Why a Country Keeps Hosting the Olympics

An issue with the Olympics that was brought to my attention by Dr. Mumcu is that the bidding takes place eight years prior to the year of hosting. Due to the benefits listed above, these are the reasons why countries will keep hosting the Olympics, however there are issues in the bidding process. Please see this in the Results section.

¹ Put a country on the map: Gain recognition through a major event which gains popularity or notoriety.

² Miracle on Ice: At the 1980 Winter Olympics, the Americans beat the Soviets in hockey which had never been done under Coach Herb Brooks. This is a legendary moment for American citizens.

Results

After my research I have come to numerous results that I believe will help countries not face financial hardships after hosting the Olympics.

Revenue Generators

Sponsorships:

As of 2020, there are sixteen national companies that are known as the Worldwide Olympic Partners and they sponsor the Olympics every year which include the following:

- Coca-Cola
- Airbnb
- Alibaba
- Atos
- Bridgestone
- Dow
- General Electric
- Intel
- Omega
- Panasonic
- P&G
- Samsung
- Toyota
- Visa

For the 2020 Olympics in Tokyo, Japan, most of these sponsors have been delayed. Some sponsors, that are not listed, have dropped out of the Olympics as partners. While I am unsure of the contracts that each of the Olympic partners have specifically and what their packages include, all of these sponsors receive television commercials and have their logos strategically placed around Olympic Village and the facilities in which the Olympics is hosted for people to be able to see.

Additionally, there are other partners that include Olympic Gold Partners and Olympic Official Supporters. These sponsors include companies that are both internationally recognized and are well-known to the country that is hosting the Olympics.

Broadcasting:

When broadcasting an event, television channels must bid for the rights to broadcast the event. While I am unfamiliar with the international channels that broadcast the Olympics, the United States of America, the National Broadcasting Company (NBC) and all television channels that are under the owned by the parent company of NBCUniversal are the only networks that

broadcast the Olympics. They have broadcasted the Olympics since the 1988 Winter Olympics in Seoul, South Korea.

Tourism/Tickets:

People will travel to the host country in order to watch and experience the Olympic Games. As sports fans and people who want an experience, people will leave their home country in order to travel to wherever the Olympics are being held. Therefore, this draws traction to the country and people will spend their money on stadium tickets, merchandise, and concessions. People will even spend their money at restaurants, tourist attractions, and other places that are local to the area which helps stimulate the economy.

Infrastructure:

The most money is spent on the Olympics in building the facilities that are only used to host all of the different Olympic events and hold the incredible amount of fans who attend. However, if a country already has the facilities due to hosting the Olympic Games already or hosting another mega sports event, the country will save money as they do not have to build the infrastructure.

Issues

Bidding Process

The bidding process is the first part of a country's eligibility to host the Olympics. The bid must be submitted to the International Olympic Committee eight years prior to the next Winter or Summer Olympics. This is an issue because no one can be sure what will occur in the time between the bidding process and the Olympics which will cause a country to be stuck hosting the Olympics.

An example of this instance is the 2016 Rio Olympics. The country of Brazil did not have the facilities and they spent billions of US dollars building the facilities for the Olympics. They did not expect that the Zika Virus would come about and were forced to host the Olympics. The Zika Virus caused a decrease in tourism which in turn, caused the country of Brazil to lose even more money. Additionally, they did not know that there would be a lot of political unrest in Brazil which led to social demonstrations that were violent. This caused the tourists to feel unsafe and fearful so they did not leave their hotel rooms at night due to the concern of being robbed, hurt, or possibly killed.

In addition, Brazil's economy was also affected by the recession of 2008. When the recession hit Brazil, the GDP³ fell by 2.9% in the fourth quarter of 2008 and by 0.9% in the first quarter of 2009. After the first quarter, Brazil's economy began to stabilize and returned to normal after. However, Brazil had to deal with an economic impact amidst a recession.

The 2020 Tokyo Olympics also are a perfect example of this issue. As the Coronavirus outbreak began in 2020, the country of Japan built the facilities in order to host the events, but they did not

³ GDP: GDP stands for gross domestic product which is used to measure the stability of the economy.

expect that there would be a global pandemic. This caused their economy to collapse and Japan fell into a recession due to the delay of the Olympics to 2021 instead of 2020. Due to this, Japan is now projected to lose \$900 million in local sponsorships and \$1.25 billion in advertising from NBC.

Infrastructure

The biggest issue of why countries will face financial issues due to hosting the Olympics is because they will spend large amounts of money building the infrastructure. This includes facilities both for the events and even creating space in order to set up the Olympic Village as well as possibly constructing hotel rooms for tourists who are visiting the country to watch the Olympics.

Normally, a newly built facility in general will be put to good use for the foreseeable future. When it comes to Olympic facilities, they are built specifically for the Olympics due to the lack of facilities large enough to hold the Olympics in the country. Usually, the facilities are never used again.

Please see the amount of money spent on building the Summer Olympic facilities⁴:

Year	Location	Facility	Cost (USD)
2016	Rio de Janeiro, Brazil	Maracanã Stadium	\$1.14B
2012	London, England	London Olympic Stadium	\$429.8B
2008	Beijing, China	Beijing National Stadium	\$423M
2004	Athens, Greece	Athens Olympic Stadium	\$317M
2000	Sydney, Australia	ANZ Stadium	\$509.6M
1996	Atlanta, Georgia, USA	Centennial Olympic Stadium	\$209M

It is important to note that most of these stadiums were only built for the Olympics and were never used again. Additionally, while still expensive, Maracanã Stadium was already built, and only had to be renovated. This is much cheaper than constructing an entirely new facility from the ground up.

Also, Centennial Olympic Stadium, while also very expensive to construct, served its purpose and then was converted into a baseball stadium one year later which was renamed Turner Field, home of the Atlanta Braves, until 2016. Therefore, these expensive endeavors in building the facilities are worth doing if there is a long-term plan.

⁴ Please note that these do not take into account that these numbers were not adjusted according to inflation. Only the United States Dollar value reflects the value at the time that was spent on the facilities for each country.

Conclusions

In conclusion, it is important to note that the most spending comes from the building of the Olympic facilities. This chart can be found above in the Results section of the Recommendation Report. This and all other expenses throughout the Olympics outweigh all other revenues. Above all else, the reason that this will cause a country to face economic hardships is because the country will gain the funding from the taxpayers' money for the most part. The rest is donated by the International Olympic Committee. Therefore, by using the taxpayers' money on the Olympics or increasing their taxes, this causes a country to face economic turmoil. However, some of the costs can be diminished if a country already has the infrastructure to host the Olympics. This can come from previously hosting the Olympics or using it to hold different sporting events.

Another main issue are the acts of God that may occur. In other words, expect the unexpected during the time between the time of bidding the Olympics and hosting the Olympics. The 2020 Tokyo Olympics is the perfect example of this as it has been delayed to the summer of 2021. As previously stated, the revenue loss in sponsorships is a total of approximately \$2.1 billion. Additionally, we cannot yet predict how much money that the 2021 Tokyo Olympics will lose in tourism and tickets due to people's concerns over the spread of the Coronavirus, the development of a vaccine or cure for the Coronavirus, and the Japanese government's Coronavirus regulations.

Additionally, a country will not always be put on the map after hosting the Olympics or they will be put on the map in which people will not want to visit. For example, during and after the 2000 Sydney Olympics, the tourism to Australia spiked from the years 2000 to 2001. After these two years, the tourism has not been the same. Therefore, the Olympics temporarily increase the Australian tourism, but this did not increase tourism in the long-term. This ultimately, did not cause financial turmoil, but did hurt the Australian economy overall since they were not able to break even on the expenses that the Olympics caused.

Furthermore, the 2016 Rio Olympics is the perfect example of a country being put on the map for the wrong reasons. First the government not only renovated Maracanã Stadium, but the Brazilian government also had extra hotel rooms constructed using taxpayer money in order to give the tourists housing while they stayed in Brazil. This caused more political unrest along with the current events that were already happening which created violent social demonstrations in the streets. This created a sense of fear in the tourists that made them not want to leave their hotel rooms out of fear of being hurt or dying. Therefore, this made all of the tourists that came to watch the Olympics not want to return to Brazil, causing tourism profits to decrease even more. However, Brazil had no reason to host the Olympics as Rio was already a city that is on the map. This only caused Brazil to tarnish their name and lose money, which caused the country to fall into a recession.

Recommendations

Due to the consequences of hosting the Olympics, it is the country's responsibility to decide whether or not it is worth it to host by analyzing the factors that are expenses for the Olympics so then the country can meet their breakeven point⁵. The following criterion should be answered prior to bidding to host the Olympics:

- Is the country currently doing well economically?
- Is there an eight year economic plan in place for the country?
- Is there a high rate of tourism for the country normally?
- Is there infrastructure large enough in the country to host the Olympics currently constructed?
- Is there currently political unrest in the country?
- Is the country's economy strong enough to face unknown factors?

Below, please find the decision matrix that will aid in helping a country decide whether or not it is worth it or if the even have the ability to host the Olympics.

Criterion	Should the Country Host?
Is the country currently doing well economically? Weight: 10	Rating: Score:
Is there an eight year economic plan in place for the country? Weight: 6	Rating: Score:
Is there a high rate of tourism for the country normally? Weight: 2	Rating: Score:
Is there infrastructure large enough in the country to host the Olympics currently constructed? Weight: 8	Rating: Score:
Is there currently political unrest in the country? Weight: 5	Rating: Score:
Is the country's economy strong enough to face unknown factors? Weight: 4	Rating: Score:
Total Score	

⁵ Breakeven Point: The value of an investment where no profit is made nor money is lost.

The country who is potentially bidding the Olympics should complete this decision matrix prior to bidding. The ratings will be based on a scale of 1-10. The highest score a country can have is 350. If a country receives a score between 275-350, then the country should be able to host the Olympics with low risk of economic turmoil. If a country receives a score of 190-274, the country has a moderate risk of economic turmoil. If the country receives a score of 0-185, there is a high risk of the country facing economic turmoil.

Weights of the Factors

Is the country currently doing well economically?

This factor carries the most weight because if a country's current economic situation is not well, then the country will not be able to host the Olympics without suffering from economic turmoil. Therefore, if a country's economy is not well, then they should bid the Olympics at all until it improves.

Is there an eight year economic plan in place for the country?

This factor carries a weight of six as the country must create a plan in order to sustain the economy in the time of bidding to the time of hosting the Olympics. The country's economy must stay balanced throughout this period of time in order for the country to not face economic turmoil.

Is there a high rate of tourism for the country normally?

This factor carries the lowest weight because if the country already attracts tourists, then there is no need to host the Olympics with the intention of putting the country on the map. However, this could be a method of increasing tourism year-round rather than during one specific time of year if the country attracts people seasonally. Please note that the higher the tourism rates in the country, the higher the score will be.

Is there infrastructure large enough to host the Olympics currently constructed?

This factor carries a weight of eight because constructing the infrastructure is the most expensive part of hosting the Olympics. If the infrastructure already exists, then the cost of building the facilities will be diminished and will put the country at less of a risk of economic turmoil. Please note that any renovations that need to be made to current infrastructure should cause a deduction in points as necessary.

Is there currently political unrest?

This factor carries a weight of five because this can have an impact on the tourism for a country. The 2016 Rio Olympics has proven this because there was political unrest prior to the Olympics which resulted in tourists getting injured or killed during social demonstrations. Therefore, if the political unrest is high, then tourists will not want to visit the host country for the Olympics and

in some instances, not visit the country at all. Please note that the more political unrest there is, the lower the score should be.

Is the country's economy strong enough to face unknown factors?

This factor carries a weight of four because this is the one factor that cannot be predicted. However, if the economy is strong enough to the point where it can handle factors that might cause a recession, such as a pandemic, then the country should be able to host the Olympics without facing economic turmoil.

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