

**Economist Intelligence Unit**

The  
Economist



# LEGACY 2012

**UNDERSTANDING THE IMPACT OF THE OLYMPIC GAMES**

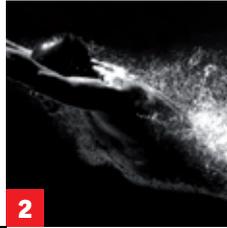
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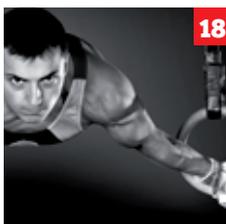


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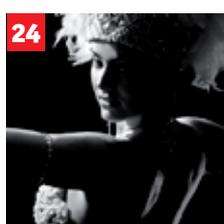
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# PREFACE

This report, created by the Economist Intelligence Unit and sponsored by Cisco, follows a webinar discussion held in July 2012 on the business, economic and social impact of the Olympic games on host cities and countries. The webinar brought together policymakers, practitioners and other experts in London, Beijing and Rio de Janeiro. The report is a continuation of this discussion, featuring essays from other prominent experts as well as Economist Intelligence Unit articles based on interviews with executives in the aforementioned cities. It also highlights some of the most important comments from the July webinar, and features the results of a survey of 815 executives in the UK, China and Brazil conducted earlier in 2012.

Our sincere thanks go to all contributors, interviewees and survey respondents for providing their time and insights.

If you would like to view the webinar or a digital version of this report, you can visit this website: [www.legacy2012research.com](http://www.legacy2012research.com)

The Economist Intelligence Unit bears sole responsibility for the content of this report. The findings do not necessarily reflect those of the sponsor.

# INTRODUCTION

## Weighing the benefits and costs

From the Economist Intelligence Unit

The excitement of the London Olympic Games is now behind us. With the spectators and athletes gone, and life in London returned to normal, the attention of business people, economists and policymakers rightly turns to the question: What will be the event's business and economic impact?

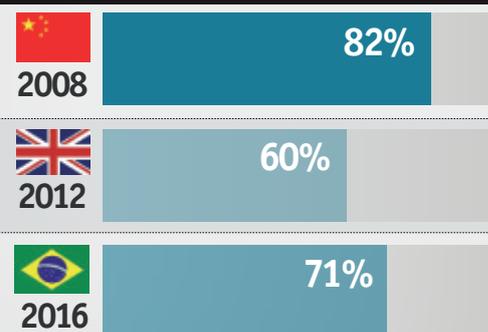
In some respects, the short-term impact appears from a preliminary reckoning to have been disappointing, as overall tourist numbers were down on previous summers and many retailers reported lighter than expected activity. But what of the longer term effects? Just as importantly, what lessons can be learned from these and previous games for future host cities and countries, and the businesses that operate in them? We have sought to address these questions with a series of initiatives begun in May 2012 and culminating with the publication of this report.

The first was a survey of 815 senior business people—conducted by the Economist Intelligence Unit in May and June 2012—in China, the UK and Brazil to gauge their views on the impact of, respectively, the Beijing 2008, London 2012 and Rio 2016 games. Secondly, a global webinar was hosted by Economist Conferences on 12th July which brought together key stakeholders in these three cities and their Olympic events. Lastly, the Economist Intelligence Unit asked other experts to contribute their views on the games' business and economic impact. The latter are presented here in the form of essays, and are complemented by highlights from the survey and the webinar.

### No meeting of minds

Based on these discussions, it is fair to say that opinion on the Olympic legacy is starkly divided. In our discussions the divide manifests itself on two levels—between business executives in each of the three cities, and between policymakers, officials and economists. In the survey, for example,

#### Share of businesses with strategies to capitalise on revenue or marketing opportunities presented by the Olympics



Source: Economist Intelligence Unit survey

overwhelming majorities of China and Brazil executives expressed belief that the benefits of the games in their countries outweighed (or would outweigh, in the case of Brazil) the costs of hosting them; less than half of UK executives agreed. Likewise, far fewer UK respondents than those in the other two countries believed their own business would benefit from the games.

This may explain why less than one-quarter of UK businesses in the survey had developed strategies to take advantage of the games. Indeed, judging by the survey, Chinese and Brazilian businesses expected much more of a boost from the Beijing and Rio events.

Several of the webinar participants, including Eduardo Paes, mayor of Rio de Janeiro, and Sir John Armitt, chairman of London's Olympic Delivery Authority, waxed enthusiastic about the positive impact they expected from the games in areas such as job growth, urban regeneration and the resulting contracts that local firms would win. Their optimism was not shared, however, by economist Stefan Szymanski, who termed the economic effect of the games as "trivial" and that on consumer demand as "very short-term". Several of the essays contributed to this report, such as those of Max Nathan, David Kern and Alexandra Jones, are likewise sceptical about the existence of clear economic and business benefits to Olympic hosts, especially in the longer term, although none are as unequivocal on the subject as Mr Szymanski.

If the benefits are as hard to prove in financial terms as most of our economists say, then why host the games at all? Sir John Armitt argued the case for the games as a catalyst of regeneration in east London. Other webinar participants pointed to a positive public-health impact as the games inspire citizens to adopt more active lifestyles. Mr Szymanski poured water on this notion too, however, saying there is no historical evidence of Olympics-related public-health gains.

For some host cities (and countries), softer benefits such as international prestige and boosts to civic morale are likely to be decisive. One of our essayists, Xu Guoqi of the University of Hong Kong, as well as our Beijing-based webinar panellists have all made clear that this applies to China, which celebrated the event as, in Mr Xu's words, "the country's arrival as a major power on the world stage". For Rio, too, the boost to its international image and civic pride may be well worth the economic cost of putting on the 2016 games. The business and economic benefits may (or may not) be fleeting, but the value of pride and prestige is not to be sniffed at.

# HARD VS SOFT BENEFITS

## *The economic effects of hosting the Olympics*

Max Nathan, research fellow, Spatial Economics  
Research Centre, London School of Economics



If economics is the dismal science, the economics of the Olympics feels particularly bleak. It is important, however, to try and put numbers on the games: host cities spend very large sums, and most justify this in terms of wider economic and social 'legacy'.

Assessing these impacts is tough. The effects of mega-projects are inherently hard to predict, and prone to what psychologists call 'optimism bias'. London 2012 is a case in point: the budget almost doubled to £9.3bn, partly because security costs rose after the July 7, 2005 attacks, and partly because officials failed to do their sums properly (forgetting to add on sales tax, for example)<sup>1</sup>. Worse, some games effects may show up straight away, while others take years to emerge. Distinguishing between what urbanist Greg Clark calls 'legacy and early dividend' requires long-term, ex-post analysis. So for host cities, the best evidence is probably the least useful. This conundrum helps explain why so many low-quality studies exist, and why it is important to understand the true channels and impacts.

What do we know? Winning the games means building new stadia, supplying sporting equipment

### “ ” EXPERT OPINION

*The situation is different from one city to another... For Rio, when you talk about the Olympics, you're talking about [benefits that are] not tangible; there aren't percentages... [The Olympics] will help things in the city to move..."*

Eduardo Paes, mayor, Rio de Janeiro  
Quoted from the webinar:  
"The games: opportunities for business"

### “ ” EXPERT OPINION

*"In terms of economic impact, we should bear in mind that [the games are] relatively trivial.... They are not important economic events."*

Stefan Szymanski,  
professor of  
sports management,  
University of Michigan  
Quoted from the webinar:  
"The games: opportunities  
for business"

and looking after teams and visitors. That should boost employment in construction, tourism, retail and leisure—but may displace activity elsewhere (some tourists like the Olympics; others will choose another city to visit). House prices in some host city neighbourhoods may rise, although if developers then build more, this effect will be tempered. Extra infrastructure—such as new transport links—boosts neighbourhood amenities, and helps people move around the city. In turn, that may improve economic performance.

In practice, these impacts turn out to be small. Extra jobs largely appear before the games, and many are specialised—think astro-turfing—so opportunities for local people may be limited. Analysis of the 1984 Los Angeles games estimated 5,043 net new jobs were created<sup>2</sup>. A study of the 1972 Munich games found no employment boost at all<sup>3</sup>. Projections for London suggest over 38,000 net jobs for the city, but only 7,800 in eastern neighbourhoods, where legacy efforts are concentrated<sup>4</sup>.

Housing market effects seem bigger. A recent London study suggested that after winning the bid, house prices in Olympic boroughs rose 3.3%<sup>5</sup>. This is good news for homeowners. However, many landlords offered high-priced 'Olympic lets': some unfortunate tenants had to leave their homes unnecessarily<sup>6</sup>.

### The accelerator effect

These housing market changes are closely linked to infrastructure improvements—in this case, the East London train line, the Olympic Park and the Stratford City site. This highlights one of the key indirect Olympic effects: the games can act as a gigantic development accelerator. As in Barcelona, many of London's big projects were on the cards already, but winning created a real incentive to get on with it.

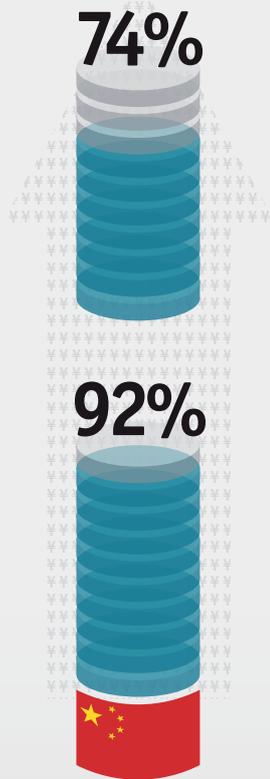
Host-country executives who believe...



... in general, the Olympics generate a long term boost to economic growth:



... the benefits of hosting the games outweigh their costs:



Source: Economist Intelligence Unit survey Note: In part b, China executives were asked about Beijing 2008, UK executives about London 2012 and Brazil executives about Rio 2016.

Economists are now exploring other indirect Olympic legacies. One study, published in the prestigious *Economic Journal*, looks at Olympic bidding and exports<sup>7</sup>. The authors, US economists Andrew Rose and Mark Spiegel, find that winning countries experience a whopping 20% boost in national trade. Strikingly, this also holds for losing bidders. Rose and Spiegel suggest that bidding countries use the Olympics as a policy signal to indicate ‘openness’: Spain won the 1992 games in 1986, the year it entered the European Economic Community (EEC); China’s win in 2001 triggered World Trade Organisation (WTO)-brokered liberalisation shortly after. Win or lose, then, Olympic bids can help shift international perceptions, and tell a big story about national futures.

Economists are also looking at the likely social impacts of the games. Many host cities hope the Olympics will inspire citizens to get fitter. There is little evidence for this—even in Sydney, obesity levels rose before and after the 2000 event. The most important games effect is on national wellbeing, and here too, economists are at work. In 2006, researchers from the London School of Economics (LSE) and Imperial College explored British households’ willingness to pay for the 2012

games<sup>8</sup>. They suggest the Olympics are worth almost £2bn of ‘happiness’ to Britain over the period 2008-2015; Londoners value the games at £480m. These are big numbers. But given the cost of London 2012 is now approaching £10bn, the economic legacy needs to be large indeed.

**ABOUT THE AUTHOR**

Max Nathan leads the public policy programmes of LSE’s Spatial Economics Research Centre. He has also worked as a senior policy adviser at the Department of Communities and Local Government, and he co-founded the Centre for Cities think tank.

<sup>1</sup> Nathan, M and T Kornblatt (2007). “Paying for 2012: The Olympic Budget and Legacy”. Briefing Paper 2. London, Centre for Cities, *ibid*.  
<sup>2</sup> Baade, R and V Matheson (2002). “Bidding for the Olympics: fool’s gold?”, *Transatlantic Sport: The comparative economics of North American and European sports*. C Barros, M Ibrahim and S Szymanski. Cheltenham, Edward Elgar: 127.  
<sup>3</sup> Jasmund, S and W Maennig (2008). “Regional Income and Employment Effects of the 1972 Munich Summer Olympic Games”. *Regional Studies* 42(7): 991-1002.  
<sup>4</sup> Blake, A (2005). “The economic impact of the London 2012 Olympics”. Nottingham University Business School Working Paper No. 5. Nottingham, Nottingham University.  
<sup>5</sup> Kavetsos, G (2012). “The Impact of the London Olympics Announcement on Property Prices”, *Urban Studies* 49(7): 1453-1470.  
<sup>6</sup> Cannell, F (2012). “That Olympic ideal rental is far from home and dry”, *The Independent*; Elliot, J (2012). “The game’s up as Olympic rentals gold rush tails off into an also-ran”, *The Guardian*.  
<sup>7</sup> Rose, A and M Spiegel (2011). “The Olympic Effect”, *The Economic Journal* 121(553): 652-677.  
<sup>8</sup> Atkinson, G, S Mourato, et al. (2008). “Are We Willing to Pay Enough to Back the Bid?: Valuing the Intangible Impacts of London’s Bid to Host the 2012 Summer Olympic Games”, *Urban Studies* 45(2): 419-444.

# MEASURING THE LEGACY

*In search of greater precision*

John R Gold, professor, Oxford Brookes University



**ABOUT THE AUTHOR**

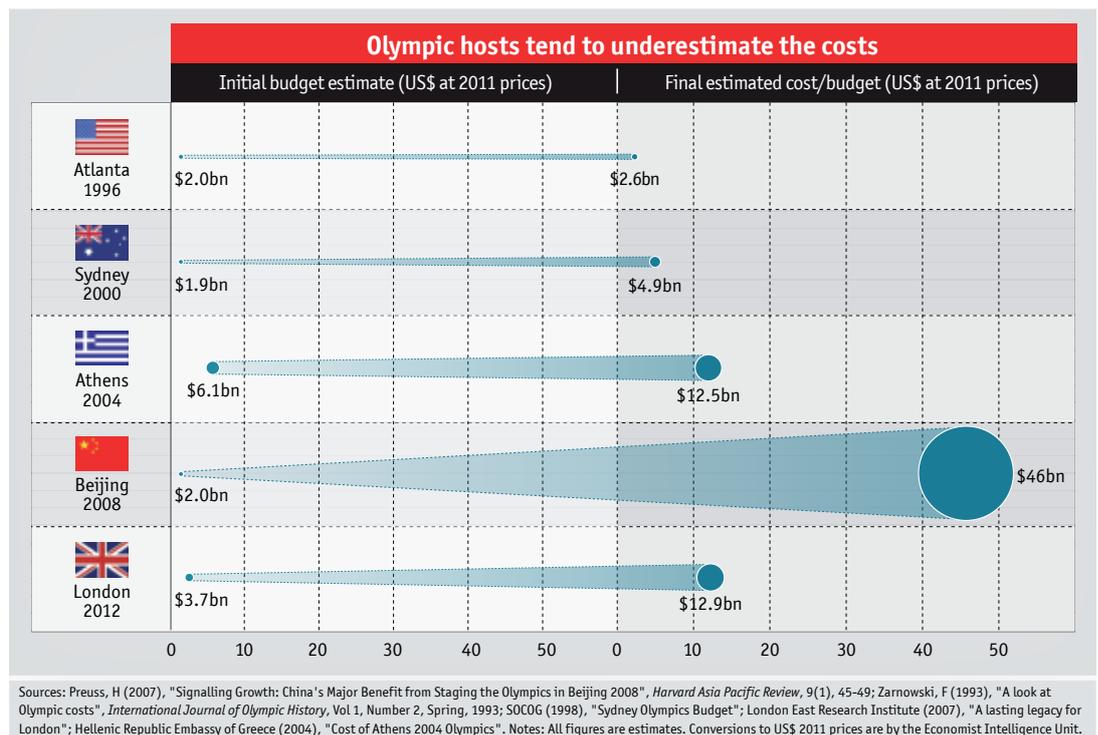
John Gold is the author of several books on the Olympic games, including *The Making of Olympic Cities* (2012); *Olympic Cities: City Agendas, Planning, and the World's Games, 1896-2016* (2007 and 2011); and *Cities of Culture: Staging International Festivals and the Urban Agenda, 1851-2000* (2005).

The notion of 'legacy' is now central to thinking about the impact of staging the Olympics, with the International Olympic Committee (IOC) and host cities alike wishing to ensure that the games can bequeath a lasting positive legacy. The nature and extent of Olympic legacy, however, are open to question.

Accurate statistical data is in short supply. Recent UK Department of Trade and Industry estimates of a £13.3bn benefit to the UK economy from London 2012 include a highly notional £6bn of foreign direct investment after 2012 and £2.3bn from tourism over a period that actually includes the games (2011-2015). Two of the cities currently bidding for the 2020 summer games variously forecast the creation of games-related new employment at 152,000 (Tokyo) and 300,000-350,000 (Madrid) from the same event. The problematic nature of such statistics partly reflects the use of non-standardised categories of data interpreted in whatever way is politically convenient. But it is also partly due to imprecision about what is meant by 'legacy', about the

timescale over which to measure it, and about how to distinguish legacy from that which would have occurred anyway.

Various initiatives have been launched to improve matters. The International Olympic Committee, for instance, now requires host cities to participate in its Olympic Games Impact Study, which involves completing four reports on the economic, environmental and social impact of the games at intervals over the 12 years between application and final site adjustment. The approach taken at London 2012, hailed by IOC President Jacques Rogge as supplying a potential 'legacy blueprint' for future Olympics, has incorporated legacy issues from the outset. Combined with research from academics and professional consultants, these exercises offer prospects of creating the subtle blend of qualitative and quantitative methodologies necessary to build more self-critical bases for assessing legacy, to promote better event planning, and to facilitate greater accountability.





## PROSPECT AND PERIL

### *Businesses during London 2012*

David Kern, chief economist,  
British Chambers of Commerce

Although a source of pride to most Londoners, it will probably take years to determine whether the long-term benefits of hosting the 2012 Olympics justify the costs, and whether the infrastructure built for the Olympics will yield rewards in the longer term. In the shorter term, the games will have provided many businesses with the opportunity to increase sales and profits, but they must be aware that the Olympics also entail pitfalls. This applies to London as well as future host cities, such as Rio de Janeiro. Against a dismal general economic background as that which currently prevails, great caution is needed to avoid taking unnecessary risks that may threaten businesses' long-term survival.

Most analysts, including the Office for Budget Responsibility, believe that the net effect of the Olympics on Britain's GDP in the third quarter of 2012 will be favourable. But this is by no means certain. It is clear that there will be positive as well as negative influences. The Olympics are generating a degree of national enthusiasm and a "feel good" factor. Business and consumer confidence will have improved during the games, and this will probably have boosted spending.

But the negative influences cannot be shrugged off. The anticipated transport congestion and overcrowding resulting from the games will likely have deterred numerous visitors and damaged productivity. The potential adverse effects would be reinforced by the working days that will have been lost, as people took time off to watch the games. We know that the civil service, and many private employers, advised their staff to avoid travelling into London and work from home during the Olympics. If this were to happen on a big scale, businesses servicing these workers would have been adversely affected.

### **Adaptability at a premium**

Businesses able to service the numerous visitors attracted by the games had the greatest prospect to benefit. But they would have to be adaptable, flexible and competitive. The sectors with the biggest potential to gain were tourism & hospitality, catering, retail and taxis. Where there was a clear opportunity to benefit, albeit for a short period only, firms had to ensure that they had the necessary capacity, i.e. temporary labour and stocks, to satisfy the increased demand during the games. But they needed to avoid incurring long-term commitments and costs. Once the games ended, businesses had to be able to discard the additional temporary capacity without incurring crippling expenses.

Some businesses will have lost out, because of what is referred to as "displacement". Many traditional tourists did not visit London this summer. It will likely turn out that hotels, restaurants and theatres catering for this important market segment saw a drop in their "normal" revenues; unless, that is, they proved sufficiently agile to refocus their activities towards Olympics visitors.

Many expected London to be as busy as usual in summer 2012, with new Olympics visitors making up for (or exceeding) those who stayed away. But this view was probably too optimistic. Moreover, traditional visitors who avoided the UK this summer are likely to have more money and more time to spend than those coming to the Olympics.

The Olympics are a great opportunity, which well-managed businesses can and should exploit. But they also entail risks, and are definitely not a license to print money. The UK economy is facing serious difficulties. The eurozone situation is dangerous and many members are in recession. Even if a new crisis is mercifully avoided during the games, the number of eurozone visitors is likely to be less than one might have hoped, and their spending power will be constrained. The UK is in technical recession, and growth will remain disappointingly low for some time. In these circumstances, businesses must avoid at all costs risks that threaten their survival, and must above all protect their cashflow and liquidity.

#### **ABOUT THE AUTHOR**

As chief economist, David Kern comments on behalf of the British Chambers of Commerce on economic policy issues. He was formerly NatWest Group Chief Economist, and since 2000 has run an independent macroeconomic consultancy, Kern Consulting.

# PRESTIGE AND SOFT POWER

## *How Beijing benefited from the 2008 games*

Xu Guoqi, professor of history, Hong Kong University

The 2008 Beijing Olympics was a unique event that probably has few meaningful lessons for future hosts. Whereas most host cities these days are motivated by the potential economic gains on offer, China's authorities were driven by the desire to maximise the political and economic symbolism from hosting the country's first ever Olympics. To that end, their primary goals were to present Beijing (and China) in the best possible light and ensure that global audiences saw the event as a success.

Realising these goals came at a cost. At \$40bn spent on Olympic-related infrastructure and other preparations, the Beijing games were easily the most expensive ever held. Cost, however, was a minor concern for the authorities, who aimed to spend as much as possible to ensure that Beijing 2008 was the most spectacular Olympics ever



### EXPERT OPINION

*"The impact [of the Beijing games] has been long-lasting and significant. People may associate the games a little with government intervention, but that direction has helped Beijing to reorganise itself, to rebuild its infrastructure and also to introduce such good concepts as environmental protection...."*

David Wu, Beijing office lead partner,  
PricewaterhouseCoopers

Quoted from the webinar:  
"The games: opportunities for business"

held. The government intended to use the games as a demonstration of soft power, a coming-out party that underlined China's growing economic strength, openness and international prestige. In this respect, the games were clearly a success, with the International Olympic Committee President, Jacques Rogge, labelling them as "truly exceptional." They were exactly the kind of well-executed, high-profile branding exercise that the Chinese government felt the country needed to boost its international reputation and domestic legitimacy.

### **A well-needed infrastructure upgrade**

With the spectacle of the games the clear priority, their economic impact on Beijing was always going to be mixed. By far the biggest direct benefit was the acceleration of infrastructure investment in the city, with four new metro lines and 50 new stations opened in 2008 alone. This and other Olympics-related investments are said to have boosted GDP growth in the city by about 1% every year between 2001 and 2008. These sorts of investments should give the city the kind of infrastructure it will need to minimise congestion as it continues to expand over the coming decades.

Less impressive was the economic impact during the games itself. To prevent Beijing's famous smog causing any embarrassment, factories were ordered to shut down. And to minimise traffic congestion, tourists from inside and outside China were discouraged from attending. These steps will have increased the economic costs and reduced the economic benefits of hosting the games.



**Prestige effect:**  
share of executives  
who believe the  
games will (or did)  
catapult the host  
into "the Premier  
League" of cities



 2008



 2012



 2016

Source: Economist Intelligence Unit survey

Moreover, very little attention was paid to ensuring that Olympic venues would be fully utilised after the games had come to an end. Today, the famous Bird's Nest stadium and Water Cube aquatic centre are rarely used for their declared purpose, and their future is uncertain.

Few countries or cities are in a position to put so much effort and financial resource into ensuring that the games they host are a success, so the transferable lessons here are limited. One is that concentrating spending on transport and other long-term infrastructure investments rather than sporting venues can help to create a lasting economic legacy. Another is that, if organisers are concerned about the use of Olympic venues after the games have come to an end, they should plan for this well in advance.

Perhaps most importantly, for developing countries in particular the Beijing experience underlines that hosting the Olympics can be about much more than direct economic benefits. Indeed, the celebration of a country's arrival as a major power on the world stage, and the brand boost that this provides, can be even more valuable.

**ABOUT THE AUTHOR**

Xu Guoqi is professor of history at the University of Hong Kong and author of *Olympic Dreams: China and Sports, 1895-2008*. He is now writing a book titled *Chinese and Americans: A Shared History* to be published by Harvard University Press.



## THE REGENERATION PROMISE

*Will the Olympics deliver for east London?*

Chris Gratton and Larissa Davies,  
Sport Industry Research Centre, Sheffield Hallam University

The London Olympics represent a huge opportunity to transform a deprived area of the city beyond 2012. From an urban regeneration standpoint, the goal is to use the Olympics as a catalyst for converting what was once low-value industrial land into higher-value residential and commercial sites that provide both more homes and more jobs for the area's residents. Planning to secure this kind of legacy is widely considered to have been a key strength of the approach adopted in London, with legacy-related challenges addressed earlier and more convincingly than in most previous cases of event-led regeneration. The work already put into securing a lasting legacy means that hopes are high, but the question remains: Will London 2012 be able to deliver on its promise to regenerate east London?

While regeneration is a realistic expectation for cities that host the Olympics, planners should not expect this to take place automatically. Evidence from the literature<sup>1</sup> and former Olympic cities, such as Barcelona, suggests that the success of event-led regeneration depends on several critical factors, including the strategic master planning of interventions, the integration of sporting and associated infrastructure into the long-term economic and development plans for the area,

and other factors, such as the long-term viability of venues built for the games. The organisers of London 2012 have clearly put a lot of thought into these issues, but there is still uncertainty about the future of some venues, including the Olympic stadium itself.

Moreover, even when plans are well thought-out they can be vulnerable to economic and political issues beyond the control of event and legacy organisations. For example, public funding is often required after the event to maximise the regeneration benefits, but with the UK government still trying to rein in spending in the wake of the financial crisis this may end up being on a smaller scale than previously hoped.



### EXPERT OPINION

*"In London there was no question from the beginning that this was a regeneration opportunity."*

Sir John Armit, chairman, Olympic Delivery Authority

Quoted from the webinar:

"The games: opportunities for business"

**Top responses of UK executives asked about the greatest benefits to the host city expected from the Olympic games**

Re-generation of existing, or creation of new, neighbourhoods

**46%**

Short-term boost to economic growth

**40%**

Improved transport systems

**28%**

Increase in tourism

**26%**

Economic stimulus during construction phase

**25%**

Source: Economist Intelligence Unit survey

**Patience required**

It is also clear from discussions with stakeholders in London and evidence from other Olympic cities<sup>2</sup> that it could take many years before legacy effects are realised. This is something that should be more widely acknowledged by planners, who often promise the transformation of places, only for communities to be disappointed when they do not see immediate results.

Even with these challenges and uncertainties, the Olympics represent an opportunity to pull together current and future area-based initiatives for east London into a holistic regeneration framework that has a coherent focus. At present, however, the governance of the regeneration process and evaluation of its effects are fragmented and unclear. These are critical components of successful regeneration and need to be addressed if the opportunities presented by the London Olympics are to be capitalised upon. Failure to translate strategies into delivery, a loss of community engagement and inclusion, and political uncertainty or conflict could all lead to a lack of follow-up investment from the private sector, which would clearly undermine longer term regeneration goals.

Any evaluation of long-term regeneration effects in east London at this stage is purely speculative. Despite claims that legacy is already evident, it is likely to be 15–20 years before the real regeneration legacy of the 2012 games begins to emerge, at which point the success of the games will be judged on the extent to which the transformation of east London has occurred. Convergence will be judged on whether indicators of deprivation show any significant change in years to come, and whether the communities that have hosted the games in the east of the city have the same economic and social opportunities as their neighbours across London.

<sup>1</sup> Cashman, R (2006). *The bitter-sweet awakening : the legacy of the Sydney 2000 Olympic Games*. Petersham, NSW: Walla Walla Press in conjunction with the Australian Centre for Olympic Studies, University of Technology, Sydney; Gold, J and M Gold (2008). "Olympic Cities: Regeneration, City Rebranding and Changing Urban Agendas", *Geography Compass* 2 (1), 300–318.

<sup>2</sup> Davies, L (2011). "Using sports infrastructure to deliver economic and social change: Lessons for London beyond 2012", *Local Economy* 26 (4), 227–231; Gratton, C and H Preuss (2008). "Maximizing Olympic Impacts by Building Up Legacies", *The International Journal of the History of Sport* 25 (14).

**ABOUT THE AUTHORS**

Chris Gratton is professor of sport economics and co-director of the Sport Industry Research Centre (SIRC) at Sheffield Hallam University, and is the UK representative on the European Union Workshop on Sport and Economics. Larissa Davies is a researcher at the SIRC and a lecturer in geography.



# THE BARCELONA MODEL?

*The virtues of planning  
for a long-term impact*

An interview with the  
deputy mayor of Barcelona

For Antoni Vives, deputy mayor of Barcelona, the 1992 Olympics were more than just a sporting event. The games brought momentous economic and cultural change to the Catalan capital, boosting the city's profile, increasing tourist numbers and unlocking much needed inward investment. One economic impact study cites the 1992 games as "a model from the sporting, organisational, economic, social and urban planning perspectives"<sup>1</sup>. Other host cities have tried to replicate Barcelona's achievement, but with varying degrees of success. According to Mr Vives the key is that, in planning for the games, business leaders and policymakers must look far ahead of the event itself. "The games were very successful," he says. "But the real success came afterward."

With the city's nomination as host in 1986 coming little more than a decade after the death of dictator Francisco Franco and Spain's transition to democracy, the games marked the start of a new era for the city and for Catalonia. "It represented a very important point of inflection," says Xavier Trias, Barcelona's mayor. "This event was the engine of a great transformation—technological, economic and in terms of social planning."

### **Infrastructure catalyst**

Barcelona used the games as the catalyst for the construction or completion of a large number of infrastructure projects, many of which were not directly related to the event. "If we hadn't had



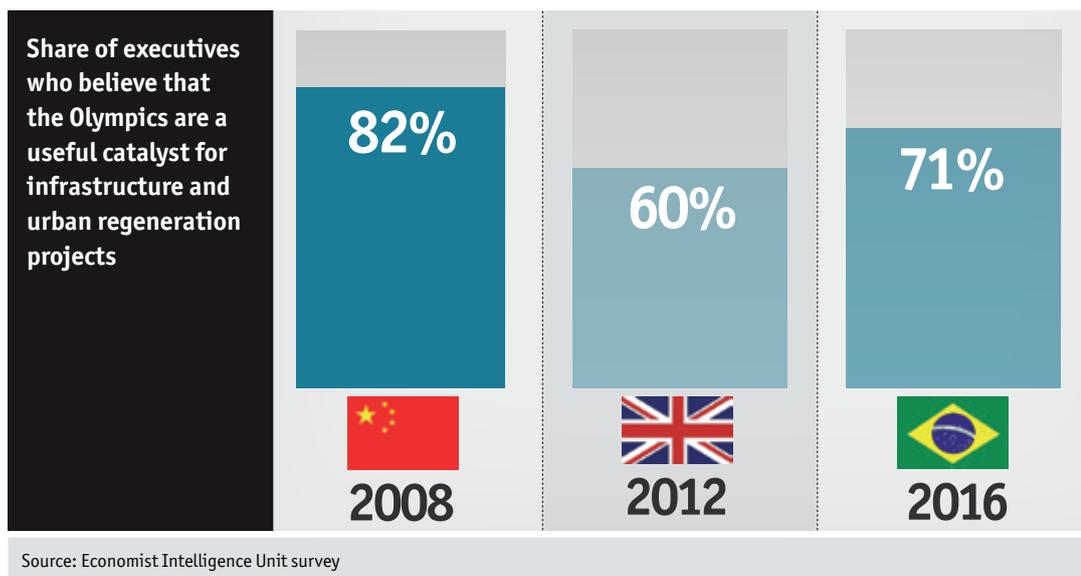
### **EXPERT OPINION**

*"The holding of the Beijing games helped to inject professionalism into city management."*

David Wu, Beijing office lead partner,  
PricewaterhouseCoopers

Quoted from the webinar:

"The games: opportunities for business"



the games, it would have been difficult to convince the Spanish government to invest in Catalonia," explains Mr Vives. "With the games, it was impossible for them to skip the subject."

The city's business development strategy adopted ahead of the games, including investment in the built environment and efforts to attract businesses and tourists, was maintained after the games came to an end. It is clear to Mr Vives that the strategy has paid off—if not for Spain, then for Barcelona. "Everything is falling apart in the south of Europe," asserts Mr Vives. "But Barcelona is still getting investment from all over the world, and we get high ratings from Standard & Poor's and other agencies."

He acknowledges that errors were made. At a national level, Mr Vives cites the failure to fully develop rail connections with the city. And while a new airport was built for the games, "we didn't take up the chance to turn Barcelona into a transport hub," he says. "That was a lost opportunity." Mr Vives ascribes this to the fact that the city had not realised just how widespread were the business and economic opportunities presented by the Olympic nomination. "The biggest mistake in our approach

was being unable to see in their full dimension the beneficial effects that could be realised in the longer term," he says. "If those had been understood, some of the deficit in infrastructure and even mentality would have been solved at that time."

Barcelona might not have taken full advantage of all the opportunities flowing from the games, but the city has since become a major business hub, with logistics, ICT (information and communications technology) and business services leading the way in fuelling job creation. Moreover, it now has its own industrial version of the games in the hosting of the Mobile World Congress, the annual meeting of the world's mobile communications industry.

These positive developments can all be traced back to the 1992 games, says Mr Vives. "It was the first party after the dictator died," he explains. "We were a young city at the time and we understood that this was a chance to make people understand that we were something."

<sup>1</sup> Brunet i Cid, F (2002). "The economic impact of the Barcelona Olympic Games, 1986-2004", *Barcelona: the legacy of the Games 1992-2002*. Barcelona: Centre d'Estudis Olímpics, 1992.

# AWARDING THE BUSINESS

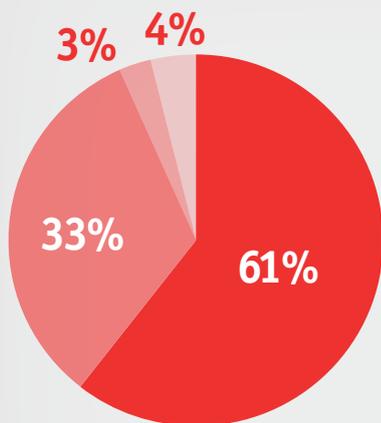
## London's Olympic procurement bonanza

From the Economist Intelligence Unit



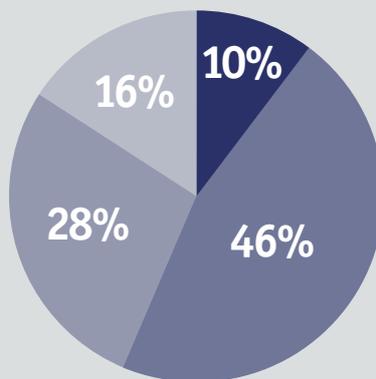
How effective do you think is/was the civic authorities' co-operation with businesses to increase the latter's chances of reaping significant benefits from the games?

 2008



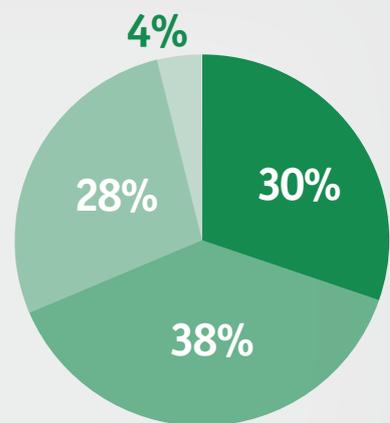
- Very effective
- Slightly effective
- Not effective
- Don't know

 2012



- Very effective
- Slightly effective
- Not effective
- Don't know

 2016



- Very effective
- Slightly effective
- Not effective
- Don't know

Source: Economist Intelligence Unit survey

The UK spent a whopping £6.6bn on venues and infrastructure for the London Olympics. Organisers have come under pressure to maximise the long-term gains and benefits for smaller businesses, but the overriding need to deliver projects on time and to budget has limited their room for manoeuvre. Even so, future hosts can learn from London's carefully planned approach.

"This was a highly political project", says John Fernau, head of procurement at the Olympic Delivery Authority (ODA). "There was a great list of aspirations ... [so] one of the first things we did was hold a series of board-level workshops to try and rationalise these into more tangible objectives."

The outcome was a "balanced scorecard" summarising the ODA's objectives and procurement policy. "It includes all the things you'd expect to see, such as cost, time and quality, but it also goes beyond that into ... long-term sustainability, environmental factors, safety and security, [and] equality and inclusion", says Mr Fernau. "By creating that balanced scorecard we're trying to build legacy factors into the procurement process." To ensure this happened, the ODA used its scorecard when choosing primary contractors and then forced those companies to do the same when handing out work to their sub-contractors.

### When objectives clash

The main problem is that the goals chosen can sometimes be in conflict with one another, particularly when it comes to small and medium-size enterprises (SMEs). As Mr Fernau explains: "We want to drive engagement with SMEs ... [but] our prime objective is to deliver the infrastructure for the games.... We aren't going to break a contract down into a thousand small packages that SMEs can bid for and then try and integrate it and deliver it at the same time; we're going to contract with one main contractor so they've got sole responsibility."

The ODA has still done much to ensure that smaller businesses can access the opportunities being created, however. The main tool used for this is CompeteFor, an online system which allows suppliers to register their interest and apply to deliver contracts put out to tender by the ODA or companies it has contracted with.



### EXPERT OPINION

*"The games are what we call a 'convergence opportunity' for [east London]... About 72% of UK contractors are small and medium-size enterprises, a lot of them locally based.*

Bob Neill MP, parliamentary under secretary of state, Communities and Local Government

Quoted from the webinar:

"The games: opportunities for business"

"That's the strength of CompeteFor", he says. "You're opening up competition throughout the supply chain, which is good for us because it drives efficiency and high performance and good for SMEs because they get the opportunity to bid for the contracts." On the face of it, the impact has been impressive, with SMEs accounting for 75% of the contracts awarded through the CompeteFor procurement process.

Not everyone agrees that CompeteFor has been a roaring success. "In a way we were too successful in driving interest from potential suppliers", says Mr Fernau. "From the market's perspective it has turned into a love it or hate it situation. The people who've won contracts love it and those who didn't hate it." One of the reasons, he thinks, is that some suppliers thought they would win contracts simply by signing up to the system and therefore neglected much of the development work that normally goes into winning business.

Although London's experience highlights some of the tensions and trade-offs between competing Olympic objectives, future hosts with an eye on legacy should be able to learn from its attention to detail in delivering the games. Meanwhile, the biggest lesson for businesses hoping to benefit from future Olympics seems to be that, no matter how sophisticated the efforts of organisers, they will still need to work hard if they want to secure a slice of the pie.



# MEETING DEMAND

## *The Olympic appetite for goods and services*

Experts compare the effects in Barcelona, Beijing and London

If unwrapped from the elaborate “Bird’s Nest” Olympic stadium, the steel used would stretch for 36 kilometres. But it was not only Chinese steel suppliers who benefited from the 2008 Beijing games. Hosting the Olympics can boost business for companies ranging from concrete makers and IT specialists to security firms, parking facilities and hoteliers. Yet, despite this temporary surge in demand, not all segments of the economy benefit.

Overall, the economic impact of hosting the games can look impressive. Between 1986, when Barcelona was nominated as a host city, and 1992, the year the games were staged, the city went from stagnation to boom. The construction industry in particular received a major boost from Olympics-related spending on transport, housing and other public-infrastructure improvements<sup>1</sup>.

### “ EXPERT OPINION

*“We’ve seen new products being created by suppliers to the games in order to meet some of the sustainability targets that we’ve set them. The games have pushed them to become more innovative [and this will help them going forward].”*

Sir John Armit, chairman, Olympic Delivery Authority  
Quoted from the webinar: “The games: opportunities for business”

### Revenue windfalls not guaranteed

But while Olympic cities experience a surge in demand for goods and services, the rewards are not always evenly spread and do not necessarily lead to a boost in revenues for all suppliers. One reason is that terms can be set for companies that sign up to be part of the Olympic bid. In London, for example, the local organising committee guaranteed to block book a certain percentage of rooms in hotels that signed on as a participating business, explains Michael Gray, general manager of Hyatt Regency London and area director UK & Ireland for Hyatt.

“That’s a chunk of business that LOCOG put into the hotels,” says Mr Gray. But it also meant that prices

could not be increased beyond the rate of inflation, limiting the profits that these hotels could make. "We signed up because we're loyal Brits and we wanted London to win," he says. "But it certainly made for reasonably priced hotel accommodation in the city."

When it comes to building the facilities needed to host the games, tried and tested companies tend to win the contracts, says Marc Dollinger, a business professor at Indiana University's Kelley School of Business and co-author of a 2009 study on the economic impact of the Beijing games<sup>2</sup>. This can prevent new companies from capitalising on the surge in demand. "It's not new firms jumping in," says Mr Dollinger. "It's the people who usually pour the concrete and build the roads who benefit—and they're very well connected."

During the games, predictions of hotels bursting at the seams and restaurants with hour-long waits for a table can prove unfounded since the rise in visitors to a host city is offset as locals leave to escape the crowds and regular travellers postpone their trips. This proved to be the case for London's hotels during the 2012 games. London was not sold out, and Mr Gray says that hoteliers were desperate for the tourism authorities to let the world know there was still accommodation.

**Stars in their eyes**

Nor is it easy for local companies—particularly small enterprises—to secure economic gains after the games have closed. Mr Dollinger argues that Olympic organisers could do more to lay down plans that could foster local economic enterprise post-games.

"It does help large businesses," he says. "It's a superb platform to promote your products and services." But, he adds, local authorities and communities become so wrapped up with the bidding process and the thrill of being named as host city that they rarely press for the kind of plans that would have a broader impact on the community.

"They get stars in their eyes and they're so happy to be chosen that it's hard for them to speak up for small businesses," he says. "When they announce the winner, everyone is yelling and screaming—and that's not a good bargaining position to be in."

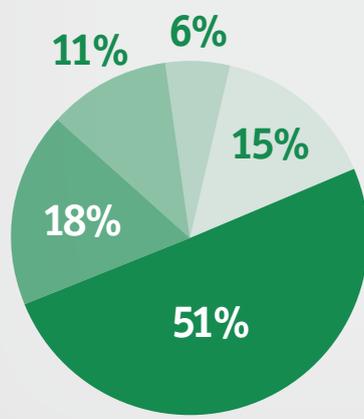
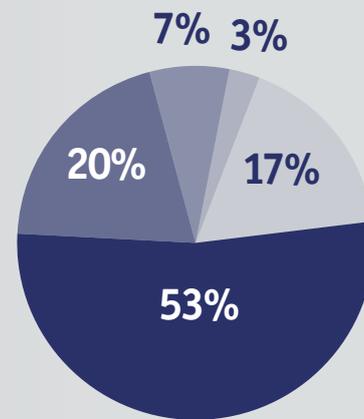
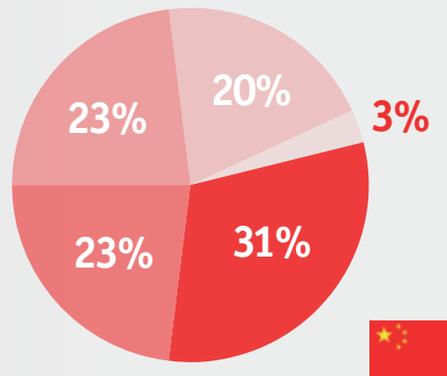
<sup>1</sup> Brunet i Cid, F (2002). "The economic impact of the Barcelona Olympic Games, 1986-2004", *Barcelona: the legacy of the Games 1992-2002*. Barcelona: Centre d'Estudis Olímpics, 1992.

<sup>2</sup> Dollinger, M, X Li and C Mooney (2009). "Mega-events and Entrepreneurial Rents: Lessons from the Beijing Olympics (Draft)".

**How would you describe the increase in demand for goods and services that businesses can expect from the Olympics?**

The demand increase will ...

- Tail off rapidly after the games come to an end
- Be sustained for about one year
- Be sustained for 2-3 years
- Be long-lasting – more than three years
- There will be very little demand boost at all



Source: Economist Intelligence Unit survey

# OLYMPIC ALIGNMENT

## *How companies can get a brand boost from the games*

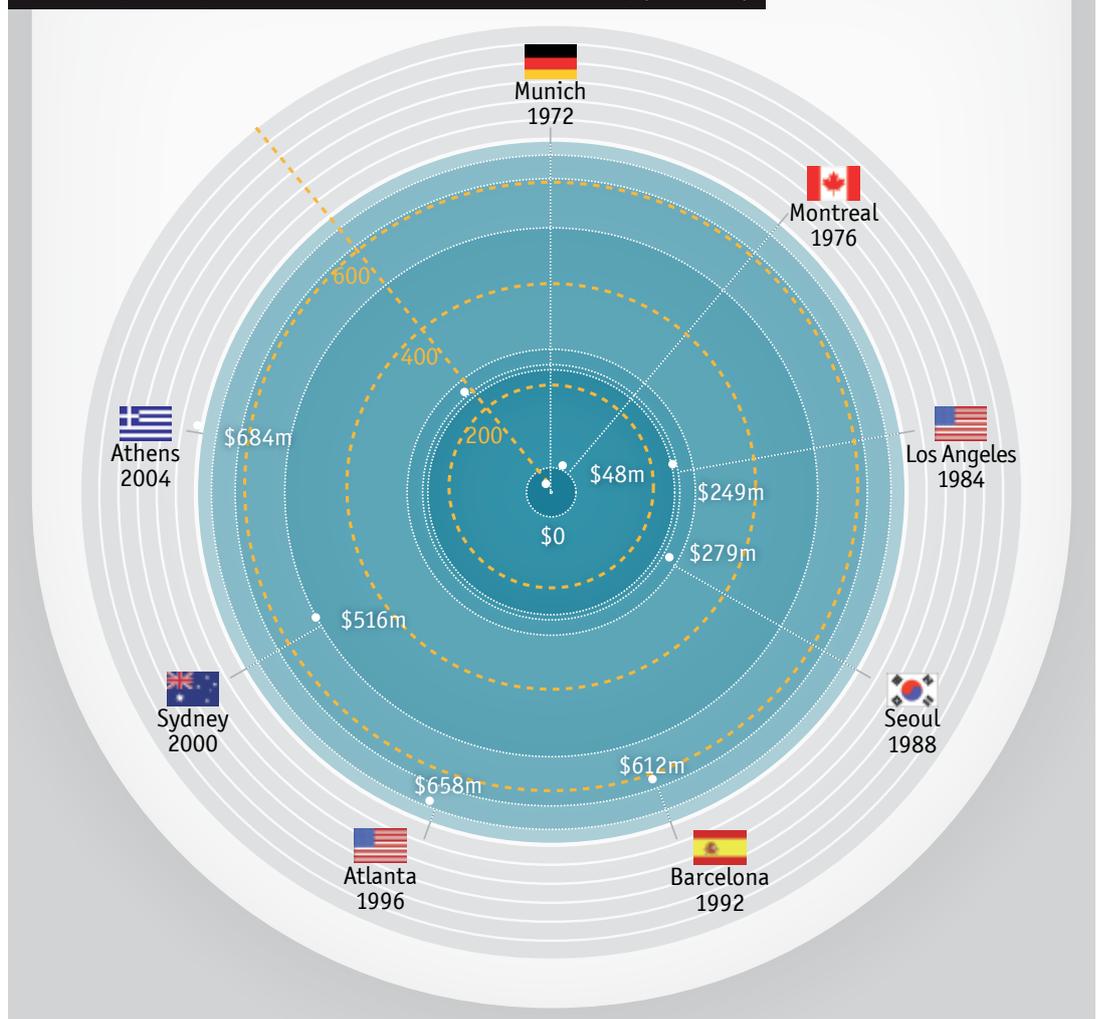
What branding experts have to say

Paying for an Olympics “halo effect” has a long history. As early as 1896, Kodak contributed to the Athens Organising Committee, receiving an advertisement in the official programme as its reward. Today, the only difference is that the sums required for this kind of transaction are vast. Yet while strict rules guarantee exclusivity to those writing a sponsor’s cheque, branding experts argue that non-Olympic companies can also enhance their image by associating themselves with the games.

Certainly, much has been made of what some see as draconian rules to protect the branding rights of Olympic sponsors—including the possibility of visitors at the 2012 London Olympics being arrested for wearing a t-shirt bearing the logo of Pepsi, rival to Coca-Cola, an official sponsor.

Even businesses contracted to work on the games are not allowed to use Olympic logos or to publicise their relationship with the games through press materials,

**Local Organizing Committee revenues from sponsoring (in US\$m)**



Source: Preuss, H (2007). *The Economics of Staging the Olympics: A Comparison of the Games.*



advertising, marketing or public relations campaigns. “It does get too heavy-handed at times, and that’s the fine line the rights holder crosses occasionally,” says Paul Smith, president and chief executive of Repucom, a brand analysis specialist.

### The value of sponsorship

In any case, it is not easy for the International Olympic Committee (IOC) to prevent so-called “ambush marketing” and other violations of the rules. Wally Olins, chairman of Saffron Brand Consultants, has some sympathy for the IOC in its efforts to secure exclusivity for sponsors. “If they don’t do something like that, they won’t get companies to give the kind of money they want,” he says.

Certainly, the sums are large—funds generated by commercial partnerships can make up a substantial proportion of Olympic revenues. And granting exclusivity for a limited number of sponsors—giving them immense prestige and global brand recognition—is a model that has enabled the Olympic movement to continue to stage the games and finance its expansion.

Mr Smith believes the IOC has done an “exceptional job” at creating attractive branding opportunities. “And when you see a brand that really understands what they’ve bought and how to exploit it,” he adds, “you see the model accelerate brand exposure.”

He cites the example of Procter & Gamble, part of the Olympic TOP programme (the highest level of sponsorship), and how the company is using television and print advertising to raise the profile of its consumer-facing brands. “It’s almost a textbook study in the exploitation and leverage of the Olympics,” he says. “They’ve taken this very nondescript brand called P&G and layered the sponsorship across their sub-brands, which is a very clever approach.” TOP sponsors such as P&G also collectively contribute large sums to the games—some US\$957m in the case of the London 2012.

Mr Olins and Mr Smith both argue that the games also present a tremendous opportunity for non-Olympic brands to enhance their reputation and visibility. B2B organisations, for example, can invite clients and partners to events during the games, says Mr Olins. And emphasising associations with the host city can have positive branding effects.

### EXPERT OPINION

*“The event for China was a sort of ‘coming of age’ moment... You had to bring your ‘A’ game in terms of branding, and not just for foreign brands but also for Chinese firms who had to step up their own branding efforts.”*

Mario Van der Meulen, creative director, frog  
Quoted from the webinar: “The games: opportunities for business”

“London is about creativity and culture. And, for the time being, it’s one of the major centres of the world,” he says. “So if you’re somehow associated with London, even if you’re not very big, you get a boost.”

Official guidance is available on this, too. For the 2012 Olympics, LOCOG (London Organising Committee of the Olympic and Paralympic Games) provides a brand protection education programme on how businesses can align themselves with the games, without breaching the rules protecting official partners.

Moreover, marketing strategies conducted in the wake of the games can add lustre to a non-Olympic brand. Companies can, for example, recruit formerly unknown athletes who were successful at the games. “The reality is that the benefit for non-Olympic brands is not around the two weeks,” says Mr Smith. “Once the carnival ends and the caravan leaves, there is a legacy of interest and positive feelings towards sport—and that’s the opportunity for non-Olympic brands to capitalise on the event.”

## AFTER THE PARTY

Do businesses benefit after the Olympics have moved on?

Interviews with entrepreneurs in Sydney and Atlanta

In the months following the 1996 Atlanta Olympics, Melissa Libby remembers one thing clearly—the sound of the phone ringing. She is founder of Melissa Libby & Associates, a public relations (PR) firm serving the restaurant industry in a town that, before the games, was not known for the quality of its dining. The Olympics changed all that, transforming Libby's business in the process.

"I started my business in 1992, when there were few 'nice' restaurants in Atlanta," says Ms Libby. She had never considered specialising in restaurant PR, but as she watched more and more establishments open in the run up to the games, she saw a new, potentially lucrative, line of business. "As the Olympics came and went, it became clear to me that there were a lot of restaurants out there looking for PR people," she says. "So it really helped the direction of my business."

### Direct rewards

The Olympics bring a range of direct and indirect benefits to host cities and surrounding areas, including money spent by visitors on food,

Atlanta blossomed after the Olympics," says Ms Libby. "I'm sure it would have happened as the city continued to grow and mature, but I don't know that it would have happened in the same way if we hadn't had that catalyst."

Meanwhile, the games gave Sydney a reputation as a liveable, attractive city where businesses could get things done and successful events could be held and, according to Ms Forsythe, led to a number of companies opening regional headquarters there.

The same seems to be true for Atlanta. With almost 1,600 international companies now based there, the city has seen the number of companies with a global presence rise by more than 30%, according to the Metro Atlanta Chamber of Commerce.

### Planning for the aftermath

However, without planning and follow up, this effect can be short-lived. "It requires an ongoing strategy on the part of a government around the promotion of the city as a place in which to do business and to hold business events," says Ms Forsythe.



### EXPERT OPINION

*"Rio has a real estate stock which simply doesn't fit how modern and robust the [local] economy has become... The vision for the Olympics is to stimulate new construction, so that the commercial and real estate inventory here can satisfy the demands of the modern economy. That includes making sure that the buildings are sustainable and that they'll be around for the decades to come."*

Rob Speyer, president and co-chief executive officer, Tishman Speyer  
Quoted from the webinar: "The games: opportunities for business"

transport, accommodation and other goods and services. Investment in public transport or airport facilities also helps the business community by shoring up local infrastructure.

The games also help certain local sectors build skills. In Sydney, for example, the experience of hosting the games meant a number of Australian companies acquired expertise in project management. "Quite an industry has developed around this type of project management," says Patricia Forsythe, executive director of the Sydney Business Chamber.

Experts question the benefits of the games for host cities, but Ms Libby and Ms Forsythe both agree that the Olympics can do a lot to raise a city's profile, which can help to attract business.

For restaurants—and Ms Libby's PR firm—the games put Atlanta on the map. "The restaurant industry in

This kind of support is not something Ms Libby remembers about the Atlanta experience. "Other than logistics and information—with the city accommodating the businesses and travellers and doing a great job informing us of what was going on—I don't recall anything like that," she says.

Ms Forsythe says that in Sydney, the authorities were slow to capitalise on the event. "In the immediate years after the Sydney Olympics, the state government of the day did not follow through, and earned considerable criticism for not taking advantage of all that had come out of the Olympics," she says. "With hindsight, I think they would agree."

Ms Forsythe stresses that, after the games have ended, a host city's continued success as a business destination requires continued investment and promotion. "The day the flame goes out, it's not a question of sitting back and assuming everyone has got the message," she says.

# RADIATING OUTWARD

*Will regions outside London benefit from the Olympics?*

Alexandra Jones, chief executive, Centre for Cities



The Olympics will directly affect the lives of most Londoners. Whether it is through transport disruption, a sudden doubling in the price of beer, short-term tourist dollars or long-term business deals, the Olympics will make a big difference to the capital. For the rest of the country, however, the question is whether some of the benefits will spill over beyond London's borders.

In the short term, the answer is yes. For example, the money spent on construction and preparations is likely to have had some impact on places outside the capital. To help maximise the gains, the organising body for the London Olympics established CompeteFor, an initiative designed to allow businesses around the UK to compete to supply the goods and services needed for the games. By February 2011, this had helped to allocate 1,300 contracts, with two-thirds going to British businesses outside London.

Another short-term source of opportunity for businesses outside the capital is tourism. Many of those visiting to watch the games will have flown halfway round the world to enjoy the spectacle, and some would likely have combined their trip with visits to other parts of the country. The Republic of Ireland has recognised this opportunity, having made provisions to allow tourists to enter the Republic on UK visas in the pre- and post-Olympic period.

The longer term picture is more complicated. Many of the direct long-term gains will come from the new infrastructure and facilities created at the Olympic park. These investments have already changed the face of east London, but their impact will be relatively localised. Most of the other economic benefits, the new businesses and jobs, are likely to stay inside the M25 motorway too.

## **It will take time**

Provided that they make the most of their relationships with the capital, however, other regions can still benefit from the boost to London's economy.



## **EXPERT OPINION**

*“Local firms from the southeast have taken about 50% of the opportunities, and 50% have gone to firms from the rest of the country.”*

Sir John Armit, chairman, Olympic Delivery Authority  
Quoted from the webinar: “The games: opportunities for business”

London is the epicentre of the British economy. It imports more than £100bn worth of manufacturing goods and professional services a year from the rest of the country, has more than 14,000 branches of companies with headquarters elsewhere in the UK and, even in the midst of recession, makes a net contribution to the Exchequer of £1.4bn.

If the London economy expands on the back of the Olympics, there are likely to be increased opportunities for businesses across the country. The Barcelona games in 1992 focused on physical regeneration, but they also established the city as the second biggest business centre in Spain, reviving the economy of the whole of Catalonia by bringing in tourists, new technology and financial businesses.

Capturing these long-term benefits does, however, take time. Barcelona's economic transformation took almost a decade. It may take at least as long for east London, let alone the rest of the UK. But careful planning to capitalise on the Olympics will make the difference.

## **ABOUT THE AUTHOR**

Prior to becoming chief executive of the Centre for Cities in 2010, Alexandra Jones led Ideopolis—the cities team at The Work Foundation. She has over 10 years of experience working with national and local policymakers and with business to develop strategies to respond to a rapidly changing economy.

# CREATING JOBS

## *London 2012 and the labour-market impact*

From the Economist Intelligence Unit

A principal motivation in London's bid for the 2012 Olympics was the intention to use the event as a springboard for physical regeneration and poverty alleviation. As former London mayor, Ken Livingstone, said in 2008<sup>1</sup>: "I didn't bid for the Olympics because I wanted three weeks of sport. I bid for the Olympics because it's the only way to get billions of pounds out of the Government to develop the East End."

Few would argue that the East End needs some kind of economic boost. The boroughs where the Olympics were held (Hackney, Newham, Barking and Dagenham, Greenwich, Tower Hamlets, and Waltham Forest) are some of the most deprived in Europe, with particularly high levels of long-term unemployment and low skills among the resident populations<sup>2</sup>. The key question is, however, can hosting a major sporting event like the Olympics be relied on to deal with these kinds of complex challenges?

### A temporary boost

As always the evidence is mixed. Preparing for the games certainly created new jobs. With most of the £9.3bn budget spent on constructing a brand new Olympic park and athletes' village, that was always going to be the case. According to London's Olympic Delivery Authority (ODA), by July 2011 more than 40,000 people had worked on these sites during their construction<sup>3</sup>.

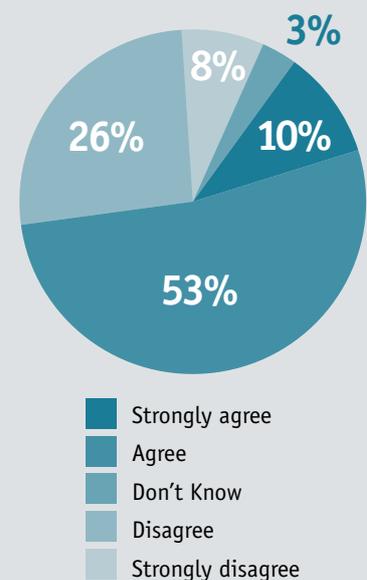
Moreover, a reasonable chunk of the jobs went to priority groups. As of June 2011, nearly 25% of the 4,993 contractors still working on the Olympic park

were resident in Olympic host boroughs and 13% were previously unemployed. Targets for apprenticeships were exceeded as well, with 457 apprentices having worked on the "big build" against a target of 350.

This clearly represents some degree of success, but the employment and skills benefits for residents

### Do you agree or disagree?

"The benefits for London will be more intangible (eg, morale) than tangible (eg, economic growth)." (UK respondents only)



Source: Economist Intelligence Unit survey

**EXPERT OPINION**

*“We have over 12,000 people employed from the local area. That’s a significant long-term push. We’re working with the National Skills Academy to use this as an opportunity to put people in a better place to get long-term employment in the new firms and businesses that are coming [to east London] ...*

Bob Neill MP, parliamentary under secretary of state, Communities and Local Government  
Quoted from the webinar: “The games: opportunities for business”

of host boroughs should not be overstated. It is worth remembering that more than three-quarters of contractors were not resident in Olympic boroughs and that a significant proportion of those who were may have moved into the area for the express purpose of working on the Olympics. Similarly, while it is to be hoped that the 457 people who gained apprenticeship experience during the build phase are now reaping the benefits of that, questions must be asked about whether this represents a good return on an investment of £9.3bn.

Organisers will rightly say that “legacy” is what matters most, but there are difficult questions here too. The history of economic development is littered with failed efforts to address complex social and economic challenges by regenerating the built environment. In many ways, the Olympics is the mother of all “build it and they will come” economic development strategies. As with previous examples of this

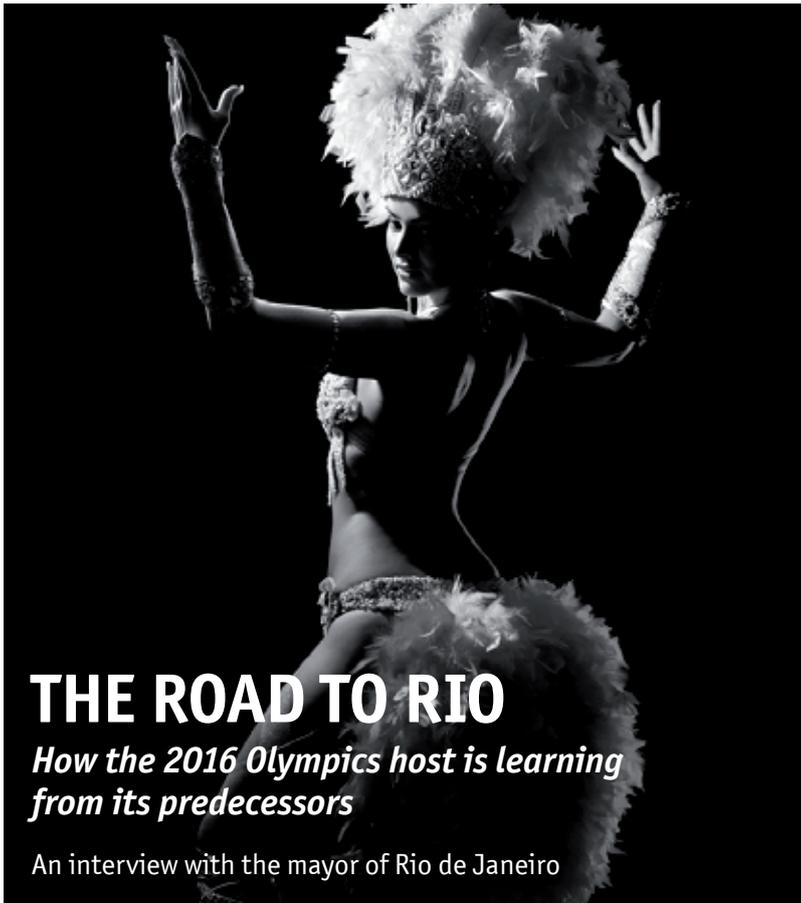
approach, the problem is that without addressing the underlying causes of disadvantage at the same time, such investments often end up generating disappointing results. Based purely on statistics for the construction phase, the labour-market impact of the Olympics could hardly be described as transformational.

At this stage, no one can say for sure whether the Olympics will foster the kind of labour-market opportunities that Ken Livingstone and others were so keen to create. Hopefully, the sceptics are wrong and the residents of London’s East End can look forward to a brighter future, filled with more and better jobs. It will take much more than physical regeneration, however, to make that happen.

<sup>1</sup> [www.telegraph.co.uk/sport/olympics/2298374/Mayor-tricked-Govt.-into-2012-Olympics-bid.html](http://www.telegraph.co.uk/sport/olympics/2298374/Mayor-tricked-Govt.-into-2012-Olympics-bid.html).

<sup>2</sup> Smith, M (2008). “When the Games Come to Town: Host Cities and the Local Impacts of the Olympics”. London East Research Institute Working Papers.

<sup>3</sup> [www.london2012.com/documents/oda-publications/jobs-skills-futures/jsf-bulletin-july-11.pdf](http://www.london2012.com/documents/oda-publications/jobs-skills-futures/jsf-bulletin-july-11.pdf).



## THE ROAD TO RIO

*How the 2016 Olympics host is learning from its predecessors*

An interview with the mayor of Rio de Janeiro

When Rio de Janeiro won its bid to host the 2016 Olympics, Eduardo Paes recalled a lesson he learned from the former mayor of Barcelona: “He told me there were two types of Olympics: the games that use the city and the city that uses the games.” Mr Paes, mayor of Rio since 2009, has taken the message to heart.

“I always like to use the Olympics as a symbol for change, for breaking through walls,” he says. “This could be a great moment for Rio—it could really mean change for the city. I care about sports and I care about what the IOC [International Olympic Committee] says, but the interests of the city are what matters most.”

For Mr Paes, Barcelona is a source of inspiration as well as advice. “Just look at what they achieved,” he explains. “Barcelona was a nice Mediterranean city, but [since hosting the Olympics in 1992] it has really become a cultural capital and an example of urban renewal. That’s pretty much what Rio wants to do.” [See “The Barcelona model?” earlier in this report.]

### A catalyst for change

According to Mr Paes, Rio has been “trying to use the games as a good excuse for getting things done” in three main areas: transport, regeneration of the city’s port area and the gradual urbanisation of its favelas, the sprawling shanty towns which are home to nearly one in every five cariocas (citizens of Rio). By joining

up with the state government to invest in metro, rail and bus rapid transit systems, he wants to grow the share of residents using “high-capacity transportation” from 18% to 63%<sup>1</sup>. He wants to regenerate the port area by establishing a new residential and commercial centre to replace the disused warehouses that have occupied that part of the city for decades. And he wants to completely “urbanise” the favelas by 2020, using the Olympics as a lever to accelerate change<sup>2</sup>.

There are plenty of challenges. Concerns are already being raised about transport capacity, with critics saying that the city’s congested roads will never be able to cope with the extra visitors<sup>3</sup>. Some are also concerned about the impact that change will have on residents of favelas as some are cleared to make way for new infrastructure. Least surprisingly, given the experience of previous host cities, many also think that costs have been underestimated<sup>4</sup>.

“Nothing is easy in the Olympic games,” says Mr Paes. “If you add everything up, [the cost of hosting the games] comes to about R\$20bn (US\$9.9bn).” He draws a distinction between games-related expenditure and investment in the city, however. “We’ve just inaugurated a bus rapid transit [system] that’s supposed to be for the Olympics—but that’s not for the games, it is for the city.” It’s a similar story with the port. Rio was planning to regenerate it before bidding for the games, but “winning the Olympics has made it run much faster by generating more interest in the city.”

### More than just samba

This last point hints at what Rio’s mayor sees as another major benefit associated with hosting the games. “Non-tangible legacy is equally as important for us,” he explains. “It’s a big opportunity to demonstrate that we’re not only a city with good samba, but that we’re a good place to do business, a cultural capital, a place where you can get things done.” He uses the example of Barcelona again here: “They changed the image of the city, and that’s one of our main goals too. It’s not only a chance for Rio; it’s a chance for the entire country.”

Maintaining a laser focus on what the games can do for the host is the best way to secure a lasting legacy. “Athens is a great city,” says Mr Paes. But its leaders failed to secure any lasting benefit from the 2004 games because they were “thinking more about what they could give to the games” rather than what the games could give to Athens. On this evidence, there is little danger of Rio making the same mistake.

<sup>1</sup> [www.stadium-project.eu/site/uploads/media/Rio\\_de\\_Janeiro\\_State\\_Rio\\_2016\\_Transport\\_Strategy.pdf](http://www.stadium-project.eu/site/uploads/media/Rio_de_Janeiro_State_Rio_2016_Transport_Strategy.pdf)

<sup>2</sup> [http://rio2016.com/sites/default/files/parceiros/candidature\\_file\\_v1.pdf](http://rio2016.com/sites/default/files/parceiros/candidature_file_v1.pdf)

<sup>3</sup> <http://theweek.com/article/index/231942/the-summer-games-next-stop-will-rio-be-ready-for-the-2016-olympics>

<sup>4</sup> [www.timeslive.co.za/world/2012/08/22/rio-s-favela-residents-fight-olympic-eviction](http://www.timeslive.co.za/world/2012/08/22/rio-s-favela-residents-fight-olympic-eviction)

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