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ARE MAJOR SPORTS EVENTS WORTH HOSTING?

A closer look

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AIM

This chapter delves into the complex dynamics surrounding major sports events, examining why western economies have become more hesitant to bid, the financial implications involved, and contrasting this with the enthusiasm displayed by emerging economies.

1. To demonstrate that major sports events incur significant cost overruns due to the problematic nature and flaws of hosting.
2. To illustrate that the allure of hosting major sports events for western economies has faded and is not economically viable.
3. To highlight that emerging economies are eager to host major sports events to transform their country's profile, despite the high costs of hosting.

THEORETICAL FOCUS AND SIGNIFICANCE

To synthesise the empirical evidence and literature currently available to demonstrate the economic, political, and social implications of hosting major sports events for western and emerging economies. To highlight the causality

of the economic, political, and social implications of hosting major sports events. To prompt debate and discussion on the consequences of cost overruns, budgetary mismanagement, and optimism bias of risk management during the delivery cycle of a major sports event.

PRACTICAL FOCUS AND SIGNIFICANCE

1. The prevalent cost overruns attributed to facilitating a major sports event, such as the Olympic Games, FIFA World Cup, and the Commonwealth Games.
2. The declining allure of hosting a major sports event due to its significant costs and obligations, particularly for western economies.
3. Major sports events, specifically the Olympic Games and FIFA World Cup, are the largest, most high profiled and expensive megaprojects in the world. The economic, political, and social impacts of these events are immensely significant to the viability of nation-states.
4. There is a historical trend that host cities of major sports events mismanage time, budget, and risk dimensions of hosting the event.

ARTICLE

Introduction

In recent years, the allure of hosting major sports events like the Olympics, FIFA World Cup, and Commonwealth Games has dimmed for many western economies. Once seen as prestigious opportunities to showcase national prowess and stimulate economic growth, these events now prompt careful consideration, due to their hefty financial commitments and associated risks.

Conversely, emerging economies are increasingly eager to seize the chance to host such events, viewing them as catalysts for infrastructural development and international recognition.

This chapter delves into the complex dynamics surrounding major sports events, examining why western economies have become more hesitant to bid, the financial implications involved, and contrasting this with the enthusiasm displayed by emerging economies.

It only took one black swan for Tokyo: COVID-19

Hosting major sports events often requires significant initial public investment in infrastructure. The justification for these expenditures is typically based on expected long-term benefits, such as improved infrastructure, increased tourism, and enhanced global image ([McBride & Manno, 2021](#)). The financial commitments for hosting can be enormous, often leading to cost overruns.

Faced with high costs and public scepticism, Japan's management of the Olympics demonstrated the challenges of balancing public health with the economic and reputational benefits of hosting. Initially projected as a showcase of Japan's recovery from the 2011 tsunami and nuclear disaster, the Tokyo Olympics were instead marred by delays and public health concerns due to COVID-19.

The financial outlays ballooned because of health and safety measures and postponements, with the final cost reaching US\$13 billion ([Wade, 2022](#)). The public opposition was significant, with many questioning the prioritisation of the games over public health. Despite efforts to mitigate risks, including strict health protocols and spectator limitations, the event incurred vast financial losses and logistical hurdles, underscoring the unpredictable nature of hosting major sports events in a volatile global landscape.

Away from the Olympics, Melbourne decided to cancel its 2026 Commonwealth Games in July 2023, after the State Government's inquiry indicated that the expected cost of US\$1.7 billion blew out to US\$4.5 billion ([Associated Press, 2024](#)). Weeks after, Alberta followed and withdrew its bid to host the 2030 Commonwealth Games due to projected cost overruns ([The Guardian, 2023](#)).

Faded allure as the economics do not add up

With the decline of many western economies bidding for major sports events, both the Olympic Games and FIFA World Cup are no longer attracting the high number of bids that were formerly experienced. The vast overspend incurred by its hosts is proving to be an unappealing disincentive, notwithstanding the prestige it brings.

Both the 2024 and 2028 Summer Olympics were awarded to Paris and Los Angeles to host unanimously as Budapest, Hamburg, and Rome withdrew during the candidature stage. For 2032, Brisbane was the only city to nominate. For 2036, only emerging economies nominated, including Indonesia, Turkey, and India. Given these trends, the International Olympic Committee (IOC) instituted the [Olympic Agenda 2020](#) reforms, where it made concessions, adjusted its competitive process to allow cities greater preparation time, funding, and allowances to provide cost-saving measures and reducing the complexity of the bidding process ([IOC, 2020](#)).

Comparatively, FIFA selected Saudi Arabia to host the 2034 World Cup. Both the 2026 and 2030 World Cups see a shift to three host countries joined together to share responsibilities. Previously, developing economies were awarded the last four World Cups (South Africa, Brazil, Russia, and Qatar). The 2018 and 2022 World Cup

bids encountered issues of bribery and corruption, which potentially prevented western economies from being successful at the time.

The question remains, does hosting such major sporting events stack up? A study led by the University of Oxford on the Olympics Games observed that in real terms the average cost overrun for all Olympic Games is 172% (see [Table 18.1](#)) ([Flyvbjerg, Budzier & Lunn, 2021](#)). While it is not unexpected, the high cost overrun for the Olympics is primarily attributed to the fixed deadline set for project completion. Given the immense pressure faced by host organisers, it is common practice for them to throw money into resolving any issues that surface, as shown by the cost overruns of the Olympic Games ([Varano, 2017](#)).

TABLE 18.1 The Olympics cost overrun compared to other types of large-scale projects

	<i>Roads</i>	<i>Bridges, Tunnels</i>	<i>Energy</i>	<i>Rail</i>	<i>Dams</i>	<i>IT</i>	<i>Olympics</i>
Cost overrun	20%	34%	36%	45%	90%	107%	172%
Frequency of cost overrun	9 of 10	9 of 10	6 of 10	9 of 10	7 of 10	5 of 10	10 of 10
Schedule overrun	38%	23%	38%	45%	44%	37%	0%
Schedule length, years	5.5	8.0	5.3	7.8	8.2	3.3	7.0

Sources: [Flyvbjerg et al., 2002](#); [Ansar et al., 2017](#); [Budzier & Flyvbjerg, 2011](#); [Flyvbjerg, Budzier & Lunn, 2021](#).

The findings of this research confirmed that the 2014 Sochi Winter Games was the most expensive Olympics to date, at US\$22 billion. The 1976 Montreal Summer Games illustrated the highest cost overrun at 720%. Further to that, 15 of 19 Olympic Games have cost overruns above 50%. The 1984 Los Angeles Summer Games are the only ones to date that have profited. [Table 18.2](#) highlights that nearly all the Olympic Games from 1960 to 2016 faced significant cost overruns.

TABLE 18.2 The cost overruns for the Olympics in real terms and calculated in local currencies

<i>Games</i>	<i>Country</i>	<i>Type</i>	<i>Cost overrun %</i>
Montreal 1976	Canada	Summer	720
Barcelona 1992	Spain	Summer	266
Atlanta 1996	United States	Summer	151
Sydney 2000	Australia	Summer	90
Athens 2004	Greece	Summer	49
Beijing 2008	China	Summer	2
London 2012	United Kingdom	Summer	76
Rio 2016	Brazil	Summer	352

<i>Games</i>	<i>Country</i>	<i>Type</i>	<i>Cost overrun %</i>
Grenoble 1968	France	Winter	181
Lake Placid 1980	United States	Winter	324
Sarajevo 1984	Yugoslavia	Winter	118
Calgary 1988	Canada	Winter	65
Albertville 1992	France	Winter	137
Lillehammer 1994	Norway	Winter	277
Nagano 1998	Japan	Winter	56
Salt Lake City 2002	United States	Winter	24
Torino 2006	Italy	Winter	80
Vancouver 2010	Canada	Winter	13
Sochi 2014	Russia	Winter	289

Source: [Elyvbjerg, Budzier & Lunn, 2021](#).

Emerging powers seeing the value instead

In contrast to western economies, emerging economies view hosting major sports events as opportunities for economic growth and global recognition. It can project an image of growth and modernisation, potentially attracting foreign investment and enhancing diplomatic stature.

Countries like Saudi Arabia and Qatar view these events as a platform to transition from oil-based economies to diversified, service-oriented ones. Despite criticisms and challenges, the strategic value aligned with national goals often outweighs the apparent economic costs.

Notwithstanding the financial risks, emerging economies are keen to host these events to boost their international image and stimulate local economic development. These countries may see short-term boosts in employment and tourism, although these benefits are not always sustained long-term. The example of Qatar hosting the 2022 World Cup highlights both the potential for increased global visibility, the challenges related to costs, and international criticism regarding issues such as labour rights.

Conclusion

Major sports events continue to captivate nations worldwide, offering unparalleled opportunities for economic growth, cultural exchange, and global recognition. However, the decision to bid for and host such events entails careful consideration of the financial commitments, risks, and long-term implications involved.

While western economies have become more cautious in their approach, due to mounting concerns over costs and social impacts, emerging economies increasingly

view hosting major sports events as strategic investments that can propel national development agendas, and elevate their international standing.

Overall, while hosting major sports events can elevate a country's global profile and spur temporary economic activity, the financial risks and long-term burdens often make it an economically unviable endeavour for many countries. Emerging economies continue to bid for these events in hopes of transforming their global image and catalysing development, albeit with mixed outcomes.

While the allure of hosting major sports events continues, especially among emerging economies aiming for transformative economic and global image changes, the financial realities and socio-political implications often paint a more complex and cautionary tale. The data and case studies suggest a critical need for potential hosts to weigh the long-term economic burdens against the short-lived glamour of hosting such global spectacles.

MANAGERIAL IMPLICATIONS

1. Understand the true risks of hosting major sports events.
2. Comprehend the need for larger budgets and additional cost contingencies that are realistic.

POLICY IMPLICATIONS

1. Consider reducing the long multiyear delivery cycle of major sports events to minimise risks.
2. Utilise semi-permanent host locations to re-use infrastructure facilities.

RESEARCH IMPLICATIONS

1. Greater empirical evidence of cost overruns across various major sports events, such as the FIFA World Cup and Commonwealth Games, is an opportunity for exploration.
2. Researching the political, economic, and social impacts of hosting major sports events in emerging economies post the event.

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