Case Study

London 2012 and the Displacement Effect

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**London 2012 and the Displacement Effect: Will British Tourism suffer during the Games?**

The impact of the greatest show on earth arriving on British shores can be quantified in many ways; in terms of its social, financial, environmental, economic and overall legacy impact. In terms of British tourism, much debate has arisen concerning the economic impact of the Games, and whether the Games will actually provide a positive or negative legacy for the sector.

**ECONOMIC IMPACT**

*Economic impact* can be defined as the measure of the spending and employment effects of a specific project. In the case of the London 2012 Games, the total economic impact can be considered to be the sum of direct, indirect, and induced impacts resulting from the Games.

The *direct impact* of the Games includes the purchases of Games organisers in the preparation and execution of the Olympic and Paralympic Games.

*Indirect impacts* are experienced by those companies and individuals who operate in the goods and service industries that *supply* the industries that receive expenditures by Games organisers.

*Induced impacts* relate to the spending made by individuals who are employed either indirectly or directly by Games expenditures.

**The Cost of Hosting the Games**

The budget for the London 2012 Olympics currently stands at £9.35bn. This figure includes a £2.7bn contingency fund. The overall figure has increased four times since

Britain won the bid in July 2005 (it is not unusual for Games budgets to rise considerable after bid cities have secured the right to host the Games).

**Impact of the London 2012 Games on Tourism**

Uncertainty remains around the potential impact of the 2012 Games on British tourism. VisitBritain, indicate that between 50% - 70% of the net economic benefit of staging the Games, measured over a 7 to 10 year period, could be accrue through tourism: ; a potential benefit of ‘.*.. at least £2 billion for*

*the visitor economy from overseas visitors, plus an even greater benefit to the domestic visitor economy”.* This can be compared to estimates by the Department for Culture, Media & Sport of an estimated benefit to the UK tourism sector of between £1.4 billion and £2 billion. However, the DCMS commissioned *Olympic Games Impact Study* reported a lower figure; £762 million across the UK, £146 million of which would occur during the events themselves.

**Tourism Revenue Generated During the Games**

The Tourism Alliance, which represents approximately 200,000 businesses, believes that Games-time sports tourism will largely replace the usual leisure and business travel that would be expected at that time of year (the ‘substitution effect’). The Tourism Alliance forecast that a 5% decrease in “normal” visitor traffic in 2012 would lead to a reduction in tourism expenditure of £1.1 billion. A further 5% decrease in UK domestic visitors would reduce tourism expenditure by a further £1.35 billion.

These concerns over a possible fall in revenue (due to a substitution effect) were also corroborated by Tourism South East and the Tourism Management Institute, which both voiced fears that tourists might be scared off visiting London as a destination during the Games period, namely through perceptions of over-crowding and over-pricing of hotels.

Forecasts of a positive effect on British tourism are more positive than Games-time estimates, with the DCMS estimating that 80% of (economic) legacy benefits derived from hosting the Games will be gained through increases in post-Games tourism. This is attributed in part to the massive international media exposure afforded to London as a result of their hosting the Games. However, the Tourism Alliance believe that such legacy goals will not be achieved unless the DCMS are prepared to invest in adequate marketing and media support for the British tourism industry. In turn, the Secretary of State cited a need for the tourism industry to “...improve the consistency of its quality, raise the level of skill and, through imaginative marketing, showcase Britain’s heritage and its dynamic, 21st century cities”.

One cannot guarantee the economic legacy afforded to the British tourism industry as a result of hosting the Games. A study by the European

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Tour Operators Association found that hosting the Olympics did not have a positive effect on tourism in either Greece or Sydney. In fact, conversely, it was found that the Games exerted a negative impact on tourism revenue.

**FURTHER INFORMATION**

* **House of Commons Culture, Media and Sport Committee London 2012 Olympic Games and Paralympic Games: funding and legacy**

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmcumeds/69/69i.pdf>

* **Weed, M. (2007) Olympic Tourism.**
* **Ritchie, J.R.B. (2000) Turning 16 days into 16 years through Olympic Legacies. Event Management. Vol 6, No. 3, pp. 155-165.**

**DISCUSSION**

* How might the displacement effect be evidence in the case of London 2012?
* What other large scale events are planned to coincide with the London Olympic Games? Is there theoretical evidence to suggest that tourism for these events will be detrimentally affected by the Games?
* Identify both a positive and negative effect of London 2012 on London and British tourism.
* Identify one Olympic Games where tourism was increased and another where tourism was detrimentally affected.

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