



AN EVALUATION OF THE ECONOMIC COMMITMENTS BY ISTANBUL AND TOKYO, TWO CANDIDATE CITIES FOR THE SUMMER OLYMPICS OF 2020

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Abstract

Many countries also came to compete to host the Summer Olympics of 2020, spent significant sums of money during their candidacy, and made a number of significant economic commitments for the 2020 Olympics. As a result, the bids by Istanbul and Tokyo were selected as the finalists in Argentina in 2013. With emphasis on economic renewal, Tokyo committed 4.9 billion dollars for the Olympics. With a budget of 19.2 billion dollars, Istanbul in turn made its bid with the slogan “Bridge Together” and made a commitment with the existing and planned infrastructure projects in four zones of Olympics City Zone, the Coastal Zone, the Bosphorus Zone, and the Forest Zone. After a careful evaluation, the International Olympics Committee chose Tokyo’s bid as the host for the 2020 Summer Olympics. The goal of this study is to make a comparative examination of the projected economic spending and commitments of the two finalist cities, Istanbul and Tokyo, for the 2020 Summer Olympics.

1. Introduction

Olympics games not only contribute to friendship but also bring about economic agreements and commerce between countries. It has also become of the means of introduction of economic, commercial and technological developments into the service of mankind. The hosting countries of olympics games exhibit their level of development and their latest technologies in opening ceremonies of olympics games. They compete to introduce their own countries to the world at best (Güçlü, 2001, p.223-239). Olympics games are both costly and sumptuous. The countries need great sums of fund and power of sanction to realize such an organization (İstanbul 2004, Advertisement Leaflet).

Olympics games have also brought about economic, technological and political competitions among the countries under the leadership of professional

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and elite athletes together with commercialisation of sports since 1990. (Yıldız & Aydın, 2013, p.269-282). Berber (2013) stated that thanks to olympics games, the economy of states improves, more tourism and business investments are made to the city in the future, opportunities to meet new people are created, which is effective on passing entertaining time. Due to profit-generating aspects of olympics organizations and economic benefits provided, economic and commercial dimensions have led to quite many researches. In this context, total profit (\$ Billion) of the city at the end of the games and total cost (\$ Billion) for the city for summer olympics games held in Atlanta, Sydney, Athens, Beijing and London are given in the following table (Table 1) (Yıldız & Aydın, 2013, p. 273; International Olympic Committee, 2006, p.161).

Table 1. *Total Revenue-Total Cost of Summer Olympics Games Held for the past 5 terms*

Summer Olympics Organization	Total Cost (\$ Billion)	Total Revenue (\$ Billion)
1996 Atlanta	5,1	1,1
2000 Sydney	8,4	1,8
2004 Athens	11,2	1,4
2008 Beijing	14,2	1,6
2012 London	13,9	1,9

2. Material and methods

In the present study, economic expenditures for 2020 and economic commitments of Istanbul and Tokyo when they win final round on which city will host 2020 summer olympics games are explained in a descriptive way.

The data collected were analyzed comparatively and given in the following tables. In addition, socio-economic indicators of Istanbul and Tokyo for 2020, their economic commitments and investments were comparatively discussed.

Primary and secondary data of the research were collected by “documentation method.”

3. Results and discussions

In this section of the study, general aspects, economic commitments, financial guarantees evaluation, finance summary of Istanbul and Tokyo and the distribution of expenditures and revenues committed to International Olympic Committee (IOC) are studied in a comparative way.

Table 2. Comparison of general aspects of İstanbul and Tokyo

General Aspects	İstanbul	Tokyo
Principal Aspect	A city with densely muslim population and where ancient cultures meet.	Experienced in International sports competitions.
Population	Turkey, a Parliamentary Republic, has a population of approximately 73 million people, 13 million reside in the City of İstanbul.	Japan, a Parliamentary Democracy, has a population of approximately 128 million, with 13 million in the City of Tokyo and 36 million in the Greater Tokyo Area.
National Economy	Turkey is the 17th largest economy in the world. With a fast growing economy, the nominal Gross Domestic Product (GDP) has almost quadrupled over the last ten years and for the period 2013 to 2016, the Economist Intelligence Unit projects an average annual growth rate of around 4% to 5% (as of April 2013). The International Monetary Fund shows a nominal GDP of USD 794 billion (2012) and a nominal GDP per capita of USD 11,000 (2012).	Japan has the third largest economy in the world which grew by approximately 2% in 2012. For the period 2013-2016, the Economist Intelligence Unit projects an average annual growth rate in the range of 1% to 2% (as of April 2013). The International Monetary Fund shows a nominal Gross Domestic Product (GDP) of USD 5,964 billion (2012) and a nominal GDP per capita of USD 47,000 (2012).
National Per Capita Income (Annual)	13.464 Dollar	33.805 Dollar
Number of Candidature	For 2000, 2004, 2008, 2012 and 2020 Summer Olympics Games	Organized summer olympics games in 1964 and became candidate for 2020 olympics games
Public Support	94 % Public Support	92% Public Support
Number of Medals Won in Summer Olympics Games	74	335

In Table 2, general aspects, population, national economy, national per capita income, number of applications, public support and the number of medals won in summer olympics games of candidate cities for 2020 summer olympics games are compared (<http://www.bbc.co.uk>; <http://www.avrupa-postasi.com>; <http://www.habercem.com>; International Olympic Committee, 2013).

Populations of candidate cities are 13 million/73 İstanbul/Turkey and 13 million/128 for Tokyo/Japan. It is stated that national annual income per capita in İstanbul is \$ 13.464 while it \$ 33.805 in Tokyo. İstanbul has been candidate five times for summer Olympic games whereas Tokyo has been only twice for the games. Tokyo organized summer Olympic Games in 1964. Public support for the games in İstanbul is 94% and in 92% in Tokyo. It was found that İstanbul was awarded 74 medals while Tokyo won 335 medals in summer Olympic Games from the past to the present.

Table 3. *Comparison of Economic Commitments of İstanbul and Tokyo*

	İstanbul	Tokyo
Budget	<p>Overall budget in the investment is \$ 16.8 Billion. \$15 billion will be covered by the government and \$1.8 billion by private sector. Almost half of the budget will be allocated for highway and railway, \$348 million for olympics village, \$617 million for media village and \$975 million for electricity and venues.</p> <p>Operational budget (security etc) is \$2.6 billion except for organization committee, which will be covered by the government.</p>	<p>Overall budget in the investment is \$4.4 billion. About \$ 3.3 billion will be covered by the government and \$1.1 billion by the private sector \$3 billion will be invested in venue construction and \$1 billion for the olympics village.</p> <p>Operational budget (security etc) is \$540 million except for organization committee, more than half of which will be covered by the government.</p>
Advertising	Advertisement is guaranteed for the dates 7 July-21 September 2020.	-
Ticketing	\$ 401 million is expected from ticketing for Olympics games and \$34 million for paralympic games.	\$ 776 million is expected from ticketing for Olympics games and \$46 million for paralympic games
Sponsorship	Estimated sponsorship budget is \$653 million (+ \$22 million for paralympic games). Estimated revenue from sales of certified product is \$47 million (+ \$3 million for paralympic games)	\$932 million is expected from local sponsors for olympics games and \$26 million for paralympic games. \$140 million is expected from the sales of licenced products.

General economic commitments of İstanbul and Tokyo made to IOC for 2020 summer olympics games regarding Budget, Advertisement, Ticketing, Sponsorship are compared in Table 3 below. (<http://www.olimpikturk.com>,

2013; <http://www.dw.de>). Istanbul declared overall investment budget as \$ 16.8 billion. It was stated that \$ 15 billion of this budget would be covered by the government and \$ 1.8 billion by the private sector. On the other hand, Tokyo stated its overall investment budget as \$ 4.4 billion. Tokyo government committed \$3.3 billion and the private sector \$1.1 billion. Istanbul warranted advertisement for 7 July-21 September 2020 in case of holding 2020 Olympic Games while Tokyo did not ensure any advertisement. Istanbul announced to have estimated \$ 435 million revenue while Tokyo was in expectance of \$822 million from ticket sales. From the sponsorship revenues, Istanbul was expecting totally \$ 700 million from sponsorship whereas Tokyo was anticipating \$1.098 billion.

Table 4. Comparison of Financial Guarantees of İstanbul and Tokyo

	İstanbul	Tokyo
Financial Guarantees	<p>The national and local governments have guaranteed to provide all security, medical, customs and immigration services and other government-related services at no cost to the Organising Committees for the Olympics Games (OCOG), in accordance with their jurisdictional responsibilities. In addition, government would provide publicly owned venues free of charge to the OCOG.</p> <p>The National Government would provide strong financial support to the project through:</p> <ul style="list-style-type: none"> • a guarantee covering any potential economic shortfall of the OCOG • a National Government subsidy in the OCOG budget • funding the OCOG in its early days 	<p>The national and city governments have guaranteed to provide all security, medical, customs and immigration services and other government-related services at no cost to the OCOG, in accordance with their jurisdictional responsibilities. In addition, government would also provide publicly owned venues free of charge to the OCOG.</p> <p>A guarantee covering any potential economic shortfall of the OCOG has been provided by the Tokyo Metropolitan Government (TMG) and is backed by a guarantee from the National Government.</p> <p>The financing of venue construction funded by government is supported by the appropriate guarantees.</p> <p>An underwriting for the financing of the construction of the Olympics Village has been provided by the TMG, in the event of a shortfall in private sector funding.</p>

“*Financial Guarantees*” submitted to IOC by İstanbul and Tokyo is compared in Table 4 (International Olympic Committee, 2013). Both İstanbul and Tokyo promised financial guarantee for all security, health, customs and immigration services.

Table 5. *Finance Summary of İstanbul and Tokyo for 2020 Summer Olympics Games*

	İstanbul	Tokyo
Finance Summary	<p>The OCOG presents a balanced and guaranteed budget of USD 2.9 billion that includes a National Government subsidy.</p> <p>The investment required from government in the non-OCOG budget is very substantial and represents an ambitious plan for infrastructure enhancement in the city. There is good understanding of the requirements of hosting the Games. While much investment is underway or planned regardless of the Games, the level of future investment might vary depending on the future performance of the Turkish economy.</p> <p>The National Government has provided very clear and unequivocal financial guarantees for both the OCOG and non-OCOG budgets.</p> <p>All required financial guarantees were provided.</p>	<p>The OCOG budget was prepared in an effective and thorough fashion based on scoping work requirements, considering the experience of past host cities and applying this to the Tokyo environment. It represents a reasonable estimate of the costs and revenues associated with hosting the Games and the Commission considers it to be achievable.</p> <p>The non-OCOG budget appears to represent a good understanding of the scale of the financial commitments required to deliver the Games. The Games would benefit from the fact that a Hosting Reserve Fund which fully covers the non-OCOG investment has already been established. All required financial guarantees were provided.</p>

Comparative “Financial Summary” submitted to IOC by İstanbul and Tokyo is given in Table 5. (International Olympic Committee, 2013).

Table 6. *2020 Games Budget of İstanbul and Tokyo Comprises The Following Revenues* (International Olympic Committee, 2013)*

	İstanbul		Tokyo	
	2012 USD (Millions)	%	2012 USD (Millions)	%
IOC Contribution	531.5	18.3	790.0	23.1
Top Programme	225.4	7.8	335.0	9.8
Local Sponsorship	653.2	22.5	931.8	27.2
Ticketing	409.4	14.1	776.4	22.7
Licensing	47.1	1.6	139.8	4.1
Government Subsidies	552.9	19.1	-	-
Other Revenues	482.1	16.6	451.1	13.2
Total Revenues	2,901.6	100.0	3,424.1	100

In Table 6, distribution of revenues committed for 2020 olympics games by Istanbul and Tokyo submitted to IOC is given. It is revealed that overall revenue of Istanbul is \$2,901.6 billion while it is \$3,424.1 billion for Tokyo. In their revenues committed to IOC, Istanbul stated \$ 47.1 million (1.6%) of its “licensing” revenues and Tokyo \$139.8 million (4.1%). Istanbul declared its “government subsidies” \$ 552.9 million (19.1%) while Tokyo committed no “government subsidies”.

Table 7. *In accordance with IOC Guidelines, no capital investment is included in the OCOG Budget. Istanbul 2020’s expenditure budget comprises the following major elements**(**International Olympic Committee, 2013)*

	İstanbul		Tokyo	
	2012 USD (Millions)	%	2012 USD (Millions)	%
Technology	431.0	14.9	421.2	12.3
Games Workforce	267.5	9.2	251.5	7.3
Venues, Villages & Other Facilities	843.4	29.1	1073.4	31.3
Ceremonies and Culture	140.3	4.8	99.4	2.9
Transportation	106.2	3.7	233.5	6.8
Paralympic Games	219.6	7.6	159.4	4.7
Advertising and Promotion	123.6	4.3	104.3	3.0
Administration and Other	526.2	18.1	808.7	23.6
Contingency	243.8	8.4	272.7	8.0
Total Expenditure	2,901.6	100.0	3,424.1	100

In Table 7, distribution of expenditure committed by Istanbul and Tokyo for 2020 Olympics games submitted to IOC is given. Total expenditure of Istanbul is \$2,901.6 billion while it is \$3,424.1 billion for Tokyo. Istanbul calculated the cost of “Venues, Villages & Other Facilities” \$ 843.4 million (29.1%); the cost of “Transportation” \$106.2 million (3.7%) and that of “Administration and Other” \$ 526.2 million (18.1%) while Tokyo stated the cost of “Venues, Villages & Other Facilities” \$1073.4 million (31.3%), the cost of “Transportation” \$233.5 million (6.8%) and that of “Administration and Other” \$808.7 million (23.6%).

4. Conclusions

Mega-events have been considered an effective economic development tool by local and national actors all over the world since the early 1990s. There is a widespread trend towards the use of mega-events to promote a city, stimulate the local economy and regenerate rundown post-industrial areas and communities (Edizel, 2013, p.31). Considering the relevant literature, the cities

hosting the olympics games acquire quiet many advantages (Gündoğan, 2002, p. 173; <http://www.economist.com>).

The data obtained in the research revealed a discussion economic expenditures, socio-economic structures and economic commitments and investment projects of Istanbul and Tokyo for 2020 Olympic Games.

It was found that national annual income per capita in Istanbul is \$ 13.464 while it \$ 33.805 in Tokyo (Table 2). It can be concluded that socio-economic level of people in Tokyo is higher than that in Istanbul.

Istanbul has been candidate 5 times while Tokyo twice for summer Olympic games İstanbul (Table 2). Since Tokyo hosted summer Olympic Games in 1964 and therefore is more experienced, Tokyo has more advantage.

Due to similar percentage of public support of both cities (İstanbul: 94% and Tokyo: 92%) (Table 2), it can be said that people show positive attitude toward such organizations.

The fact that the number of Tokyo athletes who have won medals so far is greater than that of Istanbul (İstanbul: 74 medals and Tokyo: 335 medals) is a sign of sophistication of sports in this city (Table 2).

Istanbul committed its overall investment budget as \$16.8 billion. \$ 15 billion of this budget would be covered by the government and \$ 1.8 billion by the private sector while Tokyo stated its overall investment budget as \$ 4.4 billion. Tokyo government committed \$3.3 billion of this budget would be afforded by the government and \$1.1 billion by the private sector (Table 3). These data suggest that the reason why Istanbul allocates high amount of budget for investment is the lack of infrastructure for sports and why Tokyo's budget is lower is the experience of Olympic games hosted before, which already had infrastructure for sports. The relevant literature supports these findings. London's 1948 Olympics cost £732,268, or about £20m (\$30m) in today's money. Nowadays hosting the games is a different business (Gündoğan, 2002, p.173).

Istanbul warranted advertisement for 7 July-21 September 2020 in case of holding 2020 Olympic Games while Tokyo did not ensure any advertisement (Table 3). Such a guarantee is regarded as an advantage for Istanbul. The relevant literature puts emphasis on this topic. In 1984, Los Angeles hosted Olympics Games broadcast in 156 countries and 287 million dollar broadcasting revenue was collected (Gündoğan, 2002, p.173).

Istanbul stated an expectation of \$435 million of income whereas Tokyo anticipated use \$822 million of revenue from ticket sales (Table 3). The reason why Istanbul's expectation is lower can be adverse public opinion on the organization due to the lack of the city's experience in such a big organization before. The relevant literature shows the following results and supports the findings of the present study. The summer olympics games held in 1996 in Atlanta contributed 5,1 billion dollar to the economy of Georgia State between 1991-1997. The state administration acquired 176 million dollars of revenues from taxes at the end of the games. Increasing employment since winning the games in Atlanta reached to 77,000 people in 1996 when the games took place.

Atlanta summer olympics games were broadcast in 214 countries and 898.2million dollar was acquired from broadcasting. In addition, in 2000 Sydney summer olympics games were broadcast in 220 countries and 1,331 billion dollar was acquired from broadcasting. Furthermore, in addition, in 1992 summer olympics games were broadcast in 193 countries and 636 million dollar was acquired from broadcasting (Gündoğan, 2002, p.173).

In addition to the economic advantages of summer olympics games mentioned above, post-event impact of the games should not be neglected. Exportation of industrial goods of South Korea increased by 28.3% and reached 60.67 billion dollar in 1988 when Seoul hosted summer olympics games compared to previous year. The number of tourists visiting South Korea increased by 23% compared to one year ago and reached to 2,300,000. As a result, 3,300 billion dollar revenue was left in the country. Yine, Barcelona was redesigned from the 1986 when Spain was nominated for hosting the games until 1992, the date of the Olympics games in six year period. The summer olympics games led to a decreased in the rate of unemployment between 1986-1992 by an additional employment of 326,301 people (Gündoğan, 2002, p.173).

Earthquake, tsunami and nuclear catastrophes in Tokyo and the civil war in the neighboring country of Turkey have been effective on the candidature of both cities. Nevertheless, Tokyo strived for turning this disadvantage into an advantage and showed itself as a calm harbor in international arena. In addition, existence of \$ 4.4 billion in the bank account, most of the infrastructure being ready, and the portable ones to be built and technological advantages were all influential in the nomination of Tokyo for 2020 summer Olympic Games by majority of votes of Olympiad delegations (<http://www.bbc.co.uk>; <http://www.nytimes.com>).

It is argued that states consider the olympics games not only as sports organization but also an economic struggle. The cities/countries realize many projects of great financial value. In the meantime, the cities/countries should do their best not to leave economic debris to future generations. They should never ignore that the investments done will have an effective role in establishing social justice. Gratton et al. (2006, p.57) state that one of the ways to reduce negative effects of the games is to seek ways to realize the events within the bounds of possibility. They also argued that extra investments and expenditures should be avoided both as city and the country. Burbank et al. (2002, p.180) suggested that this process involves not only opportunities but also threats. Moreover, Austrian and Rosentraub (2002, p.549) pointed out that overall benefits and cost of the olympics games should be taken into consideration.

The results of this study show that it is not enough to win the olympics games only in terms of construction of sports venues but it is necessary to have a strong and stable state economy, private sector support, transportation network, accommodation, safety, environment etc.

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