



Switching on to Business

EXTRA!

Chapter 17

GOVERNMENT AND THE ECONOMY

HANDOUT 1

Olympic Economics

Australia spent billions preparing to host the Olympic Games. The Olympics were seen as an opportunity to promote Sydney as a tourism destination to a global audience and the start of a golden age of enhanced sport and **tourism** driven by millions of extra visitors a year. However many Australians are asking if the money spent hosting the Olympics were really worth it.



Even before a single event took place at the Sydney Olympics, it took Australia six years and nearly €2bn of extra **government expenditure** to put all the stadiums and infrastructure in place for the Games. Over a million spectators flocked to the two-week sporting extravaganza. But after the games were over, the questions started to be asked - who needs all these sports facilities? Most of the time they now lie idle and the Olympic Village built specially for all the athletes and reporters now resembles a ghost town.

The government had to come up with a plan to turn the Olympic village into a new commercial and residential part of the city. The government has set up the Sydney Olympic Park Authority, a **state-owned company** to manage this transformation. The Authority plans that the enormous site will eventually become home to at least 15,000 residents and a workforce of more than 20,000 people.

The problem is the venue is just too big to be sustained by sport alone and the Australian government estimated that it would take decades before the Olympic park will change from a showcase for athletes to a desirable residential address. Houses and flats have already gone up, turning accommodation built for Olympians into suburbs designed for commuters. But at the same time, visitor numbers to Sydney dropped by 25% in the two years following the Olympic Games, the exact opposite of what the tourism and transport planners had been expecting. Lots of new hotels had been built, which lead to huge **oversupply** in the hotel market and collapsing profitability in the industry.

After the flurry of the Olympic Games, Australia is now promoting itself to international tourists on what it does best: big rocks and wide beaches. The Australian government now realises that, while the Olympic Games can give a massive kick start to any city that hosts them, the real skill is using all the effort to create something that will pay off in the long term for the country. In Australia, they admit that it's still a work in progress. Australia's experience provides a lesson in economics for any government thinking to hosting the Olympics in their country.



1. Identify the pros and cons to the Irish economy of the government seeking to have the Olympics held in Dublin.
2. If it were estimated to cost the Irish government €10 billion to host the next Olympics for two weeks, would you recommend that they seek to host the games?
3. What alternative uses could the government put the €8 billion to?