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# **Euro 2012 economic impact on host cities in Poland**

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## Introduction

The UEFA European Championship (UEFA Euro) is among the world's most important sporting events organised nowadays. Apart from tremendous excitement among football fans, such a major event has a number of other implications, above all of economic nature. This is due to the necessity of preparing suitable infrastructural base, increase tourist traffic, potentially greater demand for labour etc.

Until recently, most mega sports events were held by wealthy industrialised countries. Because of the high costs involved in the preparation of such projects, insufficiently developed sports and other infrastructure and the absence of appropriate legal basis, organisation of such events was beyond the reach of developing countries. The beginning of the 21st century brought significant changes in this respect. On the one hand, countries with relatively weaker economies, aware of the benefits involved, submitted their bids more readily. On the other hand, institutions responsible for the selection of the host country began to promote less wealthy countries or those in the process of economic transformation, in order to provide a stimulus for development. Within less than a decade there have been a number of examples of sporting event hosts that confirmed the current trend, such as: Euro 2004 in Portugal, 2008 Olympic Games in Beijing, the decision concerning the organisation of the FIFA World Cup in 2010 or, finally, Euro 2012 in Poland and Ukraine.

Despite growing interest in the organisation of such events, the literature does not provide a straight answer as to the economic grounds for the submission of bids. Studies concerned with the impact of the organisation of sporting events on the economy follow two trends: those showing the benefits of *ex ante* evaluation and those demonstrating the advantages of *ex post* studies. Since the former is usually commissioned by the organisers themselves, they could hardly be considered credible. Meanwhile, *ex post* analyses, especially those published long after the end of the sporting event in question, do not arouse such strong interest. In the case of developing countries, it is emphasised that such projects require a greater financial commitment and therefore difficulties in achieving a scale of benefits that would balance the expenses incurred in the preparation process.

This study, as one of the few concerned with the Polish circumstances, is intended to determine what significance should be attributed to organisation of the Euro 2012 in Polish host cities. Aware of the difficulty in finding an unequivocal answer, the Author focused on

four isolated areas of impact, namely: sports infrastructure, other infrastructure, tourist traffic and the labour market. The aims of this study are as follows:

- analysis of the changes occurring in Polish host cities in connection with the organisation of Euro 2012.
- defining the status quo and proposing guidelines for the host cities with respect to the management of the sports venues, and the debt incurred for the purpose of their preparation,
- analysis of the tourist traffic in the host cities during Euro 2012 and in the phase after the end of the event,
- evaluation of the impact of Euro 2012 organisation on the employment and wages in the regions where the matches were played.

The most significant value added by Euro 2012 is undoubtedly the infrastructural changes. The event became a catalyst for the execution of more than two hundred projects for an amount of ca. PLN 100 billion. This book focuses on the key projects, including above all the road construction projects, as well as those connected to road and rail infrastructure.

Considering such significant outlays, the funding the preparation, particularly in a division into private and public sources, becomes an especially important issue. It is the predominant commitment of public funds that creates the need to justify their allocation, chiefly in the case of the sports venues, usually utilised by private sports clubs after the end of the event. Euro 2012 has been compared in this respect with other events of this rank, organised in Europe since the beginning of the 21st century.

A separate chapter has been devoted to sports venues in view of the specific character of their use after the event. The different approaches to stadium management adopted by the individual cities have been presented. In this respect particular importance was attached to the sources of income that will enable maintenance of these venues and pay off the enormous debt incurred by the cities in connection with their preparation.

The tourist traffic has been given more attention than the other impact areas, as the element that is relatively easy to study. In this context, the Author took advantage of the opportunity to conduct a survey among the foreign visitors to the four host cities during Euro 2012. For this purpose a survey questionnaire was used, the same as that utilised earlier by a group of Portuguese researchers during Euro 2004. This way it was not only possible to determine the impact of the UEFA European Championship on the current and future changes with respect to tourist traffic in our country, but also to compare the individual results with those obtained by the Portuguese 8 years earlier.

The final part of the study contains an attempt to determine the impact of Euro 2012 on the labour market in Poland, specifically on the employment and wages. For this purpose the differences-in-differences model was applied, investigating the changes in employment and real wages in the voivodeships where the tournament matches were played compared to the other voivodeships. Strong emphasis was placed on analysing the situation at the end of the event to enable determination of the legacy of Euro 2012. Despite the relatively short period that elapsed since the end of the event it is hoped that the study will show the anticipated trends. Nevertheless, in more distant future it will be worth returning to the attempts to determine the impact by *ex post* analysis, not only on the labour market but also on other areas indicated in this study, to obtain the full picture of the effect exerted on Polish cities by this mega sports event.

This book is largely based on the experiences described in English-language specialist literature. This is due to the fact that the subject has not been sufficiently examined by Polish researchers. The English version of the book is intended by the Author to contribute to extend the potential readership, all the more so because such a comprehensive study concerning the impact of Euro 2012 on the Polish economy has not yet been written in the English language.

## **Final remarks**

In this study, an attempt was made to estimate the impact of the organisation of UEFA European Championships on the host cities: Gdańsk, Poznań, Warsaw and Wrocław. For this purpose, four main areas of impact were isolated, i.e. non-sports infrastructure, sports venues, tourist traffic and the labour market.

The adopted list of infrastructural undertakings executed as part of Euro 2012 preparations included 219 projects divided according to the urgency criterion into key, important and other projects. Analysis of project completion revealed that not all tasks had been executed as planned before the beginning of the event. Predictably, the key projects were found to have been completed in the greatest percentage of the cases (76%), while other projects were characterised by the lowest percentage of completion (51%). The degree of completion also varied between the individual cities. Gdańsk turned out to be the most efficient city with 74% of all projects completed, while Warsaw was at the bottom of the ranking with 63% of completed projects.

Even considering the high percentage of incomplete infrastructural projects, it is worth emphasising that Euro 2012 became a catalyst of important changes, especially with respect to broadly defined transport infrastructure. It is particularly striking in the case of road infrastructure. In 2012 alone 953 kilometres of expressways were completed. For comparison, by 2011 only slightly over 1700 kilometres of such roads had been built. What is important, the effects of Euro 2012 will still be noticeable at least until the end of 2014, when all projects undertaken in connection with the event will have been completed.

Such considerable infrastructural needs of Poland necessitated massive outlays. Euro 2012 proved to be the most expensive of the UEFA European Championships organised in the 21st century and, in all likelihood, in the whole history of the tournament. A highly disadvantageous fact for our country was the complete absence of commitment of private funds in the financing of the preparations. The public-private partnership program, in which high hopes had been placed in connection with the organisation of Euro 2012, turned out to be a total failure. It is noteworthy that it is an unprecedented case of financing a sporting event of this type exclusively from public sources.

The most frequently recognised legacy of the Championships are the stadiums. The future management of these venues will have an influence on the general cost-benefit ratio of their construction/extension. The difficulties in generating sufficient revenues to cover the costs of maintenance and debt service are already being experienced. The study indicated some feasible ways of fund acquisition involving the organisation of both sporting and non-sporting events.

One of the most important effects of Euro 2012 on the individual host cities was the anticipated intensified tourist traffic. These expectations were reflected in the increased amount of accommodation available in these cities. The most difficult challenge in the context of the research was to isolate the effect of Euro 2012 and establish the extent to which a particular effect resulted from the event rather than other determinants, not directly connected to the tournament. For this purpose, an econometric analysis of trend functions was carried out. A comparison of the status quo with hypothetical values confirms that Euro 2012 has had a positive effect:

- in Gdańsk, with respect to the number of hotels in 2009-2012, the number of hotel beds in 2009-2012 and the total number of accommodation facilities in 2008-2012,
- in Poznań, with respect to the total number of accommodation facilities in 2008-2012,
- in Wrocław, with respect to the number of hotel beds in 2009-2012, the number of accommodation facilities in 2010-2012 and the total number of beds in 2011-2012,

Another source of interesting observations was the survey conducted among a thousand foreign visitors in all four host cities. The most important conclusions drawn from its results are:

- a strong relationship between the national the teams playing their matches in a particular city and the number of tourists from these countries,

- the fact that the main beneficiaries of Euro 2012, apart from the four host cities, was Cracow and Czech cities, which were most frequently indicated as secondary locations; as the Czech Republic, the main reason for this situation was the considerably cheaper accommodation than in the Polish counterparts,

- in the ranking of attractive tourist destinations Poland was given 6.3 points out of 10; tourists chiefly complained about the weather, especially low temperatures,

- a strong relationship between the amounts spent by the tourist on preparations and the distance of a particular country from Poland,

- no relationship between the amounts spent by foreign tourists in the destination cities and the country's wealth as measured by GDP per capita.

The last area investigated was the impact of Euro 2012 on the labour market. In order to determine the relationship between the event and the employment and real wage levels, the popular difference-in-difference model was used. The applied model produced results corresponding to most results of similar studies conducted all over the world – it proved that there is no significant relationship between the organisation of an event and positive changes on the labour market following the event. Nevertheless, Euro 2012 contributed to a rise in employment in the preparation phase and during the event itself, though accompanied by a slight fall in real wages.

To sum up, in terms of measurable quantities, it is difficult to identify significant determinants confirming the beneficial effect of Euro 2012 on the economy. However, considerable importance should be given to non-measurable aspects, including the so-called feel-good factor, which should certainly be considered in the final cost-benefit analysis. This is but one of the reasons why the topic promises to be a fertile field for future research.

## **References**

1. Zawadzki, K., Euro 2012 Economic Impact on Host Cities In Poland, LAP Lambert, Saarbruecken 2013.