UNIVERSITY OF LJUBLJANA FACULTY OF ECONOMICS AND INTERNATIONAL CENTER FOR PROMOTION OF ENTERPRISES (ICPE), LJUBLJANA

MASTER'S THESIS

THE IMPACT OF 2008 BEIJING OLYMPIC GAMES ON CHINESE TOURISM – THE MODEL FOR MEASUREMENT

Ljubljana, September 2008

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Author's Statement

I, Hao Chen hereby certify to be the author of this Master's thesis, that was written under mentorship of Dr. Tanja Mihalič and in compliance with the Act of Authors' and Related Rights- Para.1, Article 21. I herewith agree this thesis to be published on the website pages of ICPE and the Faculty of Economics.

Ljubljana, Date: Sep 3, 2008

Signature.....

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ABBREVIATIONS

ABS	Australian Bureau of Statistics
ATC	Australian Tourist Commission
BMBS	Beijing Municipal Bureau of Statistics
BOCOG	Beijing Organizing Committee of the Olympic Games
BSFLP	Beijing Speaks Foreign Languages Programme
CCTV	China Central Television
CNTA	Chinese National Tourism Administration
CTS	Chinese Travel Service
CGE	Computable General Equilibrium
ETOA	European Tour Operators Association
GDP	Gross Domestic Product
GHG	Green house gasses
IOC	International Olympic Committee
IF	International Sports Federation
IBC	International Broadcasting Center
KTO	Korea Tourism Organization
MICE	Meetings, Incentives, Conventions and Exhibitions
MPC	Main Press Center
NBSC	National Bureau of Statistics of China
NOC	National Olympic Committee
OCOG	Organizing Committee for the Olympic Games
RMB	Renminbi – Chinese currency (also called 'ChineseYuan')
SWOT	Strengths, Weakness, Opportunities and Threats
SARS	Severe Acute Respiratory Syndrome
TFC	Tourism Forecasting Council
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
VJP	Visiting Journalists Program
WTO	World Tourism Organization
WTTC	World Travel and Tourism Council

Chapter 1 – INTRODUCTION

1.1 Introduction and research problems

Olympic Games, in particular the summer Olympic Games, are the biggest sporting event, which occurs every four years. In last three decades, with the growth of large media coverage and sponsorship, host cities have started to attach great importance to the tourism and other likely economic effects occurred by staging such a special event (Kasimati, 2003, p. 2). The expectation that staging the Games may have long-lasting positive impacts on the city's economy, which has inspired a strong increase in the demand for hosting the Games, particularly among developing countries that seek an economic boost – the so-called "Olympic effect." (Tucker, 2006, p. 2). The organization of Olympic Games is also considered as a matter of honor and prestige for the host city and the host city and thus helping it advancing in the hierarchy of world cities.

Preparation of the greatest and the most complex international sport event as the Olympic Games poses innumerous challenges to the host city as well as the host country; such as funding and revenue generation, construction of required sport venues, expansion of accommodation capacity, improvement of urban infrastructure and environment, etc. However, it is widely believed that staging the Olympic Games has in total beneficial long term impacts on economic, social-cultural and environmental areas of the host. Usually the host cities pay a great attention to economic implications and tourism development.

Olympic Games are a process running for several years, starting with Olympic bid, continuing through preparations, staging the very event, and continuing with post-event activities. The Games involve lots of participants and stakeholders where each from its point of view may evaluate costs and benefits of the Games using its own scale of measurement. Common sense tells us that it must be something highly beneficial in Olympic Games, as otherwise cities would not compete so harshly to win the next Olympic Games bid. To see what is that, the first step involves establishing a model of measurement.

Most of published literature about Olympic impact studies put emphasis on long-term benefits such as newly constructed event facilities and infrastructure, urban revival, enhanced international reputation, increased tourism, as well as improved public welfare, additional employment, local business opportunities and corporate relocation. In contrast, potential negative impacts include high construction costs of public sports infrastructure and related necessary investments (usually putting a heavy burden on the government budget), temporary crowding problems, loss of visitors, property rental increases, and temporary increases in employment and business activities (Kasimati, 2003, p. 4-5).

According to Furrer (2002), tourism is the economy sector that could profit from staging the Olympic Games the most. Our interest of analysis will primarily focus on further exploring the impact of Olympic Games on tourism and trying to build a model to measure this kind of impact. To achieve this goal, we first need to familiarize with the concept of tourism and related knowledge. According to (Lundberg et al, 1995, p. 4), tourism is an umbrella concept, which continues to change in its definition: "The term *tourism* encompasses travelers away from home and the businesses and people who serve them by expediting or otherwise making the travel easier or more entertaining. A *traveler* is a variously defined as someone a specified distance (the distances vary) away from home." As such, the tourism has several aspects including:

- transportation,
- accommodation,
- catering,
- tourist attractions,
- shopping, entertainment and leisure,
- environment,
- governmental policies.

According to Mihalič (2002), tourism as a large industry on one hand depends on, but on the other hand can have significant impacts on local economy and its stage of development. The expenditures made by tourists are, for instance, first spent in transportation, hotels, restaurants, and tourist attractions. In order to perform their tasks, those services need goods and support from other local services or goods providers. This chain can continue several steps while in each step a part of money leaks out (taxes, expenditures made in other economies). The expenditures made along the chain cause the so called "multiplier effect". The "multiplier effect" is an essential part of several economic impact studies (Baade and Matheson, 2002; Kasimati, 2003; Blake 2005). Evaluating the tourism is therefore not just a topic concerned with the number of tourists but rather how well the tourism is integrated into this chain.

The aspects presented above demonstrate the complexity and the multi-dimensionality of the concept of tourism implying that measuring tourism alone is a challenging task.

While global tourism is rapidly developing with impressive statistics of visitors and revenues, the long-term development of tourist destinations can be questionable if it is limited by insufficient transportation and/or accommodation infrastructure or low quality service. In

recent few decades, hosting mega events were widely served as an important instrument for many cities and countries to improve the international awareness and further promote the tourism development by attracting innumerous visitors and worldwide media coverage.

With a relatively good model for measuring the tourism, one can approach considering the impacts of mega events on tourism, in our case the event of staging the Olympic Games. Each such mega event has its specific properties. To investigate the impacts of Olympic Games on tourism one needs to model the concept of the Olympic Games. Olympic Games are the process consisting of several stages, each stage having its specific impacts on various aspects of infrastructure and activities of the host city and the host country, and with that, on tourism. The way how Olympic Games are organized, and above all, how they are incorporated into the long-term development strategy of the host city, influences the final result. The concept of leveraging (Chalip, 2002, p. 7) and the concept of sustainability of the Olympic Games (Furrer, 2002, p. 2) are the most important concepts in achieving long-term beneficial effect on the host city and host country.

The Beijing Olympic Games are interesting from several points of view. First, we can notice the fact that China as a developing country is on a significantly lower development stage comparing to the host countries in the last 20 years. However, the real fact is also that the Games were organized in China in the time of the impressive economic growth (more than 10% last 6 years). The announcement of hosting the 2008 Olympic Games by IOC marked China's emergence as a major global player just as the same case that the 1964 Tokyo Olympics and 1988 Seoul Olympics propelled Japan and South Korea onto the global stage (Sands, 2008, p. 40). Another particular aspect is that the socio-economic and political system of China, ruled by the Communist Party, is significantly different from the democratic systems in USA, Korea, Spain, Australia, and Greece (the countries staging the Olympic Games in last two decades). Interesting aspects are also China's large population together with rich and specific culture and history.

1.2 Research purpose and objectives

The economic impact of Olympic Games received increasing attention over last two decades, along with more and more intensive competition between worldwide nations for hosting Olympic Games. Many economic studies are available for identifying and quantifying the economic consequences of hosting the Games. The most common approaches are Inputoutput approach and CGE (Computable General Equilibrium) framework.

The most significant economic impact of hosting Olympic Games is usually the impact on the national and international tourism of the host city and country (Ignatis, 2003, p. 2). However, currently there is no relatively sound model available for measuring such kind of impact on tourism in detail. Determining impacts of staging the Beijing Olympic Games on tourism is a challenging task. The purpose of the thesis is to explore different aspects of the Olympic Games impacts on tourism and then build a model to measure the impact.

The objective of our study is twofold; first, to derive a model for measurement of impacts of the Beijing Olympic Games on Chinese tourism based on the post Games studies from the literature and accounting for specific situations of Beijing Olympic Games. In order to extract valuable information to help us to build the model, it is essential to examine all the aspects regarding the tourism demand and tourism supply as well as the environment, which has been created by hosting the Games in the broader region of Beijing. Second task is to evaluate the model, in order to check how well we can determine and measure the Olympic Games impact on tourism.

The aim of our study is to improve the knowledge on impact of Olympic Games on a tourism industry. We hope the achievement of this study can help the policy makers as well as potential hosts of Summer Olympics and other mega events in the future.

1.3 Structure

The study is composed of eight parts. At an early stage of the second chapter, there will be a brief introduction to the concept of Olympic Games, the tourism system and its environment, as well as the relationship between mega events and tourism development.

In the third chapter, the study of Olympic Games impacts on tourism in the previous host cities and countries will follow. This chapter will focus on the most recent cases of the Athens 2004 Olympic Games and the Sydney 2000 Olympic Games. The other Games from 1984 to 1996 are also briefly reviewed in order to extract more information regarding to the various aspects of impacts on tourism in different cities. Tourism in these cities/countries experienced significant changes that are still taking place generated by the Olympic impacts. The chapter will continue with a detailed study of the model for measuring the impacts of Sydney 2000 Games on tourism, which was used for forecasting. This chapter concludes with summarizing a set of key impacts on the tourism supply and demand as well as the tourism environment.

The overview of tourism development in China and Beijing will be introduced in the fourth chapter. In order to evaluate the Olympic Games impact on Chinese tourism, it is necessary to first familiarize with the history of its development and the actual situation as well as the future direction of the development of Chinese tourism. Since Beijing is the host city of the Games and we believe it can gain the most from the Games, we will focus especially on the achievements in tourism in Beijing and the main problems that may occur in the future tourism development of Beijing.

In the fifth chapter, we will introduce the organization of the Beijing Olympic Games, the strategic objectives as well as the action plan for preparing the Games. The plans for leveraging and expectation will be explained.

Chapter 6 is focused on the presentation of the model for measurement. The model will be built through using the model of tourism system, considering its supply and demand side as well as the tourism environments. Crucial aspects for determining changes will be presented, and where applicable, relevant variables will be identified.

The evaluation the model takes place in Chapter 7. By using SWOT-like analysis, we will analyze the model. We make the conclusion in the last chapter.

1.4 Research methodology

The research and development of the model will base on the best practices from the literature on analyzing the impacts of mega events on tourism. The nature of the research will be in majority exploratory. Quantitative content analysis and qualitative textual analysis are used as the main research methods for this study.

In order to achieve the previously mentioned objectives, the main research method we have chosen is collecting secondary data as well as adapting several case studies about previous Olympic Games impact on economy and especially on tourism of the host city and the host country. The secondary data are mainly from statistical yearbooks or bulletins, governmental publications, research articles, official governmental websites and so on.

The first step of the research will be to determine the appropriate model for tourism including the definition of important variables. The next step will deal with a case study of the organization of the Beijing Olympic Games and their impacts. For that, the case studies of previous Olympic Games and case studies of the sources describing policies and strategies of the Beijing Olympic Games and Chinese tourism strategy (Chinese government, Chinese National Tourism Administration, Beijing Olympic Games Organizing Committee). As a consequence of the core strategies the action plan for the Beijing Olympics was set. Its implementation and possible changes will be followed through official reports and other documents.

After modeling tourism and studying the organization process of the Games, the major possible impacts will be identified, which will later serve as a basis for the model for measurement. Here the approaches from the literature will be used. Certain specific components of the model will be tailored due to requirements by the specific nature of the Beijing Olympic Games.

One of the important issues will be obtaining the data describing the trends in Chinese tourism and tourism in Beijing for the years before the Games. The ways to obtain other data needed will be discussed.

When the model is developed, its evaluation will be carried out using a SWOT-like analysis.

1.5 Literature Review

The majority of impact studies of Olympic Games focuses on economic impacts. According to Baade and Matheson (2002), the most popular are prospective studies (ARUP 2002; Blake 2005; Intervistas 2002; Madden and Crowe 1998; Owen, 2005; Pricewaterhouse Coopers LLP, 2005; Shaffer et. al. 2003; TFC, 1998) which are often more politically than economically motivated and serve as estimates in the process of bidding. The after-event studies (Baade and Matheson, 2002; Brunet, 1995; Duran 2002; ETOA 2006; ETOA 2008, McHugh 2006) are a good source of information for future modeling of the Games. In spite of the fact that after the event information for evaluation of the Games is available, determining the impact of the Games is still a difficult task. As described in Baade and Matheson (2002, p. 12), in order to determine the impacts, one would have to know what would have happened in the case of not staging the Games. Due to lack of this information even different after-event studies give completely different results. Of course, the gaps between prospective studies and after-event studies are even larger.

Tourism is one of the sectors for which it is believed that it gains the most out of staging Olympic Games. Majority of the prospective studies assume and after-event studies confirm the existence of "incremental tourism". This is the increase/decrease of tourism which is the direct consequence of the Olympic Games and is usually shown as an increase/decrease of the tourist activities over the usual trend, starting a few years before the Games and ending a few years after the Games. For our topic it is interesting to observe the prospective study of Tourism Forecasting Council (1998) for the purpose of Sydney Olympic Games. This prospect study is one of the best publicly available studies on Games' impacts on tourism. The analysis deals primarily with predicting the number of inbound tourists, domestic tourists and their distribution. The study uses statistical data from the past combined with the Delphi method. A review of the method will be presented in Chapter 3.

While there is no disagreement on the existence of "incremental tourism", there is still an argument on what amount of the tourism growth can be attributed to the Olympics. In some studies, like Intervistas' (2002) and Tourism Forecasting Council's (1998) the estimation of incremental tourism is truncated to the years from getting the bid until 3-5 years after the Olympic event. Even in the well documented case of Barcelona Olympics there are

disagreements on after-event studies. According to Duran (2002), the Games are attributed to have the major impact on the city by increasing the number of rooms, number of guests, increasing the percentage of foreign guests, making the city the third major tourist city in Europe, etc. On the other hand those impressive figures are compared in ETOA's Olympic Report (2006, p. 12-13) with growths of the same variables in other comparable cities, like Dublin, Prague and comparable tourist destionations in Europe, like Lisbon and Venice. No significant differences are noted. In the ETOA's report it is emphasised (similarly as in Owen (2005) for economical effects in general), that there is no proof of long-term effects of Olympic Games on the tourism. It is clear that one of reasons for disagreement is usage of different models for measurement.

Owen (2005, p. 1) points out the danger of impact studies of the Olympic Games, which is a common assumption that the scale of the Olympic event and the scale of preparations for it will create large and lasting economic benefits to the host city. Most of studies on that usually confirm the expectations and beliefs, often on account of misapplications of economic theory. Organizers usually account for "Olympic legacy" which includes all effects to the host after the Games that arise from the fact that the Games were organized in the city. Olympic legacy is usually un-quantifiable, but always considered as a benefit. Owen believes that the success of Beijing Games depends critically on how well Olympic related investments in venues and infrastructure can be incorporated into the overall economy in the years following the Games. This is in agreement with the concept of leveraging the Games in Chalip (2002, p. 7) and the concept of sustainable Games (Furrer, 2002, p. 2-3).

The concept of leveraging the Games emphasises additional activities before, during and after the Games in order to optimally use the promotion and motivation potential of the Games. A nice example represent Sydney Olympic Games where Australian Tourist Commission systematically worked on promotion of tourism.

The concept of sustainability is important from the aspect of so called "Olympic burden". The most prominent examples of "Olympic burdens" are oversized Olympic venues which remain only partially used after Olympics and cause troubles to local economy. Therefore, it is important to incorporate Olympic Games into the long-term host city strategy.

Another important aspect of Olympic Games is their potential, which can be used as a catalyst for economic development (Furrer 2002; Owen 2005), which is important as a motivation for building infrastructure. The latter is what is exactly happening now in China. Preuss (2007, p. 41) goes even further and suggests that the major effect of Beijing Olympics for China will be signalling strength and growth of China to the rest of the world. Although Beijing Games are used as a catalyst for development of infrastructure and as a national motivation, the magnitude of impact is not very clear as recent Chinese economical growth is

extremely high, people are highly motivated, and infrastructure needs to be built anyway. As we shall see, a large part of the expenditures for the Olympic Games goes into building and/or rebuilding infrastructure. From this point of view the host cities usually advance in infrastructure in few years instead in maybe decades. The expenditures are, of course, enormous, but the infrastructure together with additional tourism offers represent an excellent base for further development of tourism.

In Preuss (2004, p. 3-8) some other aspects of Olympic Games impacts on tourism are considered. The models for communicating the image of the Games to the target groups, and how the image affects them are studied. As expected, during and after the Olympic Games the recognizability of the event place increases. Behavior and expenditure patterns of tourists are analyzed. The effect of "crowding out" together with other rarely considered tourism effects are also considered. These effects are important while determining the real number of additional tourists whose arrival was directly or indirectly a consequence of staging the Games. Numbers of additional tourists may look high and promising, but for picturing the real situation, we need to take into account the tourists that avoided the host city during the Games. According to ETOA's Report Update (2008), Olympic Games can cause disruptions in the established pattern of tourists such that the destination experiences the reduction of all tourists even during the year of the event.

In the last decade, the growth of Chinese tourism's indicators has been 10% and more all the time (except in 2003, due to SARS). It will be hard to determine which part of growth should be attributed to the Olympic Games and which part is a consequence of the economical growth in China.

Concerning the tourism, the bottom line of all studies is that there is a benefit to tourism, which can be interpreted at least as the incremental tourism. However, the Olympics offer much more potential through leveraging, which combined with sustainability optimize the beneficial outcomes for tourism. There are also negative effects of Olympics on tourism and economy in general. The concept of sustainability tries to account for them and tries to minimize them.

Chapter 2 – OLYMPIC GAMES AND TOURISM

In this chapter we will present the basic concepts of tourism, Olympic Games and mega events. The relationship between mega events and tourism will be explained.

2.1 Defining Olympic Games

Olympic Games, in particular the Summer Games, are considered as the most popular sport event that gives a huge opportunity to the host city to present itself in the global scale. The Games are also regarded as a motivation for social, environmental, and economic changes.

The ancient history of the Games starts at least 3000 years ago. The Games purpose was initially a celebration of physical excellence and honoring ancient gods and religion. The modern Olympic Games started its tradition in 1896 in Athens. The initiator was the French baron de Coubertin. Since then the Games were held every four years with some exceptions, mainly due to the two world wars.

It is widely accepted that the Olympic Games could have a large impact on the host city and the host country and could leave a significant positive legacy, but sometimes could be negative as well.

According to Poulios (2006, p. 19), there are three key players in organizing the Games: the Olympic Family, the Organizing Committee of the Olympic Games and the State (host country).

Olympic family consists of the International Olympic Committee (IOC), the International Sports Federations (IF) and the National Olympic Committees (NOC). The IOC is an independent, self-financed international organization whose responsibilities include:

- promoting the Olympic ideals,
- deciding the country to host the Olympic Games,
- supervising the preparations of the Games, and
- financing the Olympic Family and the Games through various agreements that it reaches with the private sector.

International Sports Federations, of which there are as many as Olympic Sports, are responsible for the organizing and development of their sports.

The National Olympic Committees' responsibility is to encourage participation of athletes from their respective countries in the Games.

Organizing Committee of the Olympic Games is responsible for the preparation of the Games in the host country. That includes providing services that are closely related to the Olympic Games. It is financed by the Olympic revenues and the State.

The State is usually mainly responsible for the construction of all projects that will continue to exist after the end of the Games, such as the infrastructure works, the sporting venues, and the security of the Games. Depending of the Games, a bigger or smaller part of construction is handed to the private sector.

The Games start with a bidding process where competitors send an application form to IOC, which includes a detailed description of opportunities and the possibilities of the applicant. Then the applicants go to the process of evaluation. The criteria defined by IOC (IOC Host City Election, 2007, p. 1) include:

- government support, legal issues and public opinion,
- general infrastructure,
- sport venues,
- Olympic villages,
- environmental conditions and impacts,
- accommodation,
- transport concept
- safety and security,
- experience from the past sports events,
- finance, and
- overall project legacy.

After thorough evaluation, the best applicants are chosen by IOC and become the candidate cities. Through detailed monitoring, further evaluation and judgment IOC finally chooses the best one as the host city. If all requirements are met, the host city and the host country's NOC are asked to sign an agreement including all responsibilities for hosting the Games. Such an election decision usually takes place 7 years earlier than the very event. Usually, NOC takes over some responsibilities for preparation and results of successful Olympic Games. The city's Organizing Committee for Olympic Games is formed after the successful bid and takes the direct part in planning, decision-making process and organization.

Beside the prestige of organizing the Games the most important motivation for the host cities are economic benefits that are generally believed the Games offer. The global dimension of the Games is offering opportunities, which properly managed can bring a significant yield to the host city and to the host country. In the Table 1 below there are some statistical data describing the global scale for a few last Olympic Games.

Hosting City	Atlanta 1996	Sydney 2000	Athens 2004
NOC s (Nations)	197	199	201
Athletes	10,318	10,651	10,625
Events	271	300	301
Volunteers	47,466	46,967	45,000
Media	15,108	16,033	21,500

 Table 1: The number of events, participants and media personnel for the last three

 Olympic Games

Source: http://www.olympic.org

Olympic Games also attract a huge amount of spectators and other Olympic related visitors. Besides that, the Games receive the biggest world media coverage of an event communicating to billions of TV spectators around the world during the event period.

Obviously, the Olympic Games are a complex event to host and plan. To host the Olympic Games, the demands are very high and many different fields have to be addressed (like preparing the required venues, transportation, accommodation, technology and environment). The hope and motivation for the organizer are as high as possible benefits at low as possible costs. Economic costs and benefits are the most important among them and can be observed through the three phases of the organization.

- pre-Games phase,
- the Games' phase, and
- post-Games' phase.

The key economic benefits and costs of the Games in all the three phases are shown below (see Table 2, page 12).

Phase	Benefits	Costs	
	Tourism	Invest expenditure	
	Construction activity	Preparatory operational	
Pre/Games phase		costs (including bid costs,	
		lost benefits from displaced	
		projects)	
	Tourism	Operational expenditure	
Comercia	Stadium & infrastructure	related with Games	
	Olympic jobs	Congestion	
Games phase	Revenues from Games	Lost benefits from	
	(tickets, TV rights,	displaced projects	
	sponsorship, etc.)		
	Tourism	Maintenance of stadiums	
	Stadium & infrastructure	and infrastructure	
Post/Games phase	Human capital	Lost benefits from	
	Urban regeneration	displaced projects	
	International reputation		

Table 2: Phases of organization of Olympic Games with costs and benefits

Source: Pricewaterhouse Coopers, 2004

Looking at the Table 2 above, we can see that tourism is the only activity that benefits in all three phases. It is no wonder that all organizers expect the most from the development of short term and long term tourism as a consequence of hosting the Games. Analyzing the impacts of the Games on tourism and developing a relatively good model for measuring such kind of impact is the main point of our thesis.

2.2 Defining Tourism system and environments

As an initial point in describing tourism we shall start with the model of tourism system and its environments (Mihalič, 2006). Tourism system consists of **tourism supply** and **tourism demand**, where tourism market plays a role of a bridging element.

Tourism environment consists of all elements that are not included in supply-demand model and are generally divided into three groups:

- economic environment,
- socio-political environment, and
- ecological environment.

Economic environment includes the economic system relevant for the tourist destination with its entities and relations among them, e.g. what is being sold and bought in the tourism market. *Socio-political environment* refers to social awareness together with formal and informal mechanisms for stimulating environment-friendly behaviour (such as institutions, legislation and political decision making process that influences the environmental legislation, environment ethics, awareness and knowledge, ...). *Ecological environment* refers to natural, cultural tourism attractions and social tourism attractions such as friendliness or safety.

Tourism supply is divided into primary and secondary supply, where the two main criteria for division are whether the elements are result of human work, and/or whether they can be produced or reproduced with the same quality. Primary tourism supply (attractions) refers to goods that cannot be produced or reproduced and are as such unique to the tourist destination. Secondary tourism supply stands for general infrastructure (such as roads, energy, ...), tourism infrastructure which is solely for tourism purpose (such as hotels, entertainment, sport facilities, ...) and tourism superstructure which are services offered by tourism facilities (such as accomodation and food services, guiding, ...). Secondary tourism supply is needed to provide access to primary tourism supply and together they are offered as a tourist package.

Tourism demand denotes the readiness of tourists to acquire a certain amount of tourist goods in exchange of a certain amount of money. In line with the definition of tourism supply above, tourists are directly or indirectly demand economic and ecological goods.

In this model, the magnitude of tourism can be measured by amount of demand met (number of tourists, their expenditure) and the supply offered (number and quality of tourist attractions, facilities, infrastructure). The main questions are whether supply meets the demand and whether introducing additional supply will be followed by demand.

2.3 Mega event and tourism

Olympic Games fall into the scope of mega events. In accounting for impacts of Olympic Games the theory of events research can serve as a basis.

Traditionally, there was a clear separation between sport event and tourism. While tourism is among the largest world's industries, sports are the number one industry within the leisure sector, Sport events are attractions, which supported by relevant tourism infra- and super-structure become a tourist attractions offered in sports tourism packages.

The literature of events impact research are mainly including the economic impact and social impact. Among them, impact of events on tourism becames the key issue considered by

the researchers. Getz (1991) analyzed the impact of events from the tourist destinations point of view. The benefits of the events on tourist destination come in 5 key roles:

- tourist attraction (attracting quality tourists, spreading demand geographically, increasing visitor spending and length of stay);
- image maker (for attractions, resorts, destinations; creating and enhancing themes, combat negative imagery);
- animator (encourage first and repeat visits to at facilities, resorts and attractions);
- catalyst (stimulate infrastructure, assist urban renewal, stimulate business/trade, support other attractions);
- place marketer (create positive images, improve quality of life, attract residents and investors).

These could be starting points in determining the impacts of the Games on tourism.

In terms of tourism demand, two models introduced by Sparrow (1989) are often used. The term Sparrow uses for special event is the term 'hallmark' event. The first model (see Figure 1) shows a short-term incremental impact, and according to it, there is an increase of tourism demand during the event period followed by returning to normal tourism growth. The second model (see Figure 2, page 15) shows a situation when the event creates "a new plateau for tourism growth". Beside a similar incremental impact during the event (possibly even starting some time before the event), after the event the growth rate becomes higher than it was before.

Figure 1: A model of a short-term impact of a hallmark event



Source: Sparrow (1989)

Figure 2: A model of an impact of a hallmark event that builds a basis for faster development of tourism



Source: Sparrow (1989)

The models can be applied to negative impacts as well. In this case the positive growth changes to negative one.

The anticipated demand induces supply, which follows the demand in the same pattern as in Sparrow's models. Therefore, the patterns in Sparrow's models can be generalized to supply variables as well (size of infrastructure, number of hotels, restaurants, etc). The ideas that make essence of the Sparrow's models can be extended to the qualitative variables of demand and supply as well as to certain variables describing the environment (quality of environment, social behavior of residents, etc)

Chapter 3 – OLYMPIC GAMES IMPACT ON TOURISM IN THE PREVIOUS HOST CITIES

In this chapter, we will present the previous Olympic Games impact studies. Achievements, drawbacks and lessons learned form previous Games will be analyzed. We will focus on the most recent past Olympic Games in Athens (2004) and in Sydney (2000). The aspects considered will serve as a basis for building our model for for measurement.

3.1 Athens Olympic Games (2004)

The Athens 2004 Olympic Games are the most recent Games (before Beijing Olympics). Athens is regarded as the birthplace of the first modern Olympic Games held in 1896. After more than one hundred years of the development, the Olympic Games came back to its home which had a profound impact on Athens as well as on whole Greece. As all Greeks expected, they were really successful true Olympic Games in the new century. In this section, we will focus on the tourism impacts study of 2004 Athens Olympic Games in Athens and Greece.

Greece is one of the smallest countries to undertake the organization and host of the Olympic Games since Finland in 1952. The country has a long tradition in tourism mainly due to its history and ancient civilization. Tourism is one of the most important main industries in Greece, which now contributes to 18% of GDP and provides 800,000 jobs (Zou, 2007, p. 293). The main characteristic of the Greek tourism product is its seasonality. The tourist attractions have relied on the traditional package of sea, sun and antiquity for decades. Consequently, Greece is becoming the only country that strongly depends on a specific season for inbound tourists among EU countries. The tourism officials were expecting to use the Olympic Games as a unique opportunity to develop the tourist package in direction of year-round quality tourism which combines its tranditional strength, wonderfully suuny land and world-class facilities.

Athens, as the host city of the Games, constitutes one of the largest metropolitan centers in the Mediterranean and it is the largest city in the Balkan Peninsula. For meeting the requirement of hosting 2004 Games, the city experienced an actural re-built. According to (Poulios, 2006, p. 24), an old airport, the absence of a subway and tram, an inadequate road system and extraordinary traffic was the reality of Athens in the mid '90s'. After Athens won the bid for the Olympics, Greeks decided that they should upgrade their infrastructure. The major projects were fulfilled related to Olympic Games are following:

• Athens metro connecting city center, suburbs, and the airport, which helped in cutting down the traffic congestion from which Athens suffered.

- Attiki Highway, which is 67 km long, six-lane road connected suburbs, airport, and national highway.
- Suburban Railway, 38.9 kilometers route connected airport with the main railway system, which is still expanding its scale.
- Tram, connected the centre with the southern suburbs and the coast.

Before the Olympic Games, Athens was facing the problem for lacking of enough hotel rooms for the expected visitors. To solve the problem of accommodation shortage, the State tried to solve the problem by partially subsidizing the renovation of nearly 100 hotels. With the abolishment of governmental regulation for hotel development, there were more than 5000 beds available from newly built four and five stars hotel. Finally, the total number of approximately 154,500 beds was available in all levels of hotels, rented houses and rooms. In addition, the There were also additional rooms offered as a result of Filoxenia 2004 housing programme and cruise ships.

One of the important activities during the preparations for the Games was promoting the historical heritage. Rehabilitation of archaeological sites was one of the most visible undertakings. Recreational and walking paths have been built connecting several cultural spaces and one of the Olympic facilities, the Hellenic Olympic complex, was built near the area of historical monuments.

According to Klust (2008, p. 16) Athens had to follow the principles of environmental guidelines and learned from Sydney and Barcelona bids. Based on the several environmental reports (Greenpeace, World wildlife Fund) the environmental issues were evaluated as follows. Planning was not appropriate due to lack of environmental commitments and guidelines. While Athens Organizing Committee's policies were pointing out environmental protection in reality the things were sometimes far from that (Schinas wetland, costal forest – cases of destroying natural heritage). An attempt to protect open spaces and support more green areas failed. Venues were built in open spaces and the trees and bushes were plant hastily and in a bad season. No significant efforts were made for installing energy saving systems or water collection systems to Olympic Venues. No special waste management for recycling or separating of produced waste or tap water saving system was prepared.

During the preparations, significant infrastructural improvements took place by completing in 5 years the projects, which could otherwise take decades. A part of enormous costs of the Olympics can be justified through that. At the end, Athens were successful in obtaining satisfied results by good organization and HR management, highly effective security, spectacularity of facilities, high level of improvement of the city and its infrastructure. Combining that with a good mixture of cultural events resulted in 'best ever' Olympics ('best ever' is a phrase the president of IOC avoids to use after Athens Olympics due to political

reasons and tends to use the phrase 'truly exceptional' in Torino 2006 Winter Games and Beijing 2008 Summer Games). Athens became 21st century modern looking metropolitan center with modern road network and public transport system, new airport built in 2001 and brand new highway around the city that released Athens from traffic jams. Athens got high quality hotels, improved tourism infrastructure, and important architectural facilities of large public-access buildings. The re-branding of the city and the country caused by Olympic Games left an important legacy, which increased the competitiveness in long term in the world stage (Poulios, 2006, p. 26). Moreover, it also brought long-term positive impact on tourism in terms of great image promotion as an international tourist destination.

From the economic point of view, the costs of the Olympics were enormous, representing a few percents of Greek GDP. According to the official Greek estimations (Greek Embassy in USA, 2004) the costs were 8.95 billion Euros. A relatively large part of the costs was due to security reasons (1.08 billion Euros), namely the Athens Olympics were the first Olympics after 9/11 terrorist attacks. The Olympics had trouble with selling tickets and late construction of the venues. The trouble with selling the tickets was due to lack of interest of Greek people for attending the Olympic events since the price was too high. During the preparation period, Athens struggled with construction delays and organizing blunders, falling behind schedule. Actually, they even received a warning of the International Olympic Committee (IOC) of a risk of the loss of hosting rights. However, Greece managed to get ready everything before the start of the Games. They were working in double and triple shifts to make up for lost time. Of course, this brought in additional expenses. The delays occurred due to false expectation at the beginning that private sector will provide major contributions in building and rebuilding the infrastructure. According to Poulios (2006, p. 26), this turned out to be a false hope in a relatively small economy as Greece is. In 2000, the government realized that it cannot rely on private sector and started building and rebuilding through the public financing, but the time was already lost.

Although the country experienced a large financial burden, however, the city could have long-term benefits in terms of re-building infrastructure. Nevertheless, the analysis by the ETOA (ETOA, 2008, p. 3) reveals short term negative effects according to number of inbound tourists. The occupancy rate of the rooms in Athens actually went down during the event in August, and in general the demand for Athens suffered that year. On the top of that, regional Greece also experienced up to 25% decrease of tourists in 2004. The thesis they present is that Athens was a major tourist city, but Olympics disrupted the established pattern of tourists. The disruption was also attributed to the reconstruction works that year.

In comparison of Greece with regional competitors like Croatia and Turkey according to number of tourists, the graph in Figure 3 below clearly shows the disruption on the country level.



Figure 3: Visitor arrivals to Greece, Croatia and Turkey from 2001 to 2007

Source: Olympics and Tourism, Update on Olympic Report, ETOA 2008, p. 5

The explanation ETOA offers is that if the country is in terms of tourism relatively well developed, the very event of staging the Olympic Games can actually have negative effects in terms of the number of tourists.

Additionally, according to (Zou, 2006, p. 305), the short term negative impact was caused by people's fear of terrorism, the crowding out effect, the skyrocket price in tourism market as well as negative impact of wide media coverage (highest number of TV spectators of the Games contributed to decrease of the demand of visitors traveling to host city). The most important thing is that the promotion of Olympic tourism was restricted by funding shortage caused by the economic burden. The failure to combine Olympic Games and tourism effectively caused negative impact on tourism. Nevertheless the major investors believe that the rebuilt infrastructure will pay off in increase of tourism in the next decade or two (Poulios, 2006, p. 26).

3.2 Sydney Olympic Games (2000)

The IOC announced Sydney as the host city of the 2000 Olympic Games in September 1993. Sydney is a modern metropolis of 4 million inhabitants coming from 100 different

nations. The city is the administrative capital of the State of New South Wales, one of the eight regional states of Australia, on the southeast coast of the country.

Sydney Olympic Games were an example of a Olympic Games event with a clear tourism strategy including the concept of Games as being a catalyst for faster development rather than focusing just on the event. This concept is closely related to the concept of leveraging. The tourism development opportunities were considered from the national point of view as well as from the aspect of the hosting city itself. The following quote reflects the main ideas of the Sydney Games on the development of the tourism (ATC 2001, p. 2):

"Australia is the first Olympic host nation to take full advantage of the Games to vigorously pursue tourism for the benefit of the whole country. It's something we've never seen take place to this level before, and it's a model that we would like to see carried forward to future Olympic Games in Athens and beyond."

Mr Michael Payne,

Director of Marketing International Olympic Committee

In early 90s, Australia was not a tourist destination that could compete with other global key players as Europe, America, etc. The Games were perceived as an opportunity to increase the competence of Australia in order to be able to step into the global tourism market on a higher level. In the light of that, Australian Tourist Commission (ATC) considered the Games as a decade opportunity rather than just a 17-day event. ATC started to develop the brand systematically: *Australia 2000 – fun and games*. Supported by the government they fully developed an image of Australia whose purpose was to increase the recognisability of Australia in the global tourism market and add depth to the Australia's contents offered on those markets. According to the Special report of ATC (2001, p. 3), the key objectives of the strategy were:

- to maximize promotion for Australia through media relations program (incorporating media visits, new technology, information distribution and issues management);
- to promote Australia's image through alliances with Olympic organizations and partners;
- to increase high yield markets such as meetings, incentives and conventions, and
- to create trade-marketing programs for the tourism industry to capitalize on Olympic Games opportunities.

For more details, one can refer to either ATC (2001) or De Groote (2005), where the findings were summarized including the revenue and expenditure analyses. The official total

expenditures amounted in Australian dollars \$2.28 billion, with revenues slightly higher, \$2.33 billion, thus bringing the profit of almost \$43 million.

In Ignatis (2003, p. 17), hotel accommodation capabilities of Sydney were reviewed. Two years before the Games, the broader region of Sydney had approximately 25,000 hotel rooms. By the year 2000, the construction of new four and five star hotels has raised that number by 10,000. To accommodate the excess of other Olympics related visitors during the very event, alternative programmes were used (residing in apartments and residential houses, residing on hired cruise ships, ...).

In the Special report of ATC (2001, p. 3), the most significant benefits of the Games that can be determined immediately after the Games, were:

- an additional 1.6 million visitors spending US\$3.5 billion;
- accelerated development of Brand Australia by 10 years;
- media relations and publicity programs generating US\$2.1 billion;
- Olympics sponsors spending US\$170 million promoting Australia;
- *Australia 2000 fun and games* campaign generating 11% increase in visitor arrivals in 2000;
- increased likelihood of visitation because Australia has hosted the Games;
- a massive 700% increase in traffic to <u>http://australia.com;</u>
- Australia improving its standing in the meetings market;
- post-Games tactical campaigns generating significant business;
- worldwide Olympic TV audience: 3.7 billion in 220 countries (IOC), and
- worldwide Olympic Internet audience: 20 million (IOC).

Sydney Olympics were the first Olympics whose organization explicitly addressed the environmental issues. The Olympic bid actually included certain environmental commitment. In order to organize environmental-friendly Games cooperation with non-governmental organizations (like Greenpeace) was established.

Similarly as with Athens, the report by ETOA (2008, p. 2) tries to debunk the myth of a success in terms of tourism development in the Sydney case. Comparing the number of foreign visitors with New Zealand, a graph (see Figure 4, page 22) shows that while Australia kept up with New Zealand until 2000, after the Games Australia experienced significant fall of the number of tourists in comparison with the trend that continued in the case of New Zealand.



Figure 4: International visitor arrivals in Australia and New Zealand

Source: Olympics and Tourism, Update on Olympic Report, ETOA, 2008, p. 3

Olympic Games displace tourists (ETOA, 2006, p. 9). The tourists that actually come in the Olympics year are the specific ones, interested only in the very Olympics, which are their primary purpose to come. The displacement of tourists has a negative effect in subsequent years. Although much was invested in promotion through television and advertising during the year of the event, it seems that the "word of mouth" is the most important motivator for tourists to come and overweighs all the advertising. However, it is important to emphasize that in the case of significant investments into infrastructure, the impacts on tourism can be hidden in the development of the tourism in the following decades. However, estimating such impacts seems to be an extremely difficult task. One may observe growth and development of a certain tourist destination, but it is impossible to say what would have happened in an alternative scenario when there were no Olympic Games at the destination.

3.3 Reviews of impacts of some other Olympic Games

In literature review, we have presented major impact studies in general. As expected, the most advanced impact studies were carried out for the most recent Olympic Games (Sydney 2000 Games and Athens 2004 Games). Our review of past Olympic Games does not attempt to draw any conclusions which Olympic Games have the most favorable impact on tourism. Instead, we would like to provide an overview of past Games and see the impact from different aspects on tourism in order to build a relatively comprehensive model for measurement (although specialized for the Beijing Games, at least in its interpretation). In this

section, the impacts of other past Games from 1984 to 1996 will be briefly reviewed (especially the impacts on tourism).

3.3.1 Atlanta Olympics (1996)

Atlanta won its bid to host 1996 Olympic Games in 1991 which was known as Centennial Olympics. The Games had profound impact on the city. According to Poulios (2006, p. 27), Atlanta was considered as the fastest growth city and area in the U.S. during 1997-2001. However, the failure of organization was becoming the lesson for the next Games. The Games were completely funded by private sector participants who didn't want to invest into the infrastructure. The city did not take the unprecedented chance to showcase it's new and modern face. The Games benefited the businessmen more than the city people. In the study of Engle (1999), the Atlanta's tourism market was a weak one, excluding convention and sports attendance before the Olympic Games, the tourism in the city benefited from the Games at least for short term. During the Games, visitors spent a record US\$14.7 billion in the state of Georgia in 1996. However, the tourism has not significantly increased. For example, the conventions have suffered a significant drop in booking. Another problem was that the city failed to seize the opportunity to develop the cultural, historical and entertainment attractions. Since many of those attractions such as Olympic Park and venues no longer exist, people had no interesting places to visit in the city. Consequently, maintaining of a stream of visitors was becoming a problem.

3.3.2 Barcelona Games (1992)

Today's Barcelona is known as a privileged mosaic of architecture, harmony, culture, climate and history. It is now one of the most popular tourist destinations in Europe. However, 16 years ago the Olympic Game held in Barcelona served as the most influential event to revitalise and place the city on the world stage. The 1992 Games were successful from almost every point of view. In the executive summary report of past Games from Utah Division of Travel and Development, three major effects were identified from the 1992 Summer Olympics in Barcelona: (1) a temporary boost to the local economy of the otherwise depressed Catalonia region; (2) major urban regeneration in the host city; and (3) a short-term boost to the city's tourism industry.

The Games had a significant impact on tourism in Barcelona. The number of arrivals was growing nearly 20% per year in the three years following the 1992 Games. The domestic market became one of the largest sources of new arrivals, which were an under-developed segment. Moreover, the impacts of the Olympic Games on tourism from 1990-2002 have presented well from long-term perspective. The Games enabled the city to expand its tourism

capacity; the city enjoyed the most spectacular tourist growth in Europe, which lead it to become the main tourist destination in the world. The insistent effort paid during the process of critical reflection of the city and tourism promotion contributed to the recent achievements.

In order to understand the impact of the Games on tourism in Barcelona, the development of tourism industry from 12 categories since 1990 should be considered:

- updating all city's tourist infrastracture,
- which was closely linked to the hosting of a number of major events;
- hotel beds increase,
- overnight stays increase,
- increase in the number of vistors taking holidays,
- the orgin of the vistors changes,
- city's positioning in the business meeting sector,
- other industry benefits from Olympic infrastructures,
- benefits in cruise sector,
- increase of sightseeing buses,
- visitors to the city's main cultral and leisure facilities increase, and
- GDP contribution and receipts.

According to Preuss (2004, p. 10), the Barcelona 1992 Olympics did not cause a considerable increase in tourist numbers prior to the Games. The infrastructure of the city changed to such an extent that all the prerequisites for increased tourism, new conventions are fulfilled.

3.3.3 Seoul Olympics Games(1988)

The Olympics in Korea are considered as the most similar ones to Beijing Olympics in terms of the status of the host country during the Games period. After the Seoul Olympics, Korea was put on the map as a rapidly developing country and in 1990s reached a level of one of the largest economies. According to Preuss (2004, p. 10), the Olympics in Korea were a turning point for the tourist industry. There was no significant increase of tourism prior to the Olympic Games. In 1988 a long-term positive influence on the tourism industry started, numerous agencies were opened, many new air connections established and the tourism experienced a considerable growth. Just in terms of the number of inbound tourists, the incremental effect right after the Games is clearly visible in the graphs below (see Figure 5, page 25).

Figure 5: Number of foreign visitors to Korea in years before and after the Olympic Games in Seoul 1988 (all together and by region).



Source: Korea Tourism Organization

As of the city of Seoul during the Olympics, there were less than 240,000 out of city visitors. The number of members of the Olympic Family was 39,332.

3.3.4 Los Angeles Olympic Games (1984)

According to Preuss (2004, p. 10), In Los Angeles 1984, the flow of information between the tourist industry and tourists was poorly organized. Although the occupancy rate was at about only 75%, it was difficult to find accommodation. The Olympics did not trigger a considerable increase in capacity, while the occupancy rate during the Games was indeed higher than in the previous year. Surrounding areas experienced a fall in demand. The general trend in tourism was in decline during 1984. The Olympic caused considerable re-distributions in Los Angeles in this sector aggravating the turnover loss of surrounding tourist facilities. Numbers of visitors in the city of Los Angeles in 1984 showed that although the officials expected 625,000 visitors, only 400,000 actually visited the town.

3.4 Case study - the model for measurement used for prediction

In the light of preparations for the Games, in 1998 a report on the potential tourism influences of the Sydney 2000 Games: *The Olympic Effect* by Australian Tourism Forecast Council (TFC) was published. In a way, this study represents a kind of a model for evaluating the impacts of Olympic Games on tourism, but in this case the model was used for prediction. This model will be used as one of the starting points for this thesis.

The forecast was generated by the TFC in a rather interesting way. The Australia Federal Government established the TFC in 1993. The members of TFC were from peak tourism organizations, the building and finance sectors and government authorities. They introduced the tools and methods for measuring the effect on tourism activity in before, during and after the Olympic Games. Through scenario-building and quantitative forecasts of international and domestic tourism activity, they developed three scenarios in international tourism forecasts and two scenarios in domestic forecasts. Those three scenarios were based on nationwide workshops, the assessment of tourism impacts of past Olympic Games, the current tourism market behavior, the analysis of infrastructure capacity and surveys of tourism experts and industry leader (TFC - Tourism Forecasting Council, 1998, p. 11).

To begin with, the TFC first defined two kinds of impacts as 'direct' and 'promotional' impacts of the whole dynamic process of before, during and after the Games. The direct impacts indicated the Olympic-specific visitors attracted to Sydney because of the Games such as athletes and team officials, spectators, journalists, etc. The promotional impacts refer to the positive impact on tourist arrivals of Sydney and Australia, which are as a result of increased international awareness through media coverage of the Games. In order to define all the possible scenarios and finally develop the most likely scenarios, the study was divided into five phases.

The first phase of the process was the review of past Games that focused on the Moscow (1982), Los Angeles (1984), Seoul (1998), Barcelona (1992) and Atlanta Games (1996). The range of variables affecting tourism was defined in the context of the Sydney 2000 Games. The aspects from which they wanted to evaluate the past Games and measure tourism impacts were the visitor arrivals in the Games year, the periods of impacts in non-Olympic years, the host city arrivals, the different markets and the Games stimulus to them, media coverage and political heists and forecast of tourism activity. For the analysis of the numbers of visitors, they collected the data summarized in Figure 6, Figure 7 and Figure 8 (see pages 27 and 28).

In the following figures *standardised international visitation index* is used, which is defined relative to the host city and the corresponding Olympic year. In the Olympic year, the standardised international visitation index equals 100% and the Olympic year is counted as the
year zero (0). Let n_k denote the number of international tourists in the year k according to the enumeration just introduced. Then the value of the standardised international visitation index I_k for that year equals

$$I_k = \frac{n_k}{n_0} \cdot 100\%$$

Figure 6: Changes in the number of international tourists to the host city.



Source: Tourism Forecasting Council, 1998, p. 23





Source: Tourism Forecasting Council, 1998, p. 22



Figure 8: Visitor arrivals in countries hosting the Olympic Games.

Source: Tourism Forecasting Council, 1998, p. 22

The analysis showed that for the host countries it is not necessary to experience a significant growth of international visitor arrivals in the year of the event. The period of impacts depends on specific Games, but long-term impacts are always limited. The visitor numbers of the host city because of hosting the Games is variable. This is probably because that the perceived impacts of the event on the quality of the destination and the availability of services varies. In addition, some international tourism markets are more inclined to react to the Olympic Games stimulus than others do, although these markets vary from one Olympic Games to the next. Considering the previous forecasts, they determined that forecasts of the tourism impacts of past Olympic Games have generally exceeded the actual outcome.

One of the important findings was also that Olympic Games bring unprecedented media attention to the host city and nation. If a good coverage by international media is received, there is a potential to yield significant tourism promotional benefits. In the case of negative media coverage or exploitation for political purposes, it can bring harm (like Munich 1972 terrorist attacks, Moscow 1980 boycotts ...).

After review of the past Olympics, the key stakeholders in the tourism industry were interviewed as they were the ones who would launch a range of initiatives in the period of before, during, and after the Games to maximize the benefits of the Games and respond to change in the level and pattern of demand. Therefore, there were eight key tourism opportunities identified because of the Sydney 2000 Games (TFC, 1998, P.25) such as:

- pre-Games training and acclimatization camps;
- international sporting events other than the Games itself;

- promotional leverage from the Australian Tourism Commission's Visiting Journalists Program (VJP);
- Promotional leverage through sponsorships and sponsor advertising;
- Games-specific tourism;
- stimulus to the meetings, incentives;
- pre and post Games tour itineraries, and
- diversion effects associated with the desire of some residents and markets to seek destinations that are not directly involved with the Games.

The second phase of the study involved a survey of industry experts, which was designed to achieve informed group consensus in the construction of a set of realistic scenarios and the emergence of a preferred scenarios for the Olympic effect on tourism in Australia. The Delphi technique was used in this phase. In international markets, the leveraging opportunities included promotional opportunities such as Visiting Journalists Program (VJP), stimulus to meetings, incentives, conventions and exhibition (MICE) market in the host cities or the rest of the host country, and the Games visitors. There was a strong consensus by the expert panel regarding the promotional benefits of the Games, minimal switching effects and the benefit from Games-related inbound travel as the result of potential for pre/post itineraries. While in the domestic market, they focused on checking net effect of impacts, geographical effects and aversion effects. Finally, a set of scenarios describing the likely impacts on the international and domestic markets was constructed based on the alternative propositions.

The third phase was conducted by 3 rounds of Delphi Survey Round. According to that, three international scenarios were presented by considering whether the long-term promotional benefits and switching effects will show up or only direct impact would occur. Two domestic scenarios were presented by considering whether the increase in domestic demand will offset the corresponding declines in the domestic markets of other states or not.

The quantitative forecasts of international and domestic markets were continued with the fourth phase, for international markets such as the estimated incremental promotional impact on international visitation, Olympic-induced international visitor arrivals to Australia and state or territory shares of international arrivals, etc. For domestic markets such as Olympic-induced domestic visitation and nights spent in Sydney and New South Wales, in transit domestic tourism spin-offs associated with Games attendance and domestic visitation in Australia 2000 and 2001, etc. Except that, the analysis of the capacity of domestic accommodation and airport services was conducted.

The fifth phase was the final round of the panel survey, and the most likely scenarios were developed. Upon the decision of the most probable among the candidate scenarios, the conclusions were the following:

- The Sydney 2000 Games is expected to bring long-term promotional benefits for the whole Australia and a significant increase in international tourist arrivals.
- Between 1997 and 2004 an extra 1.6 million international visitors are expected to come to Austria as a result of the Games, generating an additional AU\$6.1 billion in tourism earning and creating 150,000 new jobs.
- The impact will begin in 1998, with 76,000 extra international visitors expected, building up an additional 342,000 in 2000 and will remain strong for the four years following the Games.
- New South Wales will be the main beneficiary of the boom in international arrivals but the spin-off also will be significant for the rest of Australia.
- The impact on domestic tourism is expected to be neutral, with an increasing number of visitors to Sydney in 2000 offset by a decline in activity in all destinations in the following year. People leaving Sydney to escape the Olympic are anticipated to be negligible (Tourism Forecasting Council, 1998. p. 13)

3.5 Summarizing the key impacts

Considering the nature of the Olympic Games as a special event and in light of the supply-demand model of tourism and the tourism environment, combined with the experience from past Olympic Games, we can identify the key impacts of the Games on tourism. The key impacts will be stated from the tourism supply side and the tourism demand side as well as the Olympic Games impact on the tourism environment side.

3.5.1 Tourism supply

The key impacts of the Olympic Games on the tourism supply side are the following.

- The construction or upgrading of new modern sports and multi-functional venues that can be used for mega conventions or special tourism attractions. Construction of venues is necessary to meet the IOC's requirements. Oversized venues can become 'Olympic burden' due to maintenance costs. Architecturally interesting Olympic venues can actually become new tourist attractions.
- The modernization of the transportation systems such as the construction of new airport or enlarged airport capacity, new roads and subway lines and better public transport systems will benefit to all the domestic and international tourists and contribute to the sustainable growth of tourism industry. The benefits from the transportation infrastructure renewal or rebuilding present a legacy which has overall benefit for the whole city and its economy.
- Upgrading the tourism attractions is one way to improve the tourism supply. As the host city and the host country tend to present to the rest of the world in the best light,

while more tourists are expected due to the Olympic Games, tourist superstructure of existing tourist attractions is usually upgraded while their tourism infrastructure is modernized. New tourist attractions, like architecturally advanced Olympic venues are generated.

- New and/or upgraded accommodation facilities are introduced. Increased demand for accommodation results in providing more supply together with upgrading the existing accommodation facilities to higher level of quality. The danger presented that oversized hotels after the Games generate the excess supply. Temporary increased demand during the Olympic Games need to be solved by allocating temporary accommodating, while the hotel sector should advance according to anticipated rate of growth after the Games.
- Significant improvements in the quality of catering services takes place.
- The pre-Games training and foreign language learning improve the competency and abilities of personnel in the tourism industry
- Adjustment of tourism industry structures usually takes place, such as upgrading the offer from sightseeing tourism to convention and exhibition tourism. In cases when tourism is relatively well developed and seasonal, this results in disconnection with seasonality and possible prolongation of the tourism season.
- The growth of global awareness of host city and country and establishing the host city's and host country's tourism brand. Establishing strategic partnerships in tourism becomes more intense.
- Additional pre-, post- and during the Games itineraries are added to tourism supply.

3.5.2 Tourism demand

The key impacts of the Olympic Games on the tourism demand side are the following.

- Olympic Games cause a disruption in the already established patterns of tourists. Certain tourists are 'crowded out' while others come because of the Games. A usual reaction of domestic and foreign people is congestion accompanying the event.
- The number of international arrivals in host cities during the Olympic year does not necessarily increase as it is most often expected. The diversion effects have to be considered.
- The induced tourists increase because of the Games in the post-Games phase. Depending on the tourism environment, the effect can be temporary or the Games can cause an increased growth in the post-Games phase. The experience shows that international arrivals in host cities are recording gradually an increase after the Games.
- The event of the Olympics is responsible for the global awareness, and hopefully for the positive image, of the host city and country. The marketing and publicity that

surrounds the host destination before, during, and after the Games can potentially influence the visitor demand.

- In general, host cities overestimate tourist demand during the Games. In the case of Los Angeles (1984), 625,000 visitors were expected, but only 400,000 actually visited the town. In 1992, Barcelona had 1,874,734 visitors in star-rated hotels, only a slight increase over 1,727,610 in the year before (Ignatis, 2003,p.19).
- The Olympic Games produce a stimulus to meeting incentives and with the newly build MICE related infrastructure influences on the tourism demand in the MICE sector.

3.5.3 Tourism environments

Tourism environments include economic, socio-political and ecological environments. In what follows, the key impacts of the Olympic Games on these types of environments are stated.

Economic environment

The main impacts of the Olympic Games on the economic environment are as follows.

- The amount of changes in the economic environment significantly depends on whether the Olympic Games project is mainly privately of mainly public financed. The past Olympics' experience shows that the Games that were more privately financed (Los Angeles, Atlanta) were profitable Games but with not much legacy remaining to the city, as the infrastructure established for the Games tended to be temporary. Meanwhile in cases of publicly financed Games (Barcelona, Athens) significant long term investments in host city's urban and transportation renewal. These expensive undertakings usually result in income of the Games being significantly lower than the investments. For the cities with such a strategy, the outcome is still good. Indeed, the infrastructure and urban renewal of the city was in large part financed by the Olympic Games.
- Large investments positively impact the local economy in the pre-Games phase. If not carefully planned with considering leveraging effects and incorporating the Games into the overall cities development plan, it is highly likely that the host city will end up in red figures.
- At least temporary increase of employment (construction workers, support personnel). At least in construction business, workers are often imported from other places.
- Infrastructure and urban renewal increase the long-term competitiveness of the host city and host country.
- Branding or rebranding the host city and host country and increasing attractiveness.

• It is possible that the prices get higher for local residents during the Olympic Games.

Socio-political environment

The main impacts of the Olympic Games on the economic socio-political environment are:

- sounder tourism industry laws and regulations which help the officials to identify and correct the weak points in existing tourism in the host city and the host country,
- better environmental standards.

Ecological environment

Ecological environment consists of the natural, cultural and social attractions and the key impacts of the Olympic Games on the ecological environment are as follows.

- At least in recent few Olympic Games, requirements on environmental issues become a part of IOC's requirements for the Olympic host candidates. Beside the urban renewal, sustainability and use of environmental-friendly approaches gains in importance. For instance, one of the main concepts of the Beijing Olympic Games is a concept of 'Green Games'.
- Number of cultural event with a promotion of the local culture usually takes place. Efforts are made to include the cultural component into tourism products.
- Possible changes in resident's behavior towards tourists resulting from media campaigns (tourism orientation awareness, improving language skills, hospitability, ...)

Chapter 4 – TOURISM DEVELOPMENT IN CHINA AND BEIJING

In order to be able to measure the impacts of the Beijing Olympic Games on Chinese tourism we first need to familiarize with it. In this chapter, the history of Chinese tourism development in last few decades will be reviewed briefly. Beijing as the host city of the Games will be of course the biggest beneficiary in terms of tourism industry. Considering the fact that China neglected or even discouraged the development of tourism before the end of 70s, but in last decade tourism virtually exploded, this aspect will play a significant role.

4.1 Development of Chinese tourism

China is one of the biggest world countries and the most populous country with over 1.4 billion people. It is famous for its rich 5000 year history and culture. Time-honored history and brilliant Chinese civilization endow China with numerous historical and cultural relics, along with its unique landscapes, lakes, mountains, waterfalls and plains, which are greatly appreciated by numerous tourists from home and abroad. In this vast land, there are seven world natural heritage sites, such as Wulingyuan Scenic and Historic Interest Area, Huanglong Scenic and Historical Interest Area, And there are Jiuzhaogou Valley Scenic and Historic Interest Area and 26 world cultural heritage such as the Greet wall, Imperial Palance of the Ming and Qing Dynasties, and Mogao Caves etc. As well as 4 world cultural and natural heritage such as Mount Taishan, Mount Huangsha, Lushan National Park, etc. The total number of world cultural and natural heritage sites ranked the third, following Italy and Spain. Chinese music, dance, opera, the culture, and customs of ethnic minorities represent the cultural treasure. At present, China has formed a tourism market with a comparatively large scale, great potential and fast growth. With its unique charm, China attracts more and more visitors to come and explore its beauty.

4.1.1 History of the development of Chinese tourism

We shall review the history of the modern Chinese tourism through three periods. The first period is the starting period from establishing the state of China in 1949 to 1978. This was a period where tourism was put aside and neglected. In 1978, the new policy of 'opening-up' of China came into power under Deng Xiaoping's administration. The next milestone is the year 2001 when China was awarded the 2008 Beijing Olympic Games.

The period between 1950 and 1978

According to Chinese National Tourism Administration (CNTA), modern tourism in China started in the early 1950s. Due to the limitation of economic development level, there were some factors, which in a way put less significance in the tourism development. Government implemented self-reliance economic development policy to solve the problem of supply shortage, holidays were becoming counterproductive to the production economy, enjoying leisure through travel was regarded as creating social inequity as well as unethical behavior, which is contrary to communist ideology. At that time outbound travelling was strictly limited only almost exclusively to diplomats and government officials at public expense. Therefore, in the next more than 20 years, the most popular traveling forms are government and business activity, reunion on Spring Festival, visit relatives and friends, and holidays at school (Guo and Turner, 2001). As of the foreigners, only those people with special permissions could come to visit China. Since the Great Cultural Revolution started in early 1966 and last for a decade, which forced the infant travel business to be almost entirely suspended. Hardly any overseas tourists in the proper sense were allowed to visit China.

During this period, the China International Travel Service was established in 1954 with 14 branches in Guangzhou, Shanghai, Beijing and other major cities. In 1964, the State Tourism Administration of China was formally established with two principles: expanding external political influence and absorbing free foreign exchanges. Tourism before 1976 was not considered as an industry nor an economic activity due to its scale, purpose, and method of operations. Tourism policy was largely negative in nature, controlling rather than stimulating tourism (Liu, 2005).

The period between 1978 and 2000

Since the inception of open door policy in 1978 by the Deng Xiaoping administration, China has turned increased attention to economic opportunities that can be affordable by the development of tourism. Therefore, China's tourism has entered a stage of rapid development. In the 1980s, international tourism became extremely important means to get foreign currency when the country was newly opened (Yan and Wall, 2002), at that time, international tourism had a priority over domestic tourism and the focus was set to only the internationally recognized cities. In the seventh five year plan of the Chinese Government in December 1985 they defined tourism as economical activity with the goal to receive foreign currency. In 1986, the tourism industry was put into the national plan for social and economic development for the first time. Since the mid-80s, frontier tourism featuring a combination of trade and sightseeing visits between China and Russia, Vietnam, etc, has been booming with an increase in the disposable income of Chinese people.

In 1990s, tourism was recognized increasingly as a new growth point of economy through creating in demand and stimulating local economic development in production and service. In 1991, the Chinese Government allowed organised journeys of the Chinese Travel Service (CTS) for Chinese citizens to Malaysia, Singapore, and Thailand, later to later Philippines. It was a big breakthrough for Chinese outbound tourism. This stage was the experimental period of the development of outbound tourism. Later 1992, during the 14th Congress of the Chinese Communist Party the "market economy within the socialism" was proclaimed, which allowed the market powers to allocate their resources within the socialist's principles. In 1992, the Chinese National Tourism Administration Bureau selected 249 cities, which combined China's natural and cultural heritage to develop and promote as "national scenic routes" (Sofield and Li, 1998).

In 1996, Chinese holiday system was reformed to induce the demand of domestic tourism. First, the two days weekend was introduced, and then three golden weeks in the year (Spring Festival, International Labor Day and National Day) were institutionalized officially by the Chinese government to create more opportunities for people to travel around. A total of 110 days holiday period have been built into legislated working system. In the meantime, with the increase of Chinese people's income and improvement of their living standard, more and more Chinese people have strong demand to travel abroad. Partly because of the introduction of the new policy and quick economic development, domestic and international tourism in China achieved enormous growth. The new reform opened the pricing system within the Chinese tourism market, which was formerly controlled by the government. Additionally foreign direct investments, which have only been allowed in the hotel sector, now opened partially for travel agencies and the aviation industry. The tourism facilities and service achieved great improvement, the transportation system, including civil aviation, railways, highways, and water transport has developed in a robust way along with the growth of tourism industry.

In 1997, outbound tourism at one's own expense was brought under Managing Interim Regulation on Chinese Citizens' Outbound Tourism. Only 67 travel services secured the monopoly of the outbound market.

If we summarize the development of the Chinese tourism from 1978 to 2000, annual arrivals and tourism receipts have consistently sustained impressive growth between annual rates of 7.4% to 70.9% with the exception of 1989 when a decrease of 17% occurred as a result of the Tiananmen Square event (Liu, 2005). In 1978, China hosted only 1.8 million inbound visitors; nearly all of them (1.56 million) were from Hong Kong, Macao, and Taiwan. Only 0.22 million were foreigners. In 2000, the number of tourists entering China reached 83.4 million, of which 10.19 million were foreign tourists, about 50 times the figure for 1978. Consequently, the foreign exchange income from this industry reached US\$ 16.2 billion, 80

times that of 1978. In 2000, China has become an important tourism destination in Asia, and the fifth large Tourism country in the world. The number of domestic tourists reached 744 million, spending a total of about US\$ 40 billion — 16.4% and 93.8% increases over 1996, respectively. With the improvement of the Chinese people's living standards, Chinese citizens have an increasingly strong interest in traveling abroad. (CNTA)

According to 2001 Statistical Yearbook, in the year of 2000, the total number of travel agencies reached 8993, of which international travel agencies 1268, domestic travel agencies 7725. There were 164,336 jobs created. The total number of tourism hotel increased from 4418 in 1978 to 10481.

The period after 2001

During the 10th five-year plan period (2001–2005), some the main goals for tourism were to significantly develop inbound tourism, make a proactive development of domestic tourism and moderate development of outbound tourism. Therefore, China experienced immense growth. In 2006, China rated the fourth most visited country in the world (WTO). During that period, the growth rate of outbound tourism was much higher than the world average growth and become the first big source of tourists market in Asia. The Table 3 below (see page 38) shows the data relevant to development of tourism until 2006.

In 2001, China was awarded 2008 Olympic Games, and in the same year, China entered World Trade Organization.

In 2002, China enacted and implemented "The Management Regulation on Chinese Outbound Tourism". The number of travel agencies allowed to organize international tours increased to 528 and outbound tourism began to develop rapidly. The agencies were among the major ones and relatively evenly distributed throughout China.

The year 2003 was a black year for Chinese tourism. This year was marked by outburst of SARS and a significant decrease in domestic and foreign tourism. However, the tourism markets almost completely recovered in 2004.

According to the forecast of WTTC (2004), China tourism industry will keep an average annual growth rate of 10.4% in the coming ten years.

Indicator	2001	2002	2003	2004	2005	2006	2001-2006 growth
Number of travel agencies	10532	11552	13361	14927	16245	18475	75%
Engaged persons in travel agencies	192408	229147	249802	246219	248919	293318	52%
Number of star rated hotels	7358	8880	9751	10888	11828	N/A	> 61%
Overseas inbound tourists (million)	89.0129	97.9083	91.6621	109.0382	120.2923	124.9421	40%
Foreigners inbound tourists (million)	11.2264	13.4395	11.4029	16.9325	20.2551	22.2103	98%
Chinese outbound tourists (million)	12.1344	16.6023	20.2219	28.8500	31.0263	34.5236	185%
Domestic tourists (million)	784	878	870	1102	1,212	1,394	78%
Foreign exchange earnings (billion US \$)	17.792	20.385	17.406	25.739	29.296	33.949	91%
Earnings from domestic tourism (billion RMB)	352.236	387.836	344.227	471.071	528.586	622.974	77%

Table 3: Tourism development in China for years 2001 – 2006

Source: China Statistical Yearbook 2007, Statistical National Bureau of Statistics of China

Summary

Chinese tourism as it is was developed in the last 3 decades. This period was marked by gradual opening to the international community and gradual encouraging of domestic tourism. Until the last decade, the tourism virtually exploded keeping the pace with the growth similar to the growth of the economy. Together with limitations set on tourism, cultural exchange between China and the rest of the world experienced limitations as well. For instance, for a long period the scale of outbound tourism was limited and controlled by the government. With improving standard of living of an average citizen, the purchasing power increases, and Chinese tourist demand for foreign destinations is increasing. More and more foreign tourist destinations are getting on the list of approved tourist destinations.

On the other hand, China as a tourist destination was always interesting because the alternative development of a civilization comparing to the western civilization. Because China was for a long time relatively undeveloped in tourism and a closed country, it is now the time when tourists start identifying China as the tourist destination. Especially after the global promotion induced by Olympic Games, it is anticipated that the growth will go on.

The isolation of the country and the late development of tourism participated to several difficulties during the tourism development, particularly in development of relevant personnel,

quality of service and with implementing widely adopted tourism standards. Another problem is a language barrier. Comparing to other countries, foreign languages, especially English, came into primary and secondary schools relatively late in 1990s. The essential differences between Chinese language and western languages make learning English in China hard as well as learning Chinese for the rest of the world.

The tourism package offered by China was mainly focused on sightseeing tourism. A need to diversify the offer is present.

Currently the number of inbound tourists has consistent growth, the foreign exchange revenues ranked to the first 10 in the world. The significant growth of inbound tourism attracted the world attention. Along with the constant completion of tourism infrastructure and improvement of convenience of transportation in China, the service quality of inbound tourism improved progressively. The development of inbound tourism in China was closely interrelated with the promotion in tourism market. There were plenty of theme activity, which carried forward Chinese ancient culture and natural landscape, more and more foreign tourists were attracted to China. The tourism promotion in foreign countries not only created huge economic benefit but also improved the image of China that leads to the comprehensive support from China.

4.1.2 The future development of Chinese tourism industry

The status of tourism industry in developed countries within the national economies ascends significantly and starts to play a decisive role, along with rapid development of highend tourism (such as convention tourism, sport tourism, ...). Another characteristic is further segmentation of tourism market with feature tourism emerging quietly.

The current state of development of Chinese tourism is that China is indeed a big tourism country but there are still disparities between China and world's powerful tourism nations. The development momentum is good, but the contribution to national economy is still low (5.4% in 2003). The concentration of tourism industry is relatively low, tourism enterprises are small, disperse, weak and different. The sightseeing tourism still occupies the dominant position and it is still common for Chinese people to try to visit as many scenic spots as possible in a short time usually available for sightseeing. In the line with that, the tours are organized as tourists have to hurry from one place to another and tour guides have to provide them with massive information (Zou, 2007). According to WTO, on the global level, sightseeing tourists are 22.45% percent of all tourists, 77.55% are business tourists, convention tourists, holiday tourists, visiting relative tourists and others. While in China, sightseeing tourists are nearly 50% of all tourists.

The direction of Chinese tourism industry transformation can be stated from three aspects:

- Advancing the tourism status of China to a world powerful tourism nation; China is a big tourism nation but wants to become a powerful tourism nation. Advantages include rich tourism resources are the basis for that, 37 UNESCO protected natural and cultural heritage (absolute advantage comparing to other countries like USA), human resource advantages, plenty of human resource, strongly motivated, tourism is labor intensive, cheap working force, strong competitiveness. The 10th and 11th five-year plans set tourism as a goal industry receiving support in development. China has a sound development of holiday tourism: three golden weeks. Opportunities arise from world tourism industry for sustainable development, global tourism, 2008 Olympics. All together, improve the influence of China in the world and its image. In addition, optimizing the urban environment of Beijing and co-host cities implies the construction of all kinds of facilities.
- The promotion of the status of tourism industry within the national economy by increasing the ratio of tourism industry in GDP. The goal was set to reach 11% of GDP by 2010.
- The optimization of internal industrial structure primarily meaning transfering from sightseeing tourism to other types of tourism including feature tourism, holiday tourism, convention tourism, business tourism and others. The Olympic Games are the opportunity for the transformation of Chinese tourism industry. The impacts of the Games on development of sport tourism are through raising people's consciousness of sport fitness, transfering people's enthusiasm to sport travelling and introducing the themes related to sport tourism. In order to be able to further develop convention tourism (MICE tourism), the destination city needs to fulfil certain requirements. It has to have a good urban image and urban attractions, has to be functioning, regional economies have to be highly developed, its geographical location has to be relatively good, public security on the high level and the city has to be intensively promoted. The very Olympic bid is the first step in fulfilling the requirements and through the properly tuned process of organizing the Olympic Games all requirements can be achieved.

4.2 Tourism Development in Beijing

Beijing is an ancient city with unique historical and cultural heritage, one of the world's biggest metropoles. The Beijing municipality is counting about 17.5 million inhabitants, roughly 12 million in the metropolitan area. The majority of inhabitants, over 96% is of Han nationality. Beijing as the capital of China is one of the most famous historic and cultural cities in the world. Serving as the capital city of China's Jin, Yuan, Ming and Qing dynasties, its long history has endowed the city with countless historic and scenic spots. Among them,

the Great Wall, the Forbidden City, the Summer Palace, the Remains of Peking Man in of Zhoukoudian, the Temple of Heaven, and the Ming Tomb were listed into the world cultural heritages by United Nation. There are also many highly acclaimed cultural resources such as Beijing's unique traditional lifestyle, folk art, and the Hutong residences. Now more than 200 such scenic spots are open to the public while some 50 historic and scenic spots are visited by overseas tourists all year round.

Beijing is the top tourism city in China. From 1978 to 1985, along with implementation of opening door policy, many foreigners came to Beijing. The number of oversea tourists and foreign exchange earnings had rapid growth, the average growth rates reached 27% and 22%, respectively. Beijing started extensive construction of transportation and accomodation facilities and restaurants. Between 1985 and 1993, Beijing tourism developed as a system with the main goal of receiving the oversea tourists and covering many fields. The service facilities and service quality had rapid improvement. The number of oversea tourists started to grew slowly with the average growth rate of 10% and average foreign exchange growth rate of 16%. The international tourism in Beijing started to transfer from quantity type to profit effective type. After 1993, Beijing international tourism entered smooth development stage, in which the amount of oversea tourists and foreign and domestic tourists arriving to Beijing together with earning are shown in the Table 4 below.

Indicator	2001	2002	2003	2004	2005	2006	2001- 2006 growth
International tourists (million)	2.86	3.1	1.85	3.16	3.63	3.9	36%
Tourism foreign exchange earnings (billion US \$)	2.95	3.11	1.9	3.17	3.62	4.026	36%
Domestic tourists (million)	110.07	115	87	119.5	125.0	132	20%
Earnings created by domestic tourists (billion RMB)	88.77	93.0	70.6	114.5	130.0	148.27	67%

Table 4: Number of international and domestic tourists and earnings from them during the period 2001 – 2006

Source: Beijing statistical yearbook 2007, Beijing Municipal Bureau of Statistics

Beijing as a tourist destination, its final goal for development should be an all-around international tourist city. Although tourism in Beijing developed very quickly in recent years,

there are still some problems, which are making the progress for its development difficult. They include urban pollution, heavy traffic problem, less advanced city infrastructure, less advanced mega conference and exhibition facilities and their unreasonable structure, relatively low competency of citizens and incomplete information service. Considering the current situation of the development of tourism in Beijing, there is long way to go to become a world international tourist destination. Of course, much of that has changed just before the Games.

Comparing with other international tourist city such as London, Paris, Tokyo, a relatively big disparity still exists. In Zou (2007, p. 233), the international tourist destination and its characteristics were identified as following:

- having rich and widespread attraction tourism resources,
- high modernization of urban infrastructures, having international transportation internet system, communication system, financing system and marking system,
- perfection of tourism facilities, having modern information internet,
- the amount of international tourists reaches certain level every year,
- friendly civilization of social environment, and
- good ecological environment.

He made the conclusion based on the international comparation of Beijing internationalization level: in terms of the yearly amount of international tourists and ecological environment, there is great disparity between Beijing and world tourist destination; considering the international attractiveness, urban infrastructure and popularity of foreign language, the gap is relatively big; as of constuction of tourism infrastructure and social security side, Beijing is almost close to the world tourist destination level.

The post Olympic Games proved that the mega event such as Olympic Games would promote the development of tourism and increase the international competitiveness of host city and host countries. Beijing will take this unique chance and will try to become an international tourist destination.

Chapter 5 – BEIJING OLYMPIC GAMES

In this chapter, we shall review the organization of the Beijing Olympic Games, mainly through its action plan. Main ideas and strategies of the Games, the phases of the organization and plans for leveraging the Games will be considered. Expectations from the Games will be briefly presented.

5.1 Organization of the Beijing Olympic Games

In December 2001, five months after Beijing won the Olympic bid, the Beijing Organizing Committee for the Olympic Games (BOCOG) was established. BOCOG consists of 32 departments and around 4000 staff responsible for numerous Games' functions ranging from venue planning to environmental management in order to meet all the demands of the Olympic preparations.

According the official BOCOG's web site, the general goal of BOCOG is to host highlevel Olympic Games and high-level Olympics with distinguishing features, to realize the strategic concepts of "*New Beijing, Great Olympics*" and to leave a unique legacy for China and world sports. The Games are considered as a perfect occasion to fully display the 5,000year history and culture, and to express common aspiration of the Chinese people to jointly seek peace, development and common progress.

The main concepts adopted by the Games are *Green Olympics*, *High-tech Olympics*, and *People's Olympics*. In what follows, we shall review the three main concepts.

Green Olympics

Environmental protection should be a key prerequisite when designing and constructing the Olympic Games' facilities. In practice, this should be done by developing and imposing strict ecological standards, environmental friendly systems, and technologies. Environmental component should be proactively included into all activities concerning the Games. The goal is to improve the Beijing's ecological standard.

High-tech Olympics

The latest domestic and international scientific and technological achievements should be used as a support for Olympics related events together with upgrading Beijing's and Chinese scientific innovative capabilities, boosting the industrialization of high-tech achievements and popularization of them in their use in daily life. The Olympic Games should serve as a showcase of China and Beijing's high-tech achievements and their innovative strength.

People's Olympics

The Games should be an occasion to spread modern Olympic ideas, while displaying splendid Chinese culture, Beijing's historical and cultural heritage, and its residents' positive attitudes. They should offer a unique opportunity to advance cultural exchanges, to deepen understanding and friendship between the peoples of the world and promote harmonious development between humanity and nature. Healthy interaction between individuals and society should be promoted. In line with these ideas, Beijing should try to provide quality services and build a natural and social environment in order to satisfy all the Games' participants.

All these concepts manifest in the Beijing Olympics theme slogan: One World One Dream.

The three major concepts also reflect the strategic objectives of the Games. The Games are to be organized as the-best-ever Games (as usually is the case with every Games), incorporating tight, but friendly and peaceful security measures, maximally promoting the country and maximizing the economic impacts on Beijing and the whole country. The important aspect is also that the Olympics should be used as a vehicle for building a new face of Beijing by improving the infrastructure and standards of living of its inhabitants. The goals also include optimization of the legislation by making it more open and improvements of the government management personnel.

The main strategic principles of the organization are as follows:

- encouraging the whole nation to participate in the preparation for the Olympic Games,
- taking the hosting of the Olympic Games as a part of the modernization drive,
- hosting the Olympic Games to promote the opening-up,
- hosting the Olympic Games to promote the social civility, and
- hosting the Olympic Games to improve people's living standard.

The action plan predicted three phases.

- **Pre-preparation phase (2001-2003)** includes establishing and initiating relevant bodies, preparing for and initiating constructions, and putting marketing programs in action.
- **Development phase (2003-2006)** is mainly concerned with completing 10th five-year plan (2001-2005) and carrying out major constructions.
- **Improvement and operation phase (2006-2008)** included putting the facilities into operation, testing and improving.

There were 37 venues planned to be used for Olympic competitions. Among them, there are 32 in Beijing, 19 of which were to be newly constructed (including 6 temporary sites). A significant number of the venues were planned to be located inside the so-called "Olympic Green" (see Figure 9), which is located at the north end of the central axis of the city, occupying an area of 1,135 hectares. The Olympic Green contains a forest park of 680 hectares and a central area of 405 hectares for the Games. The most prominent venues inside the Olympic Green are the National Stadium (Bird's Nest), the National Indoor Stadium and the National Swimming Center (Water Cube). Venues were built to be safe, comfortable, and good for post-Games use. The Olympic Village was planned to contain 360,000 square meters of apartments available to the athletes, coaches, and team officials during the Games.

From the environmental point of view, the most important aspects to be addressed are prevention of air pollution, protection of drinking water sources, increased use of cleaner high-quality energies, establishing more restrictive emission standards, and strengthening ecological protection and construction. The activities taken are pushing forward urban forestation and beautification (over 255 major streets, satellite towns), building green ecological shelters for the capital, transforming desert areas and preventing soil erosion, rational use of water resources, enhancing ecological protection and construction in key areas, promoting the construction of ecological agriculture, improving urban environment and raising ecological awareness of the citizens.



Figure 9: Olympic Venue Distribution

Source: Official website of the Beijing Olympics

In terms of modernizing transportation infrastructure it was planned that by 2008, about 150 kilometers of new rail transport will be added, reaching a total of 202 kilometers, and the

subway will be carrying about 10% of the passengers in the city. For the roads, the plan was that the length of expressways in the whole city should reach 718 kilometers; motorways should reach 14,700 kilometers, and the road density should reach 87.3 km per square kilometer. Over 318 kilometers of urban streets were planned to be completed. Airport needed modernization, enlarging and connection to the city by the subway. The bus transportation was to be optimized. Several other activities were to be carried out, like building new parking places, enhancing transport control and improving the place naming system in Beijing. The city should experience development of telecommunications and information society.

It is interesting that BOCOG does not have any department, which would specifically address the tourism, but they do have a department for Cultural Activities. This is not so unusual, if we take into account that the Chinese tourism, especially in Beijing, is closely connected with the splendid Chinese history and culture. The advantages can be gained if historical and cultural resources are presented as a whole to potential tourists. In the action plan, it is emphasized that tourism is the industry that will benefit the most directly from the 2008 Olympics. The responsibility of making a more detailed Beijing Olympic Tourism Action Plan was assigned to Beijing Tourism Bureau. The plan was to be built around the image of *'an ancient capital in the east and the homeland of the Great Wall'*.

According to the action plan, the development should have focus on tourist streets and sites. The planning had to be done from an overall point of view. Government's responsibility was to make a comprehensive plan and then the businesses should undertake the actual projects to produce high quality tourism products. For the tourist spots, it was mandatory to develop their unique features.

Besides focusing on the famous spots, another goal was the aggressive development of an array of tourist sites in suburban tourist areas by giving them unique cultural features and strong standing in the market. Hence, a systematic development of tourist resources was emphasized and Beijing's goal was to become a first-class tourism city.

The action plan addresses a seemingly trivial, but for Beijing a critical issue of the public toilets, which needed to be resolved by a quality solution. The regulation on travel agencies, hotels, tourist transportation companies and tourist sites themselves should be strengthened, as well as the training of tourism professionals. Quality of service was to be significantly improved. Tourism products had to be carefully designed to incorporate Beijing culture and Olympic values. Tourist Culture Festival needed improvements, new tourist programs for Beijing visitors had to be introduced and no efforts should have been spared in establishing a quality brand in the international tourism industry.

Beside the basic tourist product, there was a need of improvement for tourism products designed around sightseeing, conferences, contests, vacations, business trips, academic studies, cultural explorations, technology, sports, ecological tours, and traditional customs. For that, Beijing Cultural Tours Manual in multiple languages needed to be published; commodities embodying the natural scenery, cultural and historical sites, traditional culture and folklores should be put into different series, must be of high quality, rich in cultural appeal and enjoying a good reputation. Cultural souvenirs of the high-quality designs that can represent the city's spirit and meet some real demands in the market, needed to be introduced.

The plan has established effective marketing in cooperation with domestic and international partners for the promotional purposes. Activities for achieving these goals included:

- inviting leading businessmen in the travel industry to visit Beijing from major tourist source countries;
- setting up of the famous counter of the time till the start;
- selling about 20% of tickets outside the China;
- a strong promotion during the sales of pre-Olympics and post-Olympics travel packages;
- taking care that hotel reservations and other services for the 2008 Olympics begin at the appropriate time, and
- enhancing the cooperation with cities that will host Olympic events as well as cities that are normally attractive tourist destinations. Certain tourist products related to the Olympics needed to be jointly designed and jointly promoted.

5.2 Plans for leveraging the Games and expectations

Summary of the action plan and strategies reveal that the Games are were planned to be tightly incorporated into the overall development of the Beijing and China. According to estimations by different sources, the Olympic investments are ranging from \$40 to over \$45 billion, which is roughly 4 times the Athens Olympics expenditures. Though, official numbers are not yet published. A smaller part of that was used for construction of the Olympic venues and operation of the Organization Committee. The rest are the investments in infrastructure. The enormous investments are simply a need in such a rapidly developing economy as China currently is. As one can see that the action plan states major undertakings like extending the subway system by 100% to 200%, similar undertakings with roads, water systems, urban development from the environmental point of view. As it is clearly visible and explicitly mentioned, the Games are "just" used for the total rebuild that will continue in the decade after the Games. It would be interesting to analyze the total revenue of the Games (tickets, royalties for broadcast rights, sponsorships...). With such enormous expenditures, it is hard to expect

that the Games will profit in the sense that infrastructural undertakings will be covered and earnings will be made. The more likely scenario that could occur is that either only a part of infrastructural investments will be attributed directly to the Games or the issue of the profitability of the Games will be somehow ignored. The expenditures for the Games, excluding the expenses attributed to the Olympics organization and Olympic venues, can be considered as a part of investments into the completely new Beijing's infrastructure, that ware desperately needed and the time to undertake the constructions was just the right time.

One of the most important issues on Olympic legacy is further use of Olympic venues. The Olympic Green, containing the Olympic Village is the most important cluster of Olympic venues. The apartments in the Olympic Village will be sold as commercial housing after the Games. A number of other buildings in the Olympic Green, which were to serve as the competition venues for table tennis, badminton, fencing and wrestling, the Main Press Center (MPC) and the International Broadcasting Center (IBC) will, after the Games, be turned into convention and exhibition centers and cultural facilities, such as Capital Youth Palace and Urban Planning Exhibition Hall, etc. In addition, other supporting service facilities will also be available for accommodation, commerce, and offices, etc. The most iconic venues, the National Stadium (Bird's Nest) and the National Aquatics Center (Water Cube) are expected to become large-scale sports and entertainment facilities for the residents of Beijing, and due to their impressive appearance the new Beijing's tourist sites. The National Stadium was built in a private-public partnership in a similar share. The National Aquatics Center (Water Cube) incorporates unique design and innovative technologies with ideas of environmental friendliness incorporated in every possible sense (water saving and recycling, surface water exploitation, light, relatively cheap and effective structure. Water Cube is planned to be turned to the full service water park and as a training venue for professional athletes and sports lovers. An interesting fact is that the expenses for building the Water Cube were in majority covered by Chinese overseas donations. Majority of other newly built venues that will continue to operate, were built within several university campuses (5 venues among 12 new). In the Olympic Green, there are four newly built sporting venues, three existing ones and three temporary ones (plus Olympic Village, Press Center, other support venues).

Chapter 6 – IMPACTS OF THE BEIJING OLYMPIC GAMES ON TOURISM

In this chapter, the model for measurement of Beijing Olympic Games on tourism will be presented. The model will be built based on the past Games experience, situation in Chinese tourism and information on the organization process of the Beijing Olympic Games. In the first part of the chapter we will describe the model and later focus on its sub-components. While model is being described, in some parts it will be already applied, when data is already available.

6.1 General description of the model

After identifying key Olympic Games impacts on tourism, the variables for observation have to be determined, measured and then, considering the relations, interpreted. The general idea of the model for measurement is the following. We start with the model for tourism system which consists of tourism demand, tourism supply and tourism environment. Where it is possible, in each of these three components relevant quantitative variables will be identified and Sparrow (1989) models will be used to account for impacts. Beside the changes that can be described by quantitative indicators, qualitative changes occur. In each of the three categories the relevant changes will be described and discussed.

The changes in quantitative variables as well as qualitative changes occur in time. The observation time for measurement starts soon after the host city has decided to bid for the Games and lasts until a few years after the Games, usually four years, but that could extend to a decade. The impact of the Games is often turncated after about four years (Intervistas ,2002). Then it becomes hard to attribute changes to the Games that happened so long time ago. Roughly speaking, the observation time interval can be divided into three phases.

- **Pre-Games phase** starts soon after the city has decided to bid for the Games but not more than 10 years before the event. Impacts become more significant after the Games have been awarded. This period lasts until the start of the event. The main impacts in this phase are due to investments and other preparatory activities required to hosting the Games. Tourism can start to feel impacts due to higher profile of the city.
- Games phase is the phase during the event of the Games. This phase is a phase of intensive promotion and direct impacts in changing the patterns of tourists. Olympic related tourists arrive, but some of tourists that would come otherwise are crowded out.
- **Post-Games phase** is a phase starting immediately after the Games and can last for many years. The impact of this phase is often referred to as "Olympic Legacy"– post-Olympic tourism and development due to improved infrastructure.

The framework for the model of measurement is shown in Figure 10 (see page 51). Influenced by the politics, the strategies were set, and based on this the action plan was developed. The work according to the action plan is being carried out, while some corrections may be imposed by politics or simply by needs. The consequences of the actions are various impacts on tourism. Impacts are evaluated on the supply side, demand side and from the side of tourism environments. Impacts can be described by quantitative variables or through qualitative changes.

For quantitative changes, the initial point in analyzing the behaviour of variables will be the impact models by Sparrow (1989). His models, initially used for tourist demand, can be generalized and used for quantitative variables on supply side as well, since supply tries to follow the demand. In order to determine the impacts of the Games, one can use mathematical tools to predict trends that would occur without the Games and compare them with the actual trends.

When describing qualitative changes one needs to argue that the changes resulted as consequnces of Olympic Games related activities. While for quantitative variables statistical tools can be used for prediction, in the case of qualitative changes no such statistical prediction is possible. Exploratory research should be used to identify the changes.

Therefore the basic ideas of our model will be the following.

- Based on the past Olympic Games experience, characteristics of Chinese tourism and of the environments of Beijing Olympic Games, determine the relevant quantitative variables and scope for observation of qualitative changes.
- Using the statistical methods (exponential regression) predict most likely trends of the quantitative variables and compare them to the actual data; record and argue the changes of the qualitative variables.
- Based on the past Olympic Games experience, characteristics of Chinese tourism and characteristic of the environments of Beijing Olympic Games provide identify necessary relations needed for interpretation of the data.

Note that the part of the model, that is essential for understanding the functioning are the following contexts:

- the context the Chinese tourism development,
- the context of the process of the organization of the Games,
- the context of the experience of the past Olympic Games,
- the context of an extreme economic growth and power of China.

The observation of impacts can be done on two levels, namely on the level of Beijing and the level of China. Certainly, the impacts will be most visible on the level of Beijing. Qualitative changes will mainly be observed for Beijing.





The next step is to actually identify the relevant quantitative variables and identify qualitative changes. In what follows we will first focus on the demand side, where we shall analyze the number of tourists, their expenditure, and patterns of behavior. Then we will focus on the supply side, where focus will be set on accommodation, transportation and infrastructure facilities, travel agencies, restaurants, attractions and human resources. At the

end, we will focus on tourism environments where impacts on economic environment, sociopolitical and ecological environments will be identified.

6.2 Impacts on the demand side

We measure tourist demand by measuring the number of tourists and the magnitude of their expenditure. Bigger numbers could mean a better state of tourism, but it is the structure of tourists and their patterns of behavior, that actually determine the 'quality' and the potential of the demand.

6.2.1 Behaviour patterns of tourists

In the long term, the numbers of tourists together with their expenditures indicate the quantitative state of tourism. However, for understanding the changes in the tourism sector, an analysis of the tourist profiles is needed. As it can be seen from the Athens 2004 Olympics case (ETOA 2008, p. 3), the overall number of international tourists may actually decrease. While a new profile of tourists arrives, often a part of the tourists of already established patterns are 'crowded out'. Regular tourist patterns are disrupted by the event. According to Baade and Matheson (2004), ignoring the pattern changes during the years around the Games often leads to mistakes in economic calculations.

In Preuss (2004, p. 7) the categories according to the pattern of behavior of inbound tourists as well as local people (possible outbound tourists) for the host city were studied and categorized. The categories in Preuss (2004, p. 7) are used for tourists strictly during the time of the event. For convenience, we generalize the categories by positioning them in the time context of Olympic phases (pre-Games, Games and post-Games phase). In addition, certain categories need not be used just for the host city but for the host country as well. The categories are as follows.

- **Casuals** are tourists who would have visited the city even without the Games being staged. Time context of casuals are all three phases. Casuals are simply tourists that came, but the fact that the Olympic Games were (are, or will be) staged did (does, or will not) not have a significant impact on their decision to come.
- **Time switchers** are tourists who wanted to travel to the city (or country) but due to Olympic Games, they decided to come at another time. Time validity of this category is usually the complete Olympic year.
- **Extentioners** are tourists who would have come anyway, but stay longer because of the Games. This category is important in the Games phase only.

- Avoiders are tourists who stay away, but would have come without the Olympics. While the time validity of 'time switchers' is usually the whole Olympic year, 'avoiders' may avoid the city (or country) for longer period of time.
- **Olympians** are persons who travel to the host city because of the Olympics or were motivated to do so during all three phases. The most intensive period is their arrival is the Games phase.
- **Home stayers** are residents who choose to stay in the city (or sometimes even country) and spend their money at home rather than on a vacation somewhere else at some other time in the year. The time validity of this category is usually the Games phase.
- **Runaways** are residents who leave the city (or in rare cases even the country), and take a holiday elsewhere. This category usually applies in the Games phase and for outbound tourists.
- **Changers** are residents who leave the city and take their holidays at the time of the Games rather than at some other time in the year. The category usually applies in the Games phase and during the Olympic year.

In determining impacts at the destination, a simplified version of categories of incoming tourists is needed, namely *usual tourists* (casuals as before), *Olympics induced tourists* (Olympians) and *Olympics disrupted tourists* (avoiders, time switchers).

The predictions on the number of tourists usually focus on the number of additional Olympics induced tourists. The danger, which lays in Olympics disrupted tourists, is not only in a temporary reduction of tourists, but also more in a disruption of the established patterns. Forced to change their pattern of behavior, they usually experience other locations and may not return to a regular pattern. From the economic point of view, the spending in the local economy may be disrupted as well due to changers and runaways.

Since the majority of the incoming tourists to China came for sightseeing, it is expected that the disruptions should not be as significant as in the Athens case, where leisure tourists were crowded out in the Olympic year.

According to Karlis (2003), the Olympics induced tourists can be further divided into three groups:

- visitors which are made up to come (such as the members of the International Olympic Family, people of the media, sponsors, athletes, dignitaries and spectators);
- visitors/spectators of the Games; and
- visitors who come to the country because of the publicity/promotion resulting from the Games.

The first two groups are relatively easy to determine as they are localized to the period of the Games phase. The third group includes the tourists in pre-Games, Games, and post-Games phases and is the group of tourists for which every host city and host country hopes to become as large as possible.

Still the difficulty in determining casuals, Olympics induced and Olympics disrupted tourists remain. My suggestion is to conduct surveys at different times on representative patterns of incoming tourists in order to determine the ratios between these three groups. The applicable value of this procedure would be in determining the number of disrupted tourists and in such a way measure the disruptions of the established patterns. This could help in anticipating the reductions in the post-Olympic year and give a basis for possible promotion campaigns to minimize losses in post-Olympic year.

6.2.2. Number of domestic and international tourists and their expenditure

The tourism gains from Olympics induced tourists and it loses with Olympic disrupted tourists. The important question is which tourists are in majority. Nevertheless, the number of all tourists needs to be determined. The increase, that is the difference between the Olympics induced and Olympics disrupted tourists can be determined by comparing actual data with the predicted trends obtained by using statistical tools.

In what follows the numbers of domestic and foreign tourists (Beijing, China) and their expenditures will be analyzed and the trends for them calculated. The assumption will be that in the time of the exponential growth of the Chinese economy (GDP: average growth rate 1991-2006 was 10.2%), the number of tourists and their expenditure are also growing exponentially (a certain average percent per year). The functions for the regression will be of the form

$$f(t) = e^{a+bt},$$

where t denotes the time and a and b are the constants to be determined by the exponential regression. For determining a and b, statistical tools (curve fitting) will be used.

Olympic bid was won in 2001, and in order to account for changes the data for determining the trends should definitely not be taken after 2004. Practically, in all quantitative data related to inbound tourists on China and Beijing level, drastic changes are visible in a few years after 1989 due to the Tienanmen incident, and in the year 2003 due to the outburst of SARS. The Tienanmen incident followed after a series of demonstrations in Tiananmen Square, Beijing's central square. The demonstrations were led by labor activists, students and

intellectuals between April 15 and June 4, 1989. The main purpose of demonstrations was to express disagreement with the current overall situation in China. On June 4 the demonstrations ended with the military intervention of Chinese government resulting in many casualties among the protesters. This caused widespread international condemnation of the Chinese government and temporal international isolation.

Severe Acute Respiratory Syndrome (SARS) is a contagious viral disease whose outburst started in the south of China by the end of 2002. Due to relatively slow intervention of the local authorities and a series of cover-ups, the outburst was initially not addressed with appropriate measures and consequently reached the level of an international pandemic. The later stage of the SARS crisis showed unprecedented changes in government's policies and many officials stepped down or were removed from the position, including the minister of health. Increased fear caused the people to travel less, which had significant impacts on tourism.

While after the Tienanmen incident the recovery took several years, the recovery after SARS disruption was almost total in 2004. Therefore, the initial data for calculations of the trends should be taken in the years between 1992 to 2002.

In what follows, we will calculate the trends from data available. These trends can be used to account for changes induced by the Olympic Games. The publicly available statistical data are obtained either from Beijing Municipal Bureau of Statistics or from National Statistics Bureau of China.

Since the data from 2005 to 2007 for some variables is already available at the time of writing the thesis (September 2008), certain effects are already visible. In what follows, we present the relevant graphs with explanations.

In Figure 11 (see page 56) number of oversea tourists and foreign exchange earnings for Beijing are presented together with the trend predictions. From the graphs, it is visible that the Tienanmen incident caused temporary disruption, later followed by exceptional growth until 1993 to make up for the lost. The growth continued in a slower pace until the SARS disruption in 2003. The regression curve is calculated from the data between 1992 and 2002 and the data in the years 2006 and 2007, which are above the regression line clearly show the incremental impacts which could be attributed to the Olympic Games. Note that in the data for oversea tourists, the tourists from Hong Kong, Macao and Taiwan are counted as well. As we shall see later, on the whole China level, these tourists are foreigners (not from Taiwan, Hong Kong or Macao).

After the disruption in 2003, the foreign exchange earnings catched the predicted trend in 2006, but to account for Olympic incremental effects we have to wait for the official data in the years after 2006, which are currently not yet available.



Figure 11: Number of oversea tourists and foreign exchange earnings for Beijing from 1980 to 2007 with the prediction of the trends according to the years 1993 – 2002

Source: Beijing Municipal Bureau of Statistics

As far as domestic tourism is concerned (see Figure 12, page 57), the situation seems to be different. The post-SARS years show a significant decrease of growth, and with that the decrease of earnings. It might be the case that the living costs in Beijing had become higher or there might be indications on Olympics disrupted tourists because, as we shall see later, the pace of growth of general domestic tourism in China is well above the predicted trends.

Figure 12: Number of domestic tourists and earnings from domestic tourism in Beijing from 1994 to 2007 with the predictions of the trends according to the years 1994 – 2002



Source: Beijing Municipal Bureau of Statistics

On the level of China (see Figure 13), we can see that the growth of the number of oversea tourists after the 2003 disruption actually fell behind the predicted trends. On the China level, majority of oversea tourists is from Hong Kong, Macao and Taiwan. Only less than 20% (in 2006 about 18%) are "real" foreigners. Considering foreigners alone, the growth is above the predicted which may already point out to positive Olympic incremental effects. Overall foreign exchange earnings (see Figure 14, page 58) seem to keep pace with the predicted trend in 2004. For further Olympic incremental effects we shall wait for the data in the future years.





Source: National Bureau of Statistics of China

Figure 14: Foreign exchange earnings from international tourism in China from 1994 to 2006 with the prediction of the trend according to the years 1994 – 2002



Source: National Bureau of Statistics of China

Contrary to the decrease of growth of the domestic tourism to Beijing in the years following 2003, the domestic tourism on the China level seems to have an increase of growth in number of tourists and only a mild distraction in 2003, but a decrease of growth in earnings (see Figure 15, page 59). According to my opinion and my experience as a tour operator manager in one of successful domestic travel agencies in Changsha (Hunan province), this is due to the fact that from 2005 a number of travel agencies started a fierce competition with low prices (and consequently low profits). Additionally, a number of new on-line operating travel agencies appeared on the market, attracing younger tourists (individual travelers). Therefore, the quantity of tourists has significantly increased, but the earnings did not follow the trend and actually grew slower than before. The number of domestic tourists in China has definitely increased in the years before the Games. Since the number of domestic tourists to Beijing actually fell below the predicted trend, the Olympic effect on domestic tourists coming to Beijing is clearly a negative one in the pre-Games phase.

Another category (see Figure 16, page 59), which is not so interesting in the aspect of China as a tourist destination but more as a source for tourism demand, are Chinese outbound tourists. China is working on policies of opening-up which include developing of possibilities for Chinese people traveling abroad. In this category we can see that, except the small increase in 2004, the trend of growth is almost as predicted. Since efforts of China are focused on inbound tourists rather than on outbound, the possible incremental effect in this category would indicate a much wider impact of Olympic Games.





Source: National Bureau of Statistics of China

Figure 16: Number of outbound in China from 1993 to 2006 with the prediction of the trends according to the years 1993 – 2002



Source: National Bureau of Statistics of China

Beside in the Beijing, Olympic venues are also in other cities of China including Hong Kong, Shanghai, Shenyang, Tianjing, Qinghuangdao and Qingdao. All these cities are large cities, Hong Kong having almost 7 million people, Shanghai over 18 million, Shenyang with over 5 million, Tianjing with over 11 million, Qinghuangdao with almost 3 millions and Qingdao with almost 3 million people. Since there is only one Olympic venue in each of these

cities, the major impact on tourism will be much more visible in Beijing. The same model as for the Beijing can be used for those cities.

Prior to the Games, BOCOG and Beijing Tourism Bureau anticipated that Beijing can expect 500,000 – 550,000 foreign tourists and 2,250,000 – 2,580,000 domestic tourists.

But the situation currently seems to be different. In May 2008, a new visa policy was implemented which introduces a more complicated procedure, often requiring a proof of reservation of a hotel booking, round-trip airline tickets and in some cases a letter of invitation. Following data published monthly by Beijing Bureau of Statistics, the occupancies of hotels are visibly lower than in 2007, after May 2008. This fact may cause little lower numbers than expected during the Olympic year, but will probably not have a significant long-term negative impact.

6.3 Impacts on the supply side

The impacts of Olympic Games to the tourism supply in China and Beijing can be measured by observing the changes in primary and secondary tourism supply.

Olympic Games itself are a source of an additional primary tourism supply. The very event of the Games can be considered as a temporary element of the primary tourism supply. Architectural achievements like the Olympic venues including the National Stadium (Bird's Nest), the National Aquatics Center (Water Cube) and the Olympic Green together with the architectural achievements built at the time around the Olympics, as National Centre for the Performing Arts ('The Egg', built in 2007) and CCTV Headquarters building (to be finished in 2009). The city itself, renewed and modernized, became a kind of an attraction.

The rest of the section deals with observing Olympic related changes in the secondary tourism supply, that is tourism infra- and super-structure. We will analyze how to measure impacts in the following categories:

- travel agencies and the their human resources
- accommodation and catering,
- public transportation infrastructure,
- structure of tourism supply,
- structure of tourism industry,
- tourism information services, and
- image of China and Beijing.

6.3.1 Impacts on travel agencies

In order to measure possible impacts of the Games on travel agencies, we shall observe the number of travel agencies and the number of people employed in them. Since only approved agencies can work in international tourism, we should differ between the international agencies and the domestic travel agencies. While we should not expect the number of agencies to significantly increase, we may expect the increase of their employees, at least temporarily. We can observe the agencies' balance sheets with the emphasis on profits, which should be more or less in line with tourist expenditures. In terms of quality of operation we should observe education and training of personnel, in particular of tour guides.

While the numbers of travel agencies, revenues and personnel in China is followed in statistical yearbooks, on the Beijing level only summaries of balance sheets for international travel agencies can be obtained (Beijing Municipal Bureau of Statistics).

In Figure 17, we can see that on the level of China the situation with number of agencies and their employees follows the decline of growth visible in earnings from domestic tourism in Figure 15 (see page 58). My explanation is that the fierce competition for market between the agencies caused reduced profits of travel agencies, and that in turn caused the decrease in growth of the number and their employees. This negative effect cannot be attributed to Olympic Games but rather to the market behaviour that started around 2005.

Figure 17: Number of travel agencies and total staff in travel agencies in China from 1993 to 2006 with the predictions of the trends according to the years 1993 – 2002



Source: National Bureau of Statistics of China

As China's tourism is a developing one, rather than the number of agencies and number of employees, qualitative changes should be observed. In order to account for Olympic impacts, a case study after a few years should be carried out. The improvements in quality of services and education and training should be monitored.

At the press conference held by Beijing Tourism Administration and BOCOG on July 15, 2008, it was presented that during the pre-Games phase a tourism industry-wide training program for more than 200,000 people has been carried out in Beijing, covering lingual competence, professional ethics, and Olympic literacy, as well as other international protocols and etiquettes. The number of the trained personnel does not only include travel agencies' employees (like tour guides), but also personnel from hotels and catering services.

6.3.2 Impacts on accomodation and catering

In terms of accomodation infrastructure, the following aspects should be considered:

- numbers of different categories star-rated hotels, non-star rated hotels and the number of rooms available.
- earnings of hotels,
- occupancy rates,
- quality of service and facilities,
- education and training of presonnel.

To monitor changes in the catering services we need to observe.

- number of restaurants
- earnings of restaurants,
- quality of service and quality of infrastructure (food quality and sanitation),
- education and training of personnel.

By accomodation infrastructure we usually mean hotels. For the host city it is of utmost importance to provide the accomodation for a wave of visitors during the Olympic event, but on the other hand, not to overdimension the hotel capacities that would remain as an 'Olympic burden' after the Olympic Games. The purpose of the Olympic Village is to provide accomodation for the sportsmen and sportwomen together with their coaches and members of their teams. Olympic Village can accept nearly 16,000 people. According to the official statistics of the Beijing Olympics, there were 11028 atlethes present at the Games. The long term strategy for Olympic Village is that 22 six-story buildings and 20 nine-story buildings will be sold as a commercial flats after the Games.

On 15 July 2008, Beijing Tourism Administration toghether with BOCOG held a press conference where current official statistics about hotels were introduced. There were 5,790
reception units in Beijing with a capacity of 339,000 guest rooms and 665,000 beds at that time; 816 star-rated hotels in Beijing who have given the Olympic commitment were offering 129,000 rooms with 227,000 beds. Among them 119 hotels signed the contracts with BOCOG to become Olympic Games official reception hotels to receive accredited and registered visitors during the Games (30,000 such people were expected). At that time, the 5-star hotel average reservation reached 77.6 %, 4-star hotel average reservation reached 45.5%. Beside the star-rated hotels, Beijing's offer additionally included 4978 hotels with altogether 210,000 rooms (438,000 beds). This was evaluated as a sufficient supply to cover the Olympic demand.

On the other hand the occupancy rates of the Beijing hotels during the Olympic Games showed a relatively low occupancies (see Table 5). While the occupancy rates in five-star hotels are relatively high, one cannot say this for other star-rated hotels. The low occupancy is attributed to a stricter visa regime newly introduced in May 2008 due to security reasons.

Hotel category	August 8		Augu	st 12	August 17		August 8-24	
	Average Occupancy (%)	Average price/day (RMB)	Average Occupancy (%)	Average price/day (RMB)	Average Occupancy (%)	Average price/day (RMB)	Average Occupancy (%)	Average price/day (RMB)
Five-star	79,9	3871	80,3	3592	81,7	3458	81,5	3604
Four star	55,1	2149	57,5	1894	61,4	1933	59,3	1948
Three-star	38,0	1027	40,2	985	47,1	998	43,3	984
Two star	29,1	398	33,5	423	38,0	418	34,3	410
One-star	26,8	370	30,3	373	31,6	377	30,7	367

 Table 5: The average occupancy rate and average price per day during the Olympic

 Games

Source: Beijing Municipal Bureau of Statistics

According to foreign daily media (like New York Times), many hotels in Beijing were struggling to find guests during the Games. Some large travel agencies have temporarily closed branches and people scheduled to travel to Beijing for seminars and conferences were canceling their trips.

The Table 6 (see page 64) below shows the actual numbers of tourists using the accomodation of the star-rated hotels in the first 10 days of the Olympic Games.

Table 6: Numbers of domestic and foreign tourists daily accepted	d to star-rated hotels
and numbers of domestic and foreign tourists visiting major tour	rist attractions

Indicator	Aug 8	Aug 12	Aug 17
No. of foreigners spending a night in a star-rated hotel	37000	39000	44000
Number of domestic tourists spending the night in a star-rated hotel	37000	39000	44000
Visitors to tourist attractions	342000	358000	548000
Foreign visitors to tourist attractions	21000	27000	26000

Source: Beijing Municipal Bureau of Statistics

The number of foreign tourists visiting Beijing fell sharply in May, dropping by 14 percent, according to the city's statistics bureau. In Table 7, the negative trends of foreign and domestic tourists in hotels in the first 7 months of the year 2008 are shown.

Indicator	Jan	Feb	Mar	Apr	May	Jun	Jul	Jan-Jul
Total tourists in star- rated hotels	1485723	1022631	1344004	1515779	1323710	1265711	1216767	9174325
Growth compared with 2007 (%)	21,3	-4,4	8,8	6,4	-5,1	-4,5	-20,4	-0,3
Domestic tourists in star rated hotels	1263461	828184	1052048	1198100	1037685	1016669	1008993	7405140
Growth compared with 2007 (%)	21,4	-7,2	11,9	10,9	-1,5	0,7	-16,4	2,5
Foreign tourists in star rated hotels	222262	194447	291956	317679	286025	249042	20774	1769185
Growth compared with 2007 (%)	21,3	9,9	-1	-7,5	-16,1	-21,3	-35,5	-10.6
Total persons days in star-rated hotels	2792508	1950628	2881898	3065344	2639521	2473391	2466297	18269587
Growth compared with 2007 (%)	19,1	-2	8,8	5,5	-6,3	-11	-20,7	-2,1
Average star-rated hotel occupancy	56,4	39,3	60,3	61,9	53,9	50,7	46.6	52.8
Growth compared with 2007 (%)	2,4	-7	0,3	-0,8	-6,1	-8,9	-16,7	-5,6
Inbound tourists	263493	228155	354258	385103	345982	298668	269958	2145616
Growth compared with 2007 (%)	21,9	4	-1	-5,3	-14,2	-19,9	269958	-9,2

 Table 7: Indicators for star-rated hotels in first 7 months of 2008

Source: Beijing Municipal Bureau of Statistics

Hotel personnel and catering services personnel were among 200,000 tourism industry employees who received training covering lingual competence, professional ethics, Olympic literacy, international protocols, etc. Many western food chefs in contracted hotels have also learned to speak English or at least to use the body language. A bilingual menu guide, which

standardizes the English names of 2,425 dishes has been issued and distributed to over 800 star-rated hotels and 1,000 premium restaurants, tourist attractions and international travel agencies.

Daily news reported that due to less-than-expected number of tourists during the Games the catering businesses expressed dissatisfaction.

Food safety and sanitation issues were another hot topic in the months just before the Games. According the BOCOG's official web site, to ensure food quality and public health, officials have set up surveillance systems at food preparation kitchens. Over 100,000 chefs have undergone mandatory food cleanliness classes. In addition, 200,000 additional certified food inspection officials have been employed for the Games.

The food safety for athletes was a special issue and extremely strict measures were taken that resulted in 100% food safety. Production chains were monitored from raw food materials to the catering services. Strict controls were firstly carried out at farms, food production facilities, then at food servicing facilities. Complete traceability was established during the transportation. Catering personnel was educated; standards tightened and more strict controls were being carried out. During establishing of these procedures, 15 technical standards for the raising, farming, production, packaging, storage, transportation, labeling of food, as well as for processing and the production of food were drafted. Mobile labs started to be used to perform inspections on the spot.

6.3.3 Impacts on public transportation infrastructure

Building or rebuilding infrastructure is one of the necessary conditions to be fulfilled by the host city. The city needs to present itself in a good light and provide efficient transportation means during the Games. However, in attempt to improve the infrastructure a large-scale projects are usually being undertaken. In the case of Athens, a new subway was constructed and a modern highway around the city. The aspects we should observe in evaluating the impacts of the Olympic Games are the following.

- Length of newly constructed and reconstructed roads, highways, railways and subways.
- New and renewed airport(s), railway stations and bus stations.
- Capacity of airports and public transportation in terms of average number of daily/monthly/yearly passengers.
- Number of taxis and buses and their quality.
- Traffic congestion problems and solutions.
- Security issues in public transportation.

• Quality of service of transporation.

The statistical data for railway and highway operating length and passenger traffic for railway, roads and air transport are available from Beijing Municipal Bureau of Statistics, but since much of the construction was scheduled to be finished just before the Games and in the years following the Games, a statistical analysis will only be possible later. A short review of achievements follows.

Massive transportation projects have been carried out. Beijing's airport was significantly expanded with the new terminal (Terminal 3). This is the world's largest air terminal for which it is expected that it will serve about 50 million passengers per year by 2020.

The main problem with Beijing roads in the first few years after 2000 was traffic congestion due to a large number of privately owned cars. Another problem was a very low culture of driving in terms of respecting even worldwide generally adopted regulations. This caused that the rush hour lasted for more than 10 hours. During pre-Games phase the road network in Beijing visibly improved and much has been done through media campaigns on education drivers. Taxis were refitted and taxi drivers went through education of English language basics.

Expansion of the subway was another major investment. The capacity of the subway more than doubled with the new lines being added. There were 4 lines and 64 stations before. In addition, 7 new lines and 80 new stations were constructed and put in operation. One of the lines is connecting Beijing with the airport.

The fleet of busses was modernized or refitted adding to it more than 3000 new busses running on compressed gas.

Beijing South Railway station was reopened just before the Olympics. A new railway line between Beijing and Tianjin was opened with the fast trains running at speed of about 350km/h.

The newly added infrastructure and vehicles are all hi-tech and state-of-the-art. Beijing transportation system supports use of "smart cards" for combined transportation.

6.3.4 Impact on structure of tourism supply

When considering the primary tourism supply we need to determine what were the impacts of the Games on the existing tourism attractions, and whether new attractions have been created. Infrastructure needed to support the existing tourist attractions usually receives improvements during events like Olympic Games. New tourist attractions can be created, for

instance, architecturally attractive Olympic venues. New entertainment facilities are usually introduced, especially sports facilities, and the offer of new tourist packages in leisure tourism may start to boost due to intensive promotion of the destination.

When analysing the changes in the primary tourism supply the following aspects should be considered.

- The number and quality of modernized existing tourist attractions fixed and the number of new tourist attractions established.
- The number of Olympic venues built, which can be used as tourist attractions after the Games.
- The number of entertainment and leisure facilities.
- The service quality and security at attractions.

Beijing is a large metropole. The Olympic Games introduced new architectural attractions. First here is the National Stadium (Bird's Nest) which has now already become a symbol of the Olympic Beijing. Together with the National Stadium, a new tourist attraction is the Olympic Park called the Olympic Green, which includes National Stadium itself, the National Aquatics Center (Water Cube), the Olympic Village, the National Indoor Statdium, the Olympic Museum and a number of supporting facilities, which are planned to be used as convention facilities. Other new or modernized facilities prepared in pre-Games phase or during the time around the Games include the newly-built the National Centre for the Performing Arts ('The Egg'), the National Art Museum of China, the China Science and Technology Museum, the Capital Museum, the new CCTV Building, the new BTV Building and other important cultural facilities. Beside that, classic tourist spots such as Liuli Factory, Dazhalan and Qianmen Pedestrian Walk were modified. Renovated historical relics such as Zhongzhou Road, Old Imperial City, Chao Fu Road, Guozijian Street, Shichahai, the ruins of the Old Summer Palace and the Beijing City Wall relics of the Ming Dynasty enrich the Beijing's tourism supply. The construction of tourist facilities in scenic attractions like the Longqing Gorge, the Kangxi grassland and the establishment of Jingcheng Shuixi, natural garden, theme parks and agricultural park has to be mentioned. With its total rebuild, Beijing itself has became a kind of a tourist attraction.

As a support to the increased and diversified tourism supply, new services like shopping service, the translation service and the advisory service were strengthened. The quick complaints handling systems was established.

6.3.5 Impact on structure of tourism industry

The structure of tourism industry is in part dependant on primary tourism supply and in part of facilities available. Additional tourist supply, not just in support for sight seeing tourism, but also as a means for developing other high-end types of tourism, influences on the change of tourism industry structure. Beside sightseeing tourism Olympic Games induced the development of other types of tourism, especially the sports tourism, convention tourism and business tourism. We need to monitor the percentage division of different types of tourism as sight seeing, convention, business, holidays (leisure), sports, feature tourism.

The change in structure of tourism industry is one of the goals of the Chinese tourism development and the Olympic Games, providing the relevant infrastructure, were considered as an important process with a significant contribution.

6.3.6 Impacts on tourism information services

Tourism information services are important part of tourism supporting infrastructure offering the visitors the desired information and thus helping the tourism industry to function optimally. The language barrier and relatively low stage of development of tourism information services are the critical issues. The aspects we should observe are the following.

- Web sites available in foreign languages.
- Possibility of on-line payments by credit cards.
- Establishing relations with international travel agencies and representatives from bigger tourism source countries.
- Number of tourism information offices.

Some of the improvements of the tourism information services include the following. During the pre-Games phase, 56 information kiosks within key communities and at major tourist attractions were set. Touch-screen e-guide facilities are available at public locations frequented by tourists. Bilingual directional signs in both Chinese and English were set in major roads, stations and stops, tourist sites and key cultural sites. The information website of the Beijing Tourism Administration – <u>http://bjta.gov.cn</u> – has updated its database, and launched Chinese, English, French, Spanish, Arabic and Japanese versions on May 1, 2008. 220,000 tourist maps have been distributed to three terminals of the Beijing airport. The Beijing Cultural Tours Manual was published in multiple languages.

6.3.7 Impacts on image of Beijing and China

Image of the host city and the host country and raising the global profile of the two is one of the major goals of every host city and host country. The aspects we should observe are:

- international awareness,
- Chinese international image.

The image of the host city and the host country is a highly intangible descriptor of the impacts of the Games. Yet, in the literature several approaches are taken to measure and analyze the image and the awareness levels. In Preuss (2004) basic concept for approaching the measurement of the image and the awareness were introduced. The model was established with 4 basic channels of communicating and transfer of the city's and the country's image.

- The first channel are media reports, which city receives and would for such a coverage otherwise need a large amount of money. Still, there are some risks that have to be considered. A negative promotion due to certain incidents can take place creating an unwanted image.
- The second channel are the tourists who have contacts with others who report about the city.
- The third communication channel is the direct advertising which is focused to various target groups.
- The fourth channel is the personal visit of the tourist to the host city.

Although it was felt a general atmosphere among the western reporters, which was not completely in favor of China, there is a general agreement that the Beijing Games were an impressive achievement.

Efforts have been made in promotion of Chinese history and culture through the theme of *'New Beijing, Great Olympics'*. Special commercials have been shot to promote the tourism in Beijing. It was edited into different lengths, such as 18 minutes, 3 minutes and 30 seconds.

6.4 Impacts on environments side

In what follows we shall review impacts on the Olympic Games on tourism environments. We will separately review economic, socio-political and ecological tourism environments.

6.4.1 Economic environment

In order to monitor the situation in economic environment the general macroeconomic indicators should be observed.

- GDP growths of Beijing and China,
- inflation rate,
- interest rates.

In the Table 8, the major macroeconomic indicators are shown. Beijing as a capital has visibly higher growth then China. The macroeconomic indicators show the visible changes in the year 2007. It would be interesting to follow further developments and consider the global financial crisis that started in 2008.

Indicator	2003	2004	2005	2006	2007
Beijing GDP growth (%)	10.5	13.2	11.1	12.0	12.3
China GDP growth (%)	9.1	9.5	9.9	10.7	11.4
Inflation rate (%)	0.2	1.0	1.5	0.9	2.4
Interest rate (1 – 3 years commercial loan rate, in %)	5.49	5.76	5.76	6.3	7.47

Table 8: Major macroeconomic indicators of Beijing and China

Source: Beijing Municipal Bureau of Statistics, Colliers International Beijing, 2007

As it was mentioned in the action plan for the organization of the Beijing Olympic Games, the Games were used as a catalyst for the general development, including the development of the economy. The Games clearly give a momentum to the economy of Beijing due to massive investments in the city's infrastructure. However, it will be hard to say whether the boost of the economy is to be solely attributed to the Olympic Games or it is just that the Games occurred in the time of an extreme economic growth and the Games were just used as a showcase of the power of Chinese economy to the rest of the world.

6.4.2 Socio-political environment

In order to evaluate socio-political environment the following aspects are relevant for tourism.

- Position of tourism in five-year plans.
- Important regulations and legislation having impact on tourism.

It was 10th five-year plan (2001-2005) in which China set tourism as one of important industries. The goal was to reach 5.8% of GDP. In the 11th five-year plan a further increase to 11% of GDP is a new goal to achieve.

Among the regulations that had a localized negative effect on tourism was the adoption of a stricter visa regime in May 2008 due to security reasons during the Olympic Games. It is believed that this caused a notable decrease of foreign tourists in Beijing and in China. Nevertheless, the Games have finished and no major incident happened therefore it is believed that the regulations will be loosened soon. Several important changes occured during the pre-Games phase in Chinese policy towards the Chinese people. Unfortunately, terrible events were the ones who initiated the changes. These events include SARS outburst in 2003, severe winter in the beginning of 2008 and Sichuan earthquage just a few months before the Games. As we already mentioned, SARS outburst aftermath brought significant changes in perceiving the responsibilities of officials. The 2008 severe winter and Sichuan earquake received significant media coverage which was unusual before. Both were marked by an extremely large number of visits of high Chinese officials (including the prime minister Wen Jiabao and the president Hu Jintao) among the ordinary people. These changes could be attributed to the fact that China wanted to present to the world in a good light in the Olympic year. Another issue in the Olympic year were extremely violent protest of Tibetans. Chinese officials handled the situation with care an by minimizing the violence. The world was surprised seeing the violence of the Tibetan protesters in the foreign countries as well as in China.

6.4.3 Ecological environment

Ecological environment consists of natural, cultural and social attractions. The most important natural attraction of Beijing is its natural environment. History and culture are the important characteristics of Beijing and China which are incorporated into various tourist packages. Social attractions include the kind Chinese people which were willing to improve their language skills for the Olympic Games.

Natural environment

Environmental issues gained a significant importance with Sydney 2000 Olympic Games, where environmental component was embedded into the Olympic bid and later into the organization. In the extremely fast developing economy of China, environmental issues were neglected for a long time. Few years before the 2008 Games, the pollution of air in Beijing was the one of the most bothering experiences for a tourist arriving to Beijing. Beijing Olympic bid promises included blue skies, clean water, green mountains and grasslands.

Environmental aspects shall be observed through the following aspects:

- levels of major pollutants in the air;
- levels of emissions of green house gasses (GHG) in the host city and during the Games related activities (like building venues, emissions during operation of venues, ...);
- use of environment-friendly technologies industries, public transportation and for heating;
- coverage of the city by green areas;
- waste management;

• quality of water.

One of the first issues in organizing the Games were considering environmental issues while building the Olympic venues. More difficult question to tackle would be which part of Beijing environmentally directed actions were direct consequences of the Olympic Games. Environmental awareness is slowly improving in China. Beijing was, due to the Olympic Games deadline, literally forced to implement the measures in an extremely short time. The results are astonishing, as we shall see later, but the questions remain, whether this pace of environmental awareness be sustained and whether Beijing will serve as a role model for other Chinese cities facing similar problems?

There were two reports issued just before the Games on the results of the Beijing's efforts on the improvement of the environmental issues, namely, the official one by the United Nations Environment Programme (UNEP, 2007) and the one by the non-governmental organization Greenpeace (2008, issued less than half a month before the start of the Games). The first report takes as a source the official data provided by relevant Chinese bodies. Greenpeace report tries to provide an independent third party evaluation of the data provided, and tries to point out when this was not possible due to lack of transparency.

Greenpeace recognizes Beijing's increased use of energy efficient technologies and renewable energy. Among the examples, the use of geothermal heating systems and the introduction of wind and solar power are the most successful. Public transportation system has been expanded by adding five new subway lines. Emission standards for new vehicles were raised to one of the most stringent standards in the world (EURO IV).

Beijing managed to introduce state-of-the art energy saving technology in Olympic venues. Olympic Village is a showcase of various environment-friendly technologies.

Long before the Games, air quality in Beijing was identified as a major health and environmental issue. In the years from 1998 on, the government implemented various measures in 14 phases, including relocating factories, controlling vehicle emission standards, increasing natural gas use, upgrading industrial technology and introducing renewable energy to the city. Note that the 11^{th} five-year plan (until 2010) anticipates 40% reduction of the SO₂ emissions. Comparing the levels of 2000 and 2007, significant decrease of the main air pollutants is clearly notable. The levels (annual mean concentration) of SO₂ were reduced by 34%, CO by 26%, NO₂ by 7% and PM₁₀ (fine particles smaller than 10 µm) by 9%. In 2007, the annual levels of the first three pollutants were below the maximal value prescribed by the Chinese National Standard II, while PM₁₀ was still above the upper limit. The main source of SO₂ pollution is the dependency of the city on coal (power plants, heating). By 2007 about

16,000 large sized (bellow 20 t) and 44 000 smaller industrial boilers have been upgraded and over 32,000 household heating systems converted to electrical heating systems.

Some of these achievements were due to temporary measures (temporary stopping certain factories, even-odd rule for cars, ...) which may lay some doubt in sustainability of the achievements. Nevertheless, the level of awareness and the demonstrated possibility of change are a great success for Beijing and China.

Beside the pollutants, an emphasis was put on emissions of green house gasses (GHG). Constructions of venues considered the designs and innovative solutions to reduce GHGs, which also appear in cooling systems like refrigerators and air conditions. A cooperation with major sponsors was established to use GHG-free cooling systems. These examples will be used in future to raise the awareness and contribute to better environment.

It is estimated that in Beijing there will be roughly 3.35 million motor vehicles at the time the Games are held. More than 1300 cars are added to the Beijing roads every day. From the environmental point of view, the major achievements in the Beijing transportation are adding four more subway lines and changing almost whole bus fleet to compressed natural gas. It is estimated that the total capacity of subway will go from 1.3 million in 2000 to 3.9 million in 2008. From 2001 to 2006, 47,000 taxis out of around 65,000, and 7,000 old diesel busses out of around 19,000 were replaced or refitted to lower emissions and natural gas. In 2006, 3,759 compressed natural gas busses were put into operation. Public transportation was encouraged with reduction of prices and reached 19 million passengers per day. Around Olympic venues only environment-friendly busses will operate.

Beijing has undergone a massive water and sewage treatment resulting in raising the quality of the tap water and managing to improve water reusability. Showcases for the solutions are the Olympic venues. Beijing has built 14 new wastewater treatment plants and closed down several polluting enterprises in the catchment area close to the main reservoir. In certain areas illegal construction, fish farming and other potentially hazardous activities were banned.

Another issue interesting from the aspect of tourism is "greening" of Beijing. The most visible activities on this area are forestation of mountains near Beijing and "greening" of urban areas. Olympic Green includes the Olympic Forest Park, which contributes a large green area to the city. Several streets were fixed and modernized with green belts included. While visually attractive, Greenpeace warned that "greening" and reforestation introduced new species, which may cause certain problems in new eco-systems. Nevertheless, Beijing definitely got a new green facelift improving the quality of life for their residents and tourists. Significant improvements in coverage with green areas are shown in Table 9 (see page 74).

Table 9: Green areas in Beijing

Indicator	Unit	2000	2001	2002	2003	2004	2005	2006
Park Green Areas (year-end)	(hectare)	7139	7554	7907	9115	10446	11365	14234
Per Capita Park Green Areas (including water surface)	(sq.m/person)	9,66	10,07	10,66	11,43	11,45	12,00	12,00
Coverage of City Green Areas	(%)	36,54	38,78	40,57	40,87	41,91	42,00	42,50
Coverage of City Forest	(%)	42,0	44,0	45,5	47,5	49,5	50,5	51,0
Green Areas(year-end)	(hectare)	26680	30224	32572	38475	36755	38877	39391
Forestation Areas	(hectare)	26093	31777	47911	47169	31527	12186	12776

Sources: General Office of Capital Forestation Commission, Beijing Municipal Bureau of Landscape and Forestry

If we summarize the achievements, in the Games year, most indicators of air quality have reached the standard of those cities in the developed countries. Forested land occupied 36% of the total area in Beijing. The ecological system of surrounding mountains, arborous urban areas and green suburbs were established. Waters in central urban areas (158 square kilometers) reached the III grade standard and rivers within the 6th Ring Road achieved national grade; 98% of the garbage from the 8 urban districts and 50% of the garbage from suburbs is now dealt with in non-toxic ways.

Cultural environment

Beijing Olympic Games offered the hard-won chance to fully exhibit the achievements of traditional Chinese culture, and the rich cultural heritages in China, especially in Beijing. The Games served as a good occasion to promote the East-West culture exchanges.

In order to identify the impacts of the Games on culture environment, we can monitor the following activities, which usually create a better cultural environment:

- the number of Olympic-oriented cultural activities and their quality such as attractiveness; considering the amount of spectators and media coverage;
- the construction of modern cultural facilities;
- protection and display of the historical and cultural heritage;
- development of classic tourist products with unique cultural flavors.

Before the Games, there were series of Olympic-oriented cultural activities hosted in Beijing, such as Beijing Olympic Culture Festival for displaying the Chinese people's boundless enthusiasm for Olympics, the Olympic Torch Relay, the Beijing International Musical Festival, etc. The new modern cultural facilities were constructed and upgraded such as the Grand National Theatre, the National Library, the Chinese Gallery of Fine Arts, the Chinese Museum of Science and the Technology and the Capital Museum, etc.

Social environment

When we try to identify the impacts of the Olympic Games on social environment of the host city, the following aspects should be considered:

- public environment,
- language environment,
- friendly attitude to tourists, and
- security.

Strictly speaking, public environment includes more than just a social dimension. It is a combination of natural, cultural and social components of public spaces which enables tourist to fully experience the destination.

After Beijing was awarded the Games, the public environment in Beijing, as well as in other main cities in China has significantly improved, especially in the last 2 to 3 years in the cities hosting Olympic related events and their neighboring cities. However, there are still disparities in terms of the city environment, sanitation and free traffic comparing to other famous international tourists destinations. Hosting of 2008 Olympic Games provides a good opportunity to complete city's public environment such as public stipulation, public information services, public signs and administration of sanitation, etc. In order to measure the changes in the public environment a qualitative case study can be carried out.

One of the problems at Chinese touristic sites were incorrect and sometimes amusing English translations of pubilic signs (see Figure 18). In order to fix this problem, Beijing took an initiative to correct those signs and a conference was organized on that issue.

Figure 18: Examples of incorrect translations of public signs



Source: http://www.engrish.com

Similarly, few years before the Olympics Beijing public toilets were in bad condition. According to some records about 1/3 of complaints received by Beijing Tourism Administration were about the toilets. While the standards for the toilets were acceptable for average Chinese citizens, foreign tourists find them difficult to use due to lack of privacy. In an effort to satisfy foreign tourist, investments have been done to provide modern toilets at the major touristic spots.

In an effort to present Beijing's residents in the best possible light, several initiatives have been introduced. Learned by examples, residents were demonstrated, and encouraged to keep streets clean. Once widely spread bad habit of spitting on the floor on the streets was discouraged. In the campaign to eradicate this bad habit paper bags for spitting were distributed to people. In general, it was not a habit to form a queue while waiting in public but this habit was also introduced and tried to become popularized. A campaign was launched and went on every 11th of each month as 11 symbolizes one-after-one. Uniformed queuing inspectors waving with flags were present on bus and subway stations to ensure line up. Smoking on public places was also discouraged. Note that the majority of Chinese men smokes. During the Games, smoking was completely prohibited on certain public places including all Olympic venues. A campaign against smoking was launched and about 100,000 smoking inspectors were put into operation. The measures taken are believed to result in cultural legacy. In order to monitor the progress, the "civic index" was introduced that combined statistics related to desired and undesired behavior (for more information see: Rong 2007).

In order to present Beijing and China as an international tourists destinations, it is indispensable to provide a good international language environment for travelers. Overcoming the language barriers needs mass population to participate in foreign language learning. For a long time, English as a common international language, has not been enough popularized among the Beijing's citizens. There is a relatively big gap comparing with other big international cities. The excitement aroused from winning the right to host the 2008 Beijing Summer Olympic Games was a drive for Beijing's residents to learning foreign languages. In order to improve foreign language capabilities, Beijing Speaks Foreign Languages Programme (BSFLP) was launched in 2002. The main goal of BSFLP was to use abundant resources for foreign language teaching and learning in order to improve the foreign language skills of the residents. That is also one of the objectives stated in the 2008 Olympics Action Plan. According to their statistics, by the end of 2005, more than 4.1 million Beijing residents or about 30% of residents were able to speak at least one foreign language (BSFLP, 2006).

Several popular events were held with the goal of improving language skills. One of popular activities is the "Foreign Languages Festival", attracting thousands of Beijing

residents. Other popular activities include "Business English TV Contests" and the "Beijing English TV contest for professionals", the wonderful singing at the "Foreign Song TV Contest for Chinese Singers" and the lively "English Corners". These activities significantly contribute to the construction of Beijing's internationalization.

Tourism is regarded as a very sensitive industry, which is very easy to be influenced by external factors. The tourists care about the most about the security issues of the tourist destination. Besides that, the attitude of residence to the tourists is also critical creation of the good image of the host city and host countries.

Chapter 7 – EVALUATION OF THE MODEL

In this chapter we shall evaluate the model for measurement introduced in the previous chapter. The issues concerning the availability of the data to be used for the model are considered and the model is evaluated by using the SWOT-like analysis.

The model for evaluation of the impacts of Olympic Games on tourism is a framework model that can be used to actually carry out the evaluation of the impacts. It is derived considering the experience from the past Olympic Games and the situation in China. The model as such is not intended to be used for making forecasts.

The general idea of the model is to monitor the variables and aspects of components in the model of tourism, which are tourism demand, tourism supply and tourism environments. In order to use the model, the critical part is to obtain reliable data.

7.1 Obtaining the data

The most reliable data we can obtain is the quantitative data from National Bureau of Statistics of China and Beijing Municipal Bureau of Statistics. While the accessibility of the data is statisfactory at the moment, certain data was hard to obtain since the observation variables and the standards for measuring have changed by the end of 1990s. Fortunately, for our purposes the data since then is satisfactory. The quantitative data between the years 1992 and 2002 is used for calculation of the trends and setting a baseline for the future. Differences from the predicted baseline are either argumented to be, or counted as an Olympic effect. The argumentation depends on the broader situation in Chinese tourism industry, in China and in Beijing.

Nevertheless, statistical data sometimes do not contain enough information and additional approaches are needed. In our model that is the case, for instance, when we want to determine the number of Olympics induced tourists and the number of Olympics disrupted tourists, where additional surveys are needed.

When qualitative changes are observed, the contexts of tourism industry, China and Beijing become even more important. Observed qualitative changes can be Games related or not. In order to identify a change to be at least in a part a consequence of the Games, information is needed for argumentation. Such information is usually hard to obtain from sources available to the general public and should be obtained by conducting interviews with relevant people or through surveys.

Lots of data can be collected through the daily media. Unfortunately, the original sources are often omitted which makes such kind of data more like a hint then an actual source.

7.2 Evaluation

The model can be evaluated through a SWOT-like analysis. The SWOT analysis in general tries to evaluate the topic through positive and negative characteristics (strengths and weaknesses) and through potential future applications and failures (opportunities and threats).

Positive characteristics of the model (strengths)

In the following paragraphs the positive characteristics of the model together with relevant explanations will be described.

The model for measurement uses the model of tourism in a systematic way. This gives us a sound classification of the impacts, which can occur on the tourism demand side, tourism supply side or at the tourism environments side. This kind of a classification enables us to identify the position of each key impact within the model for tourism and allows us to clearly see its consequences.

The model incorporates the data on the experience from the past Olympic Games, which provides the context for functioning of the model and enables us to clearly see the relations that may be identified. This helps us at properly interpreting the consequences of impacts. It turned out to be of utmost importance to try to find similarities between the current Games and some of the past Games. Of course the world is changing and certain conclusions from some past Games may not apply to the current Games, but some general principles can be used. For instance, one of such principles is whether the Games were mainly privately or mainly publicly financed. This characteristics usually determines how the Games will contribute to the host city's infrastructure and whether the Games will be profitable.

By including the context of the organization of the Beijing Olympic Games, the model is tailored for Beijing Olympics. Special characteristics and anomalies can be identified in an easier way and properly interpreted. Organization of the Beijing Olympics was clearly defined in the documents on the BOCOG's official web site, especially in the action plan. The action plan served as a reference for activities to be carried out during the preparations for the Olympic Games. The changes that should occur are described there and comparing the real situation with the plan can be used for evaluation of whether the organization was carried out well. The plan itself served as source for identifying possible (predicted) impacts on tourism.

The model strictly differs the approaches to account for the impacts in two cases. First approach is applied when we use quantitative variables, and the second is the approach of an exploratory research of the qualitative changes. While quantitative changes are identified through statistical analysis, the model prescribes that the qualitative changes have to be identified by exploratory research, and emphasizes the need of the argumentation in which amount the changes can be attributed to the Olympic Games.

The model includes the time component by dividing the time of impacts into three important phases (pre-Games, Games and post-Games phases). In such a way, for each impact its effective phases can be determined, which is helpful for interpretations.

The model addresses the problem of a lack of a basepoint for comparison with the actual quantitative data. The exponential regression curve is used to determine the trend of quantitative variables. Considering the current growth of the Chinese economy, and the fact that the exponential regression works well for short term predictions in the conditions of such a growth, the baseline obtained through calculated trends by exponential regression seems to be the right choice for approximately the time of a decade with the Games event in the middle. That seems to be enough, as we are working under assumption that all major impacts should be visible within a period of a few years before and a few years after the Games. The choice of the initial data for determining the regression curve was done by excluding the largely biased data due to the Tienanmen incident and the SARS outburst. Such data was identified by inspecting the relevant contexts (political, economic, ...).

The model measures the demand through the number of inbound and domestic tourists. It approaches the analysis of the demand through the categories of the tourists and proposes how the categories should be identified. This gives us a capability to have a model for analyzing the tourism demand not only from the quantitative aspect but also from the qualitative. The categories of tourists comprising the tourism demand are important in other economic analyses like cost/benefit analyses, where omission of that information often leads to big mistakes. The observation of the relevant categories of tourists gives us the information how the established patterns of tourists have changed. After the Olympic year in which the disruption is the most agressive, the changes obtained from measurements can serve for an estimation of the situation in the year after the Olympic Games. Correct estimation for that year can help in preparing for the shock which usually follows in that year.

The model enables us to account for all relevant impacts, including the impacts on the environments. This makes the model comprehensive. Such a model can be used for evaluations which are relevant from the sustainable development perspective.

The model is also carefully positioned in the context of Beijing Olympic Games, Chinese tourism and considers Chinese characteristics. Due to the specific development of tourism and specific Chinese culture it is important to interpret quantitative and qualitative changes in the above mentioned contexts.

The model can serve as a starting point in developing of similar models for future and past Olympic Games. It provides all the key aspects relevant in analyzing the impacts of the Games on tourism. For some other Games, the relevant contexts need to be adapted and interpretations should be made using the relevant contexts.

The model addresses even a subtle changes, which arise from cultural differences. Providing the relevant contexts, the model helps us in improving the understanding between western cultures and the Chinese culture.

Negative characteristics of the model (weaknesses)

The model is not perfect and still has some weaknesses, which will be described in the following paragraphs.

Certain quantitative variables are very difficult to obtain due to changing standards of Chinese statistical bureaus. In the recent years this has significantly improved. Some data is not released by statistical bureaus but are rather communicated to public through press conferences. Fortunately, the press conferences of BOCOG's were well documented on their official web site.

The model might not properly address the issue of how and when the qualitative changes should be attributed to Olympic Games impacts. In this case, determining the baseline that would be useful for comparison seems to be a difficult problem. No tools similar to the trend prediction through regression are available. One possibility is to develop the most likely alternative scenarios.

While the model evaluates the impacts from all relevant points of view, it does not provide a procedure or a concept of how to draw a general final evaluation that summarizes all the findings. This would be a way to determine the 'best-ever' Games. But different contexts of interpreting the variables make this virtually impossible.

The model currently uses only partial data, therefore its application is not tested well and upon collecting more data, the model can be improved. In general, the model heavily depends on data, as it is a kind of a framework for collecting and analyzing the data. This data intensity can be considered as a positive or negative characteristic. Positive, because with all the collected data, the implemented model becomes a comprehensive review of the Games. Negative, because so much data is needed in order to make measurements.

The model is not supposed to be used for making forecasts. However, based on the data collected and by applying additional techniques, the model might be useful in this direction.

There may be aspects which are not considered in the model, although the major ones definitely are as all the components of the tourism are addressed. It might be the case that certain impacts are not addressed in the detail and are just briefly mentioned.

The research in field of evaluating impacts of Olympic Games on tourism still did not return a definite answer, whether the Games in general bring better results than alternative projects. But in the context of the Beijing Olympics this issue was definitely not the case. The government reached the desired goals – showing the world its strength, the level of development and capability of organizing and handling such events. Games were used as a motivation for rebuild of Beijing. The expenditures were high but much have been done. In a situation like China is, it can afford to do that.

Possibilities of further development (opportunities)

We shall review the possible future uses of the model and directions of the further development of the model in the following paragraphs.

Using the collected information on the Games, one can get a better insight into the matter and on that develop further theory. There are many reviews of the Olympic Games and generally, sporting mega events, but there were different approaches used. The model might be used as a starting point in such evaluations as it considers the impacts systematically.

The data collected and the results obtained after analyzing the data can be used in shaping the post-Games strategy. Games are an intensive event, but overall success for the host city and the host country depends on how well the event will be exploited and leveraged in the long term. The model enables us to systematically monitor the situation and based on that, it can be evaluated whether the leveraging was done well and if further changes are needed.

Tourism related industries and policy makers can use the model in order to obtain insights into the topic. In future, for the next Olympic Games or some of the next sports mega events, some officials will be, as always, responsible for certain decisions. As informed decisions tend to be better decisions, the ability to use the data from the model and the behaviour of the components of the model might be of help for them. With the data collected from the model, the decision-making tools could be developed.

The model can serve as a framework for writing the evaluation reports on impacts of other mega-events in tourism. With its approach, it can be even used for smaller mega events if properly adapted.

Future limitations of use (threats)

In the following paragraphs certain limitations in the future use of the model will be addressed.

Since the model heavily depends on the contexts specific to China, applying concepts of the model to some other mega events might not yield desired results, especially if the contexts are too specific. Nevertheless, a similar approach of integrating the contexts into the model like in this thesis may work in general as well.

Since the nature of the model is accumulation of data through time, the model may become at some point too data-intensive and the organization of the data insufficient for the practical use. Further development in the model in terms of data management should be addressed in this case.

The trend estimations used with quantitative variables uses exponential growth. It is well known, that it is not realistic to expect such a growth for a too long time. Therefore the model should not be used after a certain period after the Games (like 5 years). The links between the changes that occur and the Olympic Games weaken with time, and at some point there is no strong argument anymore to support the thesis that some change has occured due to the past Olympic Games.

There are posibilities of misapplications of certain results, although the care was taken to explan the contexts clearly. Such misaplications can occur in the form of a misinterpretation of certain data if relevant contexts are not considered with care.

Chapter 8– CONCLUSION

It is a general agreement that Olympic Games present an opportunity to advance tourism industry. Nevertheless, the main question of costs and benefits is on the side of economic analyses. In the thesis, we did not go into the direction of the economic cost/benefit analyses but rather wanted to present an overall approach for properly accounting the impacts of the Olympic Games on tourism. Usually, prospective studies for evaluation of impacts are more popular in order to try to forecast the tourism markets. However, it turns out that even afterevent studies, when data should be already available, are not easy to carry out.

In the thesis, the model for measurement of impacts of Beijing Olympic Games on Chinese tourism is proposed. The model is based on the model of tourism, which consists of tourism demand, tourism supply and tourism environment. Each component of tourism is addressed and relevant aspects to be monitored and measured are identified. This makes the approach in the thesis a systematic one in terms of variables whose changes need to be observed in order to identify impacts in all the components of tourism.

There are certain quantitative data that should be collected and qualitative changes have to be observed through the exploratory research. The changes occur with time where time is roughly divided into pre-Games phase, Games phase, and the post-Games phase. For exploring the behavior of quantitative variables, the Sparrow's models have been used. The exponential regression was used to determine the baseline for comparison. This enabled us to develop a procedure of how we can systematically account for changes that can be attributed to the Games impacts. Qualitative changes are harder to tackle, and to attribute such a change to impacts of the Games, argumentation is needed. But this does not yet make the model – important components of the model are the contexts, which are used for the proper interpretation of the observed changes and specific behavior of variables. The special contexts include the situation in Chinese tourism (including its development), the very process of the organization of the Games, the experience from the past Olympic Games and a general economic and political situation in Chines.

After establishing the model it is more and more clear that the impacts of the Olympic Games on tourism are multidimensional and far from being simply explainable. One can argue that some Olympic Games were a failure considering just particular indicators, like number of inbound tourist in the Olympic year. One can focus on too specific period and find negative indications. But such argumentations are usually partial and not serious. This should be avoided as this leads to oversimplification of the topic. In the model propose the care has been taken to avoid misinterpretation. It is emphasized that the relevant contexts for the

interpretation have to be used. A large part of the thesis, and thus also of the model, deals with the explanation of the relevant contexts.

In a light of that, the proper accounting for all impacts has to be addressed. Concepts that are becoming popular due to environmental issues, like sustainability, can be identified in other processes of organizing the Games not just, because this is 'in' now, but because of the need. Using the model of tourism and accounting for changes in all its components, significantly contributes to a balanced evaluation of impacts with all the important aspects included and prevents neglecting the specific ones (like the environmental aspect was largely ignored in the past). This should contribute to sustainable development of tourism and economy.

Summarizing all, during the exploration and development of the model, it became clear that making a general model for evaluating Olympic Games impacts on tourism definitely needs to include the following:

- identifying relevant variables in all the components of the model of tourism;
- considering relevant contexts which are needed for interpretation of the changes and determination of the importance of the changes;
- continuous collection of data throughout all the phases of the Games (pre-Games phase, Games phase and post-Games phase) and proper observation of changes;
- proper interpretation of the changes considering the contexts.

The model presented is not just a tool that can be used to approach the measurement of impacts of the Olympic Games on tourism, but can be also used as an insight into the very process of the organization of the Games. This makes the information used for building the model and collected in the thesis a valuable one and a good initial source for future research.

The evaluation of the developed model for measurement was the second goal of the thesis. The SWOT analysis at the end of the thesis revealed that the model in general does account for relevant characteristics of impacts of the Olympic Games on tourism. However, the application of the model involves its usage in the following years when the data needed will arrive. Such a procedure would result in a comprehensive and in-detail overview of the 2008 Beijing Olympic Games impacts on tourism.

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