

Summary:

# Olympic Winter Games in Tromsø 2014: Potential Impacts for Regional Development

Tromsø, the main city of Northern Norway, is an applicant for hosting the Olympic Winter Games in 2014. The process of becoming a host city for the Olympics is a time consuming activity. Therefore, the local authorities, together with local industries, have established a company to apply for the games on behalf of Tromsø. The company is called *Tromsø 2014* and is headed by the former Major of Tromsø, Mr Erlend Lian.

Tromsø and the former Olympic city of Lillehammer both wanted to become host cities and applied to the Athletic Board.<sup>1</sup> The Athletic Board chose Tromsø. This choice implies that the Board thinks that there is a chance that Norway will become the hosting nation of these Olympics, and that they think that Tromsø 2014's application was the better of the two. The net costs of hosting the games are significant. As an insurance measure, the International Olympic Committee (IOC) requires that the Government of the hosting country guarantees for these costs *before* the IOC approves a city as a potential host for the Olympics. If IOC approves Tromsø, the application process will continue in several turns, until the summer of 2007, when the IOC decides which city will host the 2014 winter games.

In this report, we discuss the impacts of the games for regional development. This has been narrowed down to impacts for value added, industrial development, employment and demographics. The main source of information for our analysis has been the application, as presented by Tromsø 2014, including background information they have used. We have also collected information from some representatives of authorities and industries in Tromsø. In addition, we have looked to other mega events' impacts, including the impacts of the Lillehammer Olympics. We arrived at the following conclusions:

- The 2014 Olympics will have impacts on regional development in Tromsø and Troms, and might also

have impacts in other parts of Northern Norway and the rest of the country.

- The impacts on value added, industrial development and employment will depend on the business cycle situation. The activities connected to the Lillehammer Olympics were started during a recession. Therefore, the short term impacts on value added, industrial development and employment were positive, and the growth rates of the Lillehammer region were substantially higher than these rates in the rest of the country. Lillehammer had three years of recession after the Olympics. At the same time, the business cycles had turned around in the rest of the country, which was growing.
- The impacts of the Olympics in the Tromsø region seem to be most significant before the games, during the planning and investment period. There will be a substantial increase in construction activities in this period. Based on information from the construction industry itself, we know that it is not capable of covering this increase without importing capacity from the rest of the country or abroad. In addition, there is a danger of crowding out other investments, especially if the Olympic investments are made in a period of economic boom. Crowding out can also imply increased prices in construction, increased costs for investors and increased total costs for the winter games.
- In the longer run, after 2014, the impacts of the Olympics are uncertain. The application states that the Olympics will lead to substantial increased tourism into the region. One important issue is whether this is true or not. Some of the statements made about tourism impacts in the application seem very high and unrealistic. The application does not state any uncertainty, but instead it seems as if increased tourism with certainty will be paying off the investment costs.
- Planning the games will require different types of high skilled services, within planning, law, finance, economics, engineering, logistics and so on. The

<sup>1</sup> The Athletic Board is the board of the Norwegian Olympic Committee and the Norwegian Athletics Association together.

demand for such services will be high in the region until 2014. After 2014, this demand will decrease substantially. It is uncertain whether these services will be bought from outside the region, or if new companies or branches of existing companies will be established in the region. These situations will have different impacts on regional development in the region during the planning phase. In the long run (after the games), the impacts are uncertain. If companies, or branches, were established in the region during planning, and the regional market collapses after the games, it is necessary to find markets elsewhere. New markets probably have to be found outside the region. In this case, Tromsø as a localisation will compete with other localisations in Norway and abroad. The long run impacts of the Olympics on the development of these services in Tromsø are therefore uncertain.

- Our assessment (in chapter 5) is that building new infrastructure, especially roads, should not be decided merely because of the traffic peak generated by the Olympics. Instead, such decisions should be based on ordinary traffic and on cost-benefit analysis. The traffic generated by the games implies specific needs, which should be investigated closer and met, for instance by regulating traffic to and from the sites.
- The impacts of the games on demographic development and structure are uncertain. Experiences from the Lillehammer Olympics imply increased net in-migration during the planning and investing phase, and reduced in-migration after the games. The number of people has, on the other hand, grown in Tromsø for many years. Projections of the demographic development in Tromsø made by Statistics Norway provide, in our meaning, a satisfactory interval for future population growth in Tromsø.

- Tromsø will continue to grow in the future, and its function as the main city of Northern Norway will be strengthened rather than weakened whether they will be chosen as the host city for the Olympics in 2014 or not. This is in line with the Government's policy, which is directed towards promoting regional centres. On the other hand, the impacts of centralisation are negative for the municipalities that loose people. For instance, Tromsø's share of the population in Troms will increase from 32 per cent in 1981 (40 per cent in 2003) to 43 per cent in 2020 according to Statistics Norway's projections. There is a chance that the Olympics will contribute to strengthening this tendency towards centralisation in Northern Norway.
- Nordland (Bodø) and Finnmark (Alta) will be hosting some of the ice hockey games. There will be certain impacts of the Olympics in these regions as well, but the impacts will be significantly smaller than in Tromsø.

Our main conclusion is that the impacts of the Olympics are significantly higher and more certain before and during the games, than after the games. In the long run, the impacts are uncertain.