

11/02/2004

Sports, events make economic imprint

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IN the past five years, major events, both local and internationally recognised like the annual Malaysian Formula 1 Grand Prix, first organised in 1999 at the Sepang International Circuit, Colours of Malaysia and Le Tour de Langkawi, have had and continue to have a substantial enduring impact on the growth of international travel to Malaysia.

A number of key factors have contributed to this situation. Over the past 10 years, the Government and the private sector have made major investments and efforts in creating and modernising what is being offered to participants and spectators, domestic and international, and improvements to its management.

The benefits resulting from among others, the post-mega event visitors, who come to Malaysia as a result of the worldwide exposure by the event, are the more obvious and visible ones. However, the long-term economic benefits from successful mega and local events are very large, larger in total than the short-term economic benefits of hotel occupancy, room nights and per capita spending. Sports and tourism are key elements of today's culture and social development and exert a very specific influence on the behaviour of present day society.

As a multi-billion dollar industry, sports has become a dominant and defining force in the lives of millions of people globally. An example of its value is the fact that global sports sponsorships have reached RM76 billion annually.

Statistical and data collection limitations make it impossible to measure with certainty the multiplier effects generated for the Malaysian economy through sports and other tourism events.

According to the World Travel and Tourism Council (WTTC), in 2001, the Malaysian travel and tourism industry is estimated to have generated RM69.8 billion in economic activity (total demand). The industry's direct impact included 393,600 jobs, representing 4.2 per cent of total employment and RM16.9 billion of gross domestic product (GDP), equivalent to 4.7 per cent of total GDP.

More importantly, since the travel and tourism industry touches all sectors of the economy, it is called the T&T Economy, with more comprehensive 'flow through effect' that permeates across the whole economy. Hence, its real impact is even greater. In 2001, Malaysia's T&T Economy directly and indirectly accounted for: 822,900 jobs representing 6.8 per cent of total employment; RM39.1 billion of GDP, equivalent to 10.8 per cent of total GDP; RM39.1 billion of exports, services and merchandise or 8.8 per cent of total exports; RM11.1 billion of capital investment or 12.0 per cent of total investment; RM1.1 billion of government expenditure or 2.1 per cent of total; and, RM5.3 billion in taxes or 10.5 per cent of total taxes.

Various forecasts for Malaysia's travel and tourism industry indicate expected annualised real growth in 2010 of 6.1 per cent in Travel & Tourism GDP, to RM38.7 billion for the industry directly and to RM86.3 billion for the Travel & Tourism Economy overall (direct and indirect expenditure). 2.5 per cent in Travel & Tourism Employment, to 520,700 jobs directly in the industry and 1.0 million jobs in the Travel & Tourism Economy overall (direct and indirect) 6.4 per cent in total Travel & Tourism Demand to RM158.2 billion, 6.6 per cent in visitor and other exports, rising to RM93.3 billion, 5.0 per cent in terms of capital

investment, increasing to RM20.8 billion, 6.3 per cent in terms of government expenditure to RM3.6 billion.

These numbers are also ample evidence of the close relationship between sports and tourism, considering the fact that sports and other events in general account for more than 30 per cent of total tourism receipts and activities.

Sports have tremendous appeal both on account of their complexity and the positive spin-offs they can stimulate. A case in point is the 2000 Formula 1 Grand Prix, which generated approximately RM500 million in direct and indirect revenue for the Malaysian economy.

Frequently, the economic impact of major events is understated, such as the incremental social benefits or non-quantified monetary benefits accrued to the community from the project. For example, improvements in transportation infrastructure may lead to reduced travel times, reduced travel costs, fewer accidents or the opening up of new business opportunities. Similarly, event facilities such as the Sepang International Circuit or the Bukit Jalil Stadium will have a positive additional but uncounted impact on the community.

These are the more obvious benefits and multiplier effects of event tourism.

From a macro economic and strategic perspective, an equally, if not more important, aspect that is often overlooked are technology and industrial development opportunities. For example, former Prime Minister Tun Dr Mahathir Mohamad's vision of transforming Malaysia into a premium motor sports destination not only gave Malaysia one of the world's best Formula 1 tracks but also stimulated the automotive industry, creating technology clusters and excellence through spin-offs. By the same token, the Petronas partnership with the Sauber Formula 1 team and the Proton/Kenny Roberts venture have provided Malaysia the opportunity to train its brightest young engineers and creating a significant technology transfer benefit in the process.

Additionally, the experience gained through hosting the Formula 1 event successfully for the past five years has made the Sepang International Circuit a showpiece and benchmark for other countries aspiring to host an F1 event. Delegations and study teams from Shanghai and Bahrain have regularly visited SIC to study and emulate our success, in the process creating additional benefits beyond the mere hosting of the event itself.

Mega and local events are beginning to emerge as a key component of tourism supply. Increasingly, more and more tourism destinations and countries are developing tourism product concepts, including events revolving around pleasure and adventure sports. These concepts enable destinations to differentiate themselves from their competitors and consequently increase their competitive edge in the international market place.

In this context, it is important not to confuse economic impacts with financial profits and losses of events. An event may generate additional tourism impact due to visitor expenditure and it is very possible for an event to earn less revenue than it costs to stage (i.e. has an operating loss). However, at the same time, the event can make a positive contribution to the economy in addition to raising the visibility of the host country or city. At certain levels, if events are able to attract sufficient foreign visitors, they may be worth staging even at a loss in order to obtain the income that would flow from the total visitor expenditure.

For example, the Ministry of Youth and Sports initiated the 'GO KL' campaign to generate and complement tourist arrivals in Malaysia. Specific programmes included the sponsorship of 'GO KL' Minardi F1 team, 'The

World's Strongest Man' event, World Team Badminton meet and Futsal World Championship

Large-scale international competitions and events attracting participants and spectators have become an important target market for tourism destinations. These destinations, like Malaysia, have invested in the construction of well-equipped and attractive facilities and a comprehensive infrastructure. This market is starting to represent a substantial business opportunity for the tourism industry and, by the same token, can assist in the development of our national sports and athletes through competitions and training with world-class athletes.

Apart from the provision of physical infrastructure, transportation, accommodation and safety, education and training is critical to the success of both the sports and tourism sectors.

The reality is that sports and event tourism also reflects the values and lifestyle as well as some of the sub-cultures of the fast changing social structures that characterise the global village, and Malaysia is no exception. New trends and lifestyle emerge and they have a significant impact on the tourism industry and, equally significant, the Malaysian economy at large.