

The Cost-Benefit Analysis of the Rugby World Cup 2008: Main Results

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Abstract

Background

The analysis of the economic impact of sporting mega-events is always a very controversial debate amongst economists. On one hand, consulting firms find a very high economic impact, which is the opposite of the academic bodies which find very low results , on the other hand, very contrasted results come from various methods inside the scientific community. Finally, it is very difficult to get an opinion about the legitimacy of such calculations and its use by the organising sporting institutions, the host communities, or the public authorities. We have to answer first two questions in order to have a more rational debate about such a controversial subject: What does the concept of the economic impact of sporting events mean exactly? Which methods are the most appropriate to measure it? In the first place, the economic impact of the RWC has been assimilated to an increase of value added or employment in the host community. The results reflect the methodological difficulties attached to such a calculation, and show the limits of the conclusions which can be drawn from it. In the second place, the economic impact of the RWC has been assimilated to an increase of social utility and has been analysed with the welfare economics. One more, the results have to be considered with a great deal of caution, taking into account the methodological difficulties, mainly those linked to the evaluation of externalities. Finally, these two approaches of the economic impact of the RWC complement one another and have to be made jointly to constitute a reliable instrument in the decision making process.

Methodology

We made the two kinds of calculation applied to the RWC, but we are just going to present the second one in our communication. During the RWC, about 12,000 people had been interviewed, in order to measure the social utility of the event. Two methods are used to quantify such a value : the travel cost method and the contingent valuation method. These methods have been experimented upon the ten towns hosting the event in France. We are going to present the first results of such a cost-benefit analysis:

- calculation of the consumer surplus from the spectators sample,
- calculation of the willingness to pay coming from three samples: regional taxpayers, neighbourhood of the stadiums, rugby fans and participants,
- calculation of the net benefit of the RWC.

Results

The hosting of the event by ten different towns in France explains mainly the difficulty of the evaluation of the RWC costs-benefits analysis. Therefore, we will present the results by two steps:  In a first place, we will take one town to illustrate the global calculation: consumer surplus and the travel cost method , non-use value and the willingness to pay with the contingent valuation method , calculation of the global cost , calculation of the net social benefit.  In a second place, we will present the aggregated results for the whole event, and it will be possible then to compare regional data to national ones and to compare the regions between them. Some explanatory variables will be discussed as main teachings about the real impact of great sporting events.

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