# A stadium for Almaty?

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# Central Asia Business Journal 6(1): 34-39

# Fall 2014

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***Abstract:*** *The author describes the planning, building and operation of a football stadium. Economists use cost-benefit analysis to see whether a project should go forward. For a football stadium the analyst may obtain either result -- build or not build. First the project requires the acquisition of appropriately located land. As it proceeds, making a stadium generates jobs, thus stimulating the local economy. When it is finished, successful management may bring forth a profitable enterprise. There is a multiplier effect which further aids the region’s economy. Comparison to an arena shows that the smaller arena may be operated more efficiently. However, a properly managed facility can also be used frequently, leading to a similar level of efficiency. Over the years a stadium may require maintenance and even remodeling. Wise planning can lead to a stadium that other cities wish to emulate. Technical analysis done elsewhere leads to a critical mass for such a project. Proper consideration of opportunity cost may be an important item leading to support or opposition for a football stadium. It takes years to take the stadium from the drawing board to full realization and the costs (and benefits) may be billions of dollars.*

***Keywords:*** *Stadiums, project analysis, cost-benefit analysis, sports economics*

## Introduction

Almaty is the leading city in Kazakhstan, so it seems natural to pose the question in the title. However, economic analysis indicates that the decision is not so simple. In particular those who favor such a project would emphasize the benefits to the exclusion of important costs. Their opponents would trumpet the costs and downplay the benefits. Robert Baade and Richard Dye (1990) analyze the impact of a stadium on urban development. Their finding refutes the received wisdom that said impact is always positive. Kenneth Shropshire (1995) suggests that cities chase teams. Teams are thought of as a non-polluting industry, at least at the first level of analysis. Rodney Fort and James Quirk (1995) refer to the cross-subsidization that occurs in professional sports.

This could be greater if sports teams did not insist on exclusive rights to stadium use. Thus a football stadium could be used in the off-season for musical events, political speeches, other sports events and so forth in the absence of exclusive rights. Dennis Zimmerman (1997) inquires as to the burden and benefit of stadium subsidies. Asking the public to foot the bill for millionaires or even billionaires to build and own a sports palace is a hard sell in these days of tight budgets. Rodney Fort (2003) in his sports economics book devotes two chapters to this question. One is titled subsidies and economic impact analysis (page iii) and the other the stadium mess (ibid.). He analyzes the problem of free riders; he could supplement with forced riders as well. Andrew Zimbalist (2011) devoted a chapter to what he called facilities finance. Some stadiums are publicly financed, some privately and there are those with partial subsidies. Finally Ahmed Khalid et al. focus on the value of the stadium to the city. Their work emphasizes the benefits but warns that the cost may be overwhelming.

While economic analysis is used, this is a paper written for understanding by the educated lay level reader as well as the professional scholar. The author continues the paper with the planning, building and operation of the stadium in sections II, III and IV respectively.

## Planning

The successful execution of a football stadium project requires careful planning. Failure to consider the weather has doomed stadiums and even teams. Location is also an important matter as a city center site may minimize transportation costs but prove a crime magnet. The ideal stadium should provide service for several generations. Renovation to increase team revenue should not be an ongoing affair. Some localities require environmental impact statements and this requirement should be viewed in a positive light. Thus if a plot of land is earthquake prone, subject to hurricanes, floods, tornadoes or similar problems, resistance to bad weather should be designed into the project.

Similarly the requisite infrastructure must be considered as the planning goes forward. “If you build it, they will come” is a pleasant motto, but much more work must go into such an endeavor. Fortunately a national football team in Almaty is not likely to move to Karaganda at the drop of a hat the way sports teams move in the US. Let us look at the land requirement for the stadium.

Buying the land can be very expensive, whether done by a private owner or by the public under the rubric of eminent domain. The stadium requires parking facilities which pay off in the form of parking fees. Likewise concession stands that sell food and souvenirs can be designed into the stadium. There is a university stadium that even doubles as a dormitory, but that seems unusual. A media center and skyboxes may seem like unnecessary expenses, but they draw favorable coverage and money from the wealthy who enjoy such luxury. One must think ahead of time so that it is not necessary to move a team’s base of operations from one location to another. Once the land is developed for use as a football stadium, other uses might require its demolition. Thus it would be wasteful to choose one place, then go to another and perhaps even a third just because of inadequate foresight. Usually the plan is to buy the land rather than lease it and such specialized status as severed improvements or mineral rights are too arcane for the ordinary experience.

After acquiring the land, the organization must hire such essential personnel as an architect and a contractor. Proper design can lead to a world-famous building that serves its purpose especially well. An aging stadium, even if a well-known landmark, may need to be renovated or even replaced. The Almaty Football Stadium, if it is ever built, should not be known for its rats and reeks. A stadium is considerably larger than an arena and the architectural skills are employed differently in building the one as opposed to the other. Thus a football stadium would be designed as a multilateral building as opposed to an arena which could be rectangular. Actually the first step would be the internal design with focus on the playing surface. If it is a multi-purpose facility, the various uses would need to be represented in a series of overlays. Clear plastic layers can show the various requirements and prevent costly alterations as the project proceeds. Concession stations, restrooms, first-aid areas all need to be planned for right along with the media facilities and skyboxes. A properly designed stadium should be useful for many purposes. The old adage that it will pay for itself only applies if it is used and the tenants remain there year

after year. Research into various stadiums with a view to their strengths and weaknesses can lead to an Almaty stadium that is both functional and beautiful and that fulfills its destiny.

## Building

The building of the stadium is an important generator of employment and allied economic activity. From landscaping to parking lots, from the stadium itself to furnishing it appropriately, from raising the money to spending it, the building of any stadium is quite a long and involved project. Even if the economic analysis shows that the stadium is only a marginal plus for the local economy, the value of the construction is measured in jobs well done, and as a facility that tourists seek out for visits and vacations; in short it should be built. One concern is that corruption can raise the cost of any endeavor.

However, the person who takes the money but does not build the building is vulnerable to the reach of the powerful people he has disappointed. Some would say that the majority of the jobs are concentrated in the building part of the project. However, a sports facility requires routine maintenance and an operating labor force as well as the employees needed for the building part. Let’s walk the building part through its various subordinate tasks.

First the land must be prepared for the construction. Thus landscaping, road grading, and leveling of the stadium area are all essential before the cornerstone is laid. Gardeners, concrete finishers, heavy equipment operators must be hired and directed. Also the raw materials and other supplies have to be gathered. Trees, flowers and paint sound trivial, but the land should meet high standards before the building is begun.

Building a stadium on the land is a multi-year endeavor. The work crews must be hired and supplies assembled in order for the project to run smoothly. Technically we refer to material requirements planning and notice that critical path management, just-in- time inventory orders and the like can help keep costs under control. It may be necessary to train skilled workers for highly specialized work. Thus the sound system requires the work of stage engineers to insure that broadcasting to the live crowd and the television and radio audience runs well. A scoreboard can be constructed and people can be trained in its use. Maintenance personnel can be hired and prepared for the emergencies that occur during the construction phase and afterwards. Steel-walkers are an important part of making the roof solid and watertight. The concrete finishers can continue their work as the floors and stairs are finished. Carpenters are hired to install the chairs that ergonomic engineers have designed for the audience. Even construction of kitchen areas and provision of appliances is necessary. A security force must be trained so that the events held in the stadium can run without untoward incident. The stadium has to include space and chairs for the ticket takers and ushers. Transportation of goods and other materials for the building of the stadium imply that the early work of road builders and landscapers was essential. The construction of the stadium is an event of long duration, but eventually the construction manager gives way to the building manager.

## Operation

The building manager is operating the stadium successfully when it is profitable and the clientele is satisfied. All too often a football stadium loses money because it is only in use a few dates a year. If an arena can play three hundred dates a year and only be down for routine maintenance, why can’t the same be true for a stadium? Anytime fifty thousand people are brought together, the building manager should be asking why aren’t they using my stadium. The size of the football stadium is an important factor for events. An arena may seat twenty thousand, but a stadium could seat a hundred thousand people or even more.

Operating costs for the stadium can be considerable, but any event that can cover the marginal costs should be booked there. Olympic venues may include football stadiums or buildings suitable for such activities. Unfortunately the history of the Olympics is one of costs and corruption rather than profit and pride. How does one guarantee that the same would not happen to the hypothetical Almaty Football Stadium? If the facility manager has a contract that pays a base salary and performance incentives that promote stadium use, the principal-agent problem may be lessened or even solved. An advertising campaign should make everyone aware that the edifice exists, that exciting events are held there, and that each person attending such events is special.

Tourists pump up the value of the stadium to the city.

Anyone attending a football match in Almaty would be eating at restaurants as well as at the game, staying overnight, and buying souvenirs. A well-run stadium, like a well-run university, would have a large positive impact on the region in general and the city in particular. The right location can lower operating costs and simultaneously raise revenues. There is competition for the entertainment tenge and drawing people to the stadium may be a fulltime position. Advertising costs, but the failure to make the public aware of your business can be fatal. A winning football team can lead to standing-room- only crowds and that is the province of the players, coach and owner. What the stadium personnel can do is give every opportunity for the team to succeed and thus for the stadium to earn a profit. Some events may not draw crowds sufficient to offset the rent, but repeat business can teach which are likely to become repeat customers. Can the stadium host more than one attraction in a day? That may be the manager’s dream, but it may also increase the eventual cleanup costs. Attendance at a football game can be a matter of civic pride and that helps the stadium make money. Tight security can minimize the probability of a terrorist attack and the police and military can aid in the information collection to insure that the public is safe. A stadium is more than bricks and mortar and its operation draws more than a live gate. Thus we can add to the bottom line concessions revenue, parking revenue, stadium naming rights, radio broadcast rights, local television rights, national broadcast rights and souvenir sales; these ancillary items may turn a loss into a profit. The value of having a team in the city can add to the importance of football in Almaty.

The economist generally thinks of spillovers and multiplier effects. Thus a live gate of fifty million tenge has implications far beyond that amount. The multiplier effect occurs as the money gets spent and re-spent so that anything happening in the stadium is important. If a plan does not succeed, that may be due to cultural differences. Thus something famous in one nation may be a failure in another. A tractor pull or a demolition derby or even a recreational vehicle show may not be the ticket in Almaty.

Yet certain suggestions such as a musical concert or a political or religious rally may resound with the public anywhere. The staging of a new gathering may tax the imagination of the facility manager and her work crew, but success leads to success as an activity doing well one year may be repeated the next. If the stadium is conveniently located, it may draw business from locals and visitors alike. Block booking may help guarantee a profitable month. The technology involved in the completion and operation of a football stadium in Almaty may be replicated in other cities as rival teams lead to demands for other football stadiums. A rule of thumb is that any city of one million people in the US can support an American style football team. As population grows over time, there may be increasing demands for more football stadiums elsewhere in Kazakhstan.

The lessons learned in Almaty can be put into practice in Astana, Karaganda, Shymkent, Karaganda, Aktobe and other cities over time. A Kazakhstan Professional Football League might posit a rule of a football stadium of a certain size or larger for membership. Alternatively a national team could represent Kazakhstan versus teams of neighboring nations or even in international events such as the World Cup. Having a football stadium would be essential in preparation for participation in such contests. A decent venue can assist in the promotion of the nation. Never again would my neighbor in the US ask “Where is Kazakhstan? I think it’s in Africa, but my wife believes that it is in Asia!”

*Dr. John Leonard is Dean of Postgraduate Studies and Professor of Economics at the American University of Nigeria. For this article, he thanks Ahmed Khalid and his group for research assistance.*

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