



Advances in Tourism

HOSTING THE OLYMPIC GAMES

UNCERTAINTY, DEBATES AND CONTROVERSY

Edited by
Marie Delaplace and Pierre-Olaf Schut



Conclusion

Towards Olympic public–private partnerships

Jean-Loup Chappelet

Staging the Olympic Games requires close cooperation between the host city and country, on the one hand, and the national and international sports movement, on the other. That is between the public authorities (both local and national) and private organisations such as the host country's National Olympic Committee (NOC) and national sport federations, international federations and the International Olympic Committee (IOC). But can these arrangements be considered public–private partnerships (PPP), a way of delivering goods and services that has been widely embraced since the turn of the century in response to the difficulties of public investment and the large risks associated with some projects (OECD, 2008)?

From their resurrection in Athens in 1896 to the Los Angeles Games in 1932, the modern Olympics were essentially a private affair, attributed by the IOC, a club of international dignitaries founded in 1894, and organised by local para-public but highly independent bodies known as Organising Committees of the Olympic Games (OCOGs). Of course, the IOC made sure the Games were opened by the local head of state and that the OCOG, which financed the actual staging of the Games, mostly through ticket sales, obtained the agreement of the host city (or, in some cases, patrons) to build the facilities needed.

This mostly private approach was abandoned with the 1936 Berlin Olympics, when Hitler's government took over the organisation of the Games, which it used to project an image of a "new Germany" that had risen from the ashes of defeat in the First World War. To achieve its goal, the Nazi government provided almost unlimited finance for both the Summer Olympics in Berlin and the 1936 Winter Olympics in Garmisch-Partenkirchen. This trend continued after the Second World War, albeit more modestly at first, because the Games had become an unparalleled media event and were one of the few places where East and West came together during the Cold War. Thus, even though the 1948 London Olympics came to be known as the "Austerity Games", they provided Great Britain with an opportunity to show the country's resilience to the war, while Rome 1960, Tokyo 1964 and Munich 1972 marked Italy's, Japan's and Germany's (still the Federal Republic) return to the "concert of nations" after the defeat of the Axis powers. The Olympics

were also becoming more global, with editions in Melbourne (1956), Mexico City (1968), Montreal (1976) and Seoul (1988), all of which received substantial funding from their national and/or regional authorities.

Such government support was also a feature of the Moscow 1980 Olympics, but it resulted in the United States boycotting the event for geopolitical reasons – the Soviet invasion of Afghanistan – that had nothing to do with sport, as it felt the Soviet Union was making excessive use of the Games for propaganda purposes. The 1984 Olympics, which had been awarded to Los Angeles long before this boycott, did not pose the same problem because they were organised by an independent, not-for-profit OCOG that claimed not to need public finance from either the local or federal authorities. Despite a Soviet boycott, in retaliation for the US boycott four years earlier, Los Angeles 1984 was a great success, with 140 participating nations, compared with 81 nations at Moscow 1980. Los Angeles's OCOG made an operating profit of US\$225 million (mostly used to finance the LA84 Foundation, which continues to promote sport in Southern California to this day). Furthermore, it had almost no investment costs because it used either existing sports arenas, rented from their owners, or convinced sponsors to build any facilities that were not already available. Nevertheless, a study by the US General Accounting Office (GAO) showed that the federal government contributed US\$78 million to the 1984 Olympics (GAO, 2001: 12).

The success of Los Angeles 1984 led to a huge increase in the number of Olympic bids, which had dropped to just one following the massive deficit posted by Montreal 1976 and the gigantism that was beginning to affect the Games. But very few regions are as well equipped with sports facilities as Southern California. All the host cities that followed Los Angeles 1984 required considerable investment by the local, regional and national authorities in order to build the numerous facilities needed for the Games (around 40), many of which were underused after the Olympic fortnight because they were oversized and/or built to house sports with only small local followings.

Atlanta, in the United States, hoped to follow Los Angeles's example when it was chosen to host the centenary Games in 1996. However, the need to build several stadiums, many temporary, put a strain on the OCOG's budget, which it only managed to balance thanks to record ticket sales (a record that still stands). But here too the Games received significant federal government funding (US\$193 million), to which must be added the US\$234 million provided by the local authorities housing the Olympic venues, including the city of Atlanta (GAO, 2001: 15). How much the state of Georgia contributed was still unknown when the GAO published its report.

It appears, therefore, that contemporary editions of the Games cannot be staged without significant input from all levels of government (local, regional, sub-national, national). In addition, ensuring Games security, which has become increasingly strict since the September 11 2001 terrorist attacks, requires input from state bodies such as the army, police and secret services. Diplomatic services are also involved as, under IOC rules, Olympians selected

for the Games and holding an "Olympic identity card" (issued by the IOC with its partners) must be able to enter the host territory without a visa. Moreover, host governments are responsible for many other issues affecting the Games, including food security, work permits and brand protection.

Every host city and host NOC must sign the IOC's "Host City Contract" (333 pages long for Paris 2024!), which stipulates that the host city and NOC must set up an OCOG, generally as a not-for-profit body (association, public interest group, foundation, etc.), within a few months of the Games being awarded. In some countries, the OCOG is tied very closely to the public authorities (or may even be a public agency, as for Sydney 2000). Since the 2000 Olympics, many OCOGs have also worked alongside a public body formed to build the facilities needed for the Olympics (OCA for Sydney 2000, ODA for London 2012, Olympstroy for Sochi 2014, Solideo for Paris 2024, etc.). These bodies are created under "Olympic laws", drafted by the host country for this purpose and in order to cover a wide range of issues relating to intellectual property, taxation and transportation, etc.

In addition to these public and para-public Olympic bodies, numerous private companies contribute to organising the Game, including agents of the OCOG or of the body responsible for building work, international and domestic sponsors, broadcasters, Olympic Broadcast Services SA (OBS SA, the IOC company that produces television pictures of the Olympic competitions), and IOC Television and Marketing Services SA (IOCTMS SA), etc.

Hence, organising the Olympic Games now involves a partnership between three types of bodies: private commercial companies, public bodies and private not-for-profit organisations. To ensure the various partners work together effectively, their efforts are coordinated by a supervisory body, such as London 2012's Olympic Board, which included representatives of the London 2012 Organising Committee (LOCOG), the Olympic Delivery Authority (ODA), the British Olympic Association (BOA), the Mayor of London (city authorities), the Greater London Authority (regional authorities) and the British government's Department of Media Culture and Sport (DMCS). The IOC has its own, *ad hoc* coordination commission, which regularly brings together the OCOG and bodies within the IOC group (IOC, Olympic Museum, OBS SA, IOCTMS SA, etc.).

Thus, hosting the Games clearly requires a close partnership between the public and private (both commercial and not-for-profit) sectors. But is this a true public-private partnership (PPP)? Although there is no consensus definition of a PPP, the Organisation for Economic Co-operation and Development (OECD) defines a PPP as

an agreement between the government and one or more private partners (which may include the operators and the financiers) according to which the private partners deliver the service in such a manner that the service delivery objectives of the government are aligned with the profit

objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners. (OECD, 2008)

The Games can be considered a service delivered by private partners whose profit objectives (in the case of the IOC: obtain the funds needed to finance the Olympic movement for four years, mostly from television and marketing rights; in the case of the OCOG: finance its operations, mostly from domestic sponsorship and ticketing) are aligned with the host government's aims at different levels (primarily regional development and promoting the host territory, while ensuring the Games' legacy). On the other hand, the risks incurred during all four of the classic phases of a PPP (design, build, finance, operate) are shouldered entirely by the OCOG and its local partners (notably the public authorities), and not by the IOC or local NOC.

In response to a worrying fall in the number of Olympic bids (Chappelet, 2017), the IOC now plays a more active role in helping potential host cities draw up Candidature Files (so-called "invitation" phase, recommendations 1 and 3 of the IOC's Agenda 2020, 2014) and has agreed to contribute more to the OCOG's budget for the operational phase of the Games (preparation and staging). For example, the IOC will contribute at least US\$1265 million, in cash and in-kind, to the Paris 2024 OCOG's operating budget. Services in-kind, such as producing television pictures and providing IOC consultancy services, will be worth an estimated US\$435 million (IOC, 2017: 12–15).

In addition, the IOC now recommends using existing facilities (unless there is a real need for new facilities after the Games), which reduces construction costs to almost nothing. On the other hand, it does not contribute to the cost of operating Olympic facilities after the Games. Logically, these costs have to be borne by the facilities' owners (usually local authorities), but national sport federations and the NOC could also contribute as future users of these facilities. As a result, these private partners should be involved in the design and construction of facilities, possibly alongside commercial partners, in order to ensure they are, for example, sized appropriately and therefore viable to operate after the Games, as called for by PPP theory.

Nevertheless, following the huge deficit incurred by Montreal 1976, the Host City Contract's primary aim is to avoid any financial liabilities for the IOC and NOC (articles 4.1 and 4.2, IOC, 2017: 11–12) and to ensure the "joint and several liability" of the host city and OCOG. Because most host cities do not have the financial capacity needed to guarantee a deficit, since 2017 the IOC has accepted additional signatories (for example, a sub-national authority) to the Host City Contract. Hence, for the 2028 Games, the state of California has approved a deficit guarantee equal to that of the city of Los Angeles (maximum of US\$250 million each), but the US federal government has not provided any financial guarantees. Nevertheless, the OCOG for Los Angeles 2028 would like to do without this deficit guarantee, just like Los

Angeles 1984. Time will tell whether this is possible and whether the soft form of PPP adopted by Paris 2024 will be a success.

References

- Chappelet, J.-L. (2017). L'avenir des candidatures Olympiques. *Jurisport, la revue juridique et économique du sport*, 177, July–August, 42–45.
- GAO (2001). *Olympic Games: Costs to Plan and Stage the Games in the United States*. Report to the Ranking Minority Member Subcommittee on the Legislative Branch Committee on Appropriations, US Senate, November, 12–15.
- IOC (2014). *Olympic Agenda 2020, 20+20 Recommendations*. Lausanne: International Olympic Committee.
- IOC (2017). *Host City Contract – Principles – Games of the XXXIII Olympiad in 2024*. Lausanne: International Olympic Committee, 13–15.
- OECD (2008). *Public-Private Partnerships: In Pursuit of Risk Sharing and Value for Money*. Paris: Organisation for Economic Co-operation and Development.