



IOC Reforms: Where Do They Lead?

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Snapshot when Thomas Bach ascends to throne in 2013

- ▶ Number of Applicants to Host Summer Games
 - ▶ in 1997 (for 2004 Games) = 12
 - ▶ in 2013 (for 2020 Games) = 5
- ▶ Number of Applicants to Host Winter Games
 - ▶ in 1995 (for 2002 Games) = 9
 - ▶ in 2011 (for 2018 Games) = 3

2013-14 Applicant Cities (for 2022 Games) Drop Out

- ▶ Referenda defeat bid in:
 - ▶ * St. Moritz & Davos, Switzerland in March 2013
 - ▶ * Munich, Germany in November 2013
 - ▶ * Stockholm, Sweden in January 2014
 - ▶ * Krakow, Poland in May 2014

- ▶ Oslo drops out in October 2014

Findings from June 2014 Report from IOC Subcommittee

- ▶ Cost of bidding quadrupled for summer Games between 2010 and 2018
- ▶ Size of bid book doubled over same period
- ▶ Recommends:
 - ▶ Encourage use of existing facilities
 - ▶ Reduce 42,000 rooms for Olympic family to prevent overbuilding
 - ▶ Develop environmental standards with oversight body and sanctions

Agenda 2020 adopted December 2014

- ▶ Only 7 of 40 recommendations pertain to bidding and hosting committees
- ▶ Of the 7, many of minor significance, e.g., to solicit electronic rather than hard copies of bid documents
- ▶ Potentially substantial:
 - ▶ Actively promote use of existing and temporary venues
 - ▶ Simplify and make more flexible bidding process

IOC Committed to Sustainability, Affordability and Flexibility Decades Ago

- ▶ Commitment to Sustainability has been in Olympic Charter since early 1990s
- ▶ Back in 2002, an IOC study commission acknowledged that “the size and complexity of the Olympic Games have reached a point where they present significant operational and organizational risks which need to be addressed.”
- ▶ Same 2002 study urged IOC members to choose bids that relied on lower cost existing and temporary facilities.
- ▶ YET, 2005 bidding to host 2012 Games. IOC picked London bid with new Olympic Stadium, Velodrome, Aquatics Center, Olympic Village, IBC and other venues with final cost 3X initial bid. London picked over Madrid which relied heavily on existing facilities and had bid cost of only \$1.9 billion. Two years later picked Sochi.

Little Early Success for Agenda 2020

- ▶ Only two final bidders each for
 - ▶ 2022 Winter Games
 - ▶ 2024 Summer Games
 - ▶ 2026 Winter Games (really only one bid)

IOC Passes New Norm in February 2018

- ▶ The New Norm does not pretend to introduce new goals or a new philosophy
- ▶ Rather, it seeks to provide new methods to achieve greater flexibility, cost savings and sustainability.
- ▶ IOC claims that new approach reduced bidding costs for Milan/Cortina by 75% (approx. \$60 million)

Impact of New Norm?

- ▶ Agenda 2020 and New Norm represent IOC's response to its weakened market position. They do make a modest dent in the deficits of host cities. Not surprisingly, IOC has assumed a triumphalist posture.
- ▶ IOC already claiming big success. New Norm flexibility has saved Tokyo 2020 over \$2 billion. Other IOC doc states that "Combined, the adoption of all the [New Norm] measures could lead to savings up to USD 1 billion" in the organization of the Summer Games and USD 500 million for Winter Games.
- ▶ But even if \$2 billion is correct, this sum must be put in context. Although the initial Tokyo bid was \$7.4 billion, a Tokyo Board of Audit study projects total cost of close to \$30 billion.

Digression on Reported Costs of Tokyo 2020

- ▶ Governor Yuriko Koike commissioned a study in 2016 that reported costs on trajectory to rise above \$27 billion
- ▶ IOC promptly dispatched VP John Coates to Tokyo. Who said that the numbers were unacceptable:
 - ▶ “It is important to us that when the costs of the games and the final analysis become public, they are going to be a reason to attract candidate cities. To attract them rather than to scare them off. We want to work with you in that regard. So if we appear to be pushing very hard on saving money it is for our own future that we do it, just as much as you want to do it for your taxpayers.”
- ▶ Tokyo produced a new budget of \$15-\$16.8 billion. Coates said still unacceptable.

How to Cut Olympic Budget

- ▶ Tokyo produced new budget of \$12.6 billion.
- ▶ How did Tokyo trim its budget by 60%? It took out many items:
 - ▶ Spending on Olympic Village
 - ▶ Other private spending on venues
 - ▶ Land values on which venues sit
 - ▶ New transportation connected to venues
 - ▶ Installation of new telecommunications equipment in Olympic stadium
 - ▶ Expenditures by regional or provincial governments
 - ▶ Public tax exemptions or low interest loans

Subsequent to Adoption of New Norm in February 2018

- ▶ Calgary, Canada; Graz, Austria; and Sion, Switzerland all drop out of running to host the 2026 Winter Games.
- ▶ Leaves Milan, Cortina (250 miles apart) and, nominally, Stockholm and Ore, Sweden, but Stockholm already made it clear that they would not accept the financial risk in covering cost overruns or revenue shortfalls. So really only one viable host.
- ▶ Clear to IOC that Agenda 2020 and New Norm did not go far enough, so at the General Assembly Session in **June 2019**, the IOC approved what appears to be the most radical reform to date.

“No More Competitive Bidding”

- ▶ At least on the surface, the new selection process appears to surrender the source of the IOC’s greatest leverage – the competitive bidding process.
- ▶ One seller and multiple bidders in its properly functioning version, the IOC plays auctioneer.
- ▶ But this paradigm has broken down. One real bidder for 2026 and may have been no bidders for 2028.
- ▶ IOC agrees to advance LA2028 \$180 million in quarterly installments beginning in January 2018 for promotion of youth sports in S. CA.
- ▶ IOC also requires cities with required referendum in their charter to hold it prior to proceeding with selection process

New Selection Process

- ▶ New Host Selection Commissions, one for Summer and one for Winter Games. They will be in constant communications with prospective hosts and work with them to develop feasible bid.
- ▶ If a bid rises to the level of acceptability to the Commissions, they bring a recommendation to the General Session for a vote.
- ▶ There is no longer a seven-year time frame, can be shorter or longer depending on what is needed.

Impact of New Process

- ▶ Note that the vote on awarding a host city (or cities) is still in the hands of the General Session, i.e., all voting members. These members are no more qualified to assess the economic, social and environmental needs of a city than they were before.
- ▶ Thomas Bach remains in same pivotal position as before.
- ▶ The bidding process is no longer in the open, but it doesn't mean that the Commissions cannot use city offers against each other to jack up the financial commitment. The Commissions presumably will still seek to extract the maximum commitment out of each city before bringing the candidacy to a vote.
- ▶ The process seems designed to minimize the embarrassment that the IOC has suffered from the diminishing interest in hosting.

Conclusion

- ▶ Reforms are result of substantially weakened market position of IOC and this weakened position has yielded some financial benefits to prospective host cities
- ▶ The implementation of the reforms will only go as far as the IOC thinks it needs to go in order to ensure that future hosts will be forthcoming