Behind the corruption scandals

Big business demands a corporate Olympics

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The international media, not known in the past for its criticism of the International Olympic Committee, has over the past six months been the vehicle for seemingly endless exposures of corruption affecting the IOC--with each new revelation more damning than its predecessor.

Seven high-level inquiries have been, or are being, held into the Olympic Games city-bidding process. This includes four US-based probes into the Salt Lake City 2002 Winter Olympics; an Australian inquiry (the Sheridan report) into the Sydney Olympic Games; an investigation in Japan; and the IOC's own inquiry into the bribery allegations against 30 or more than a quarter of its delegates.

This month began with the release of the US Olympic Committee Ethics Panel's probe into the Salt Lake City bid, in which $US1.2 million was paid to IOC delegates to secure their votes. Headed by former US Senator George S. Mitchell, the Ethics Panel provided detailed evidence about IOC delegates who received cash, all-expenses paid travel and accommodation, luxury gifts, and other bribes.

Mitchell accused the IOC of lacking "ethical control" and tolerating a culture that was "potentially illegal and inevitably corrupt". The Ethics Panel said the IOC had been "gravely damaged" and called for reform at "local, national and international level".

USOC officials responded to the report by urging the White House to redefine the IOC as a public international organisation and therefore subject to the Foreign Corrupt Practices Act. The Senate Commerce Committee announced that it would investigate the Salt Lake City scandal and suggested that sanctions could be taken against the IOC, including the removal of its tax-exempt status in the US.

The Ethics Panel report came after a meeting last February between IOC officials and senior executives from Coca-Cola, Time Warner, McDonalds, John Hancock Mutual Life Insurance and other leading sponsors. The companies told IOC officials that they could end their sponsorship unless the IOC reformed its operations.

In a letter to the *New York Times* and the *Sydney Morning Herald*, published after the meeting, David F. D'Allessandro, president of John Hancock, described the Sydney Olympic Games bidding process as a "clear cut" case of bribery and denounced the IOC's response as "a classic cover-up". D'Allessandro said his company would refuse to run any of the $20 million in advertising budgeted for the TV broadcasts of the 2000 Games, unless the IOC adopted a radical restructure.

For those who have closely followed the evolution of the Olympic Games, the IOC nepotism, vote-selling and other forms of corruption now coming to light are no surprise. They are, in fact, inevitable by-products of the vast sums of money and multi-million dollar profits surrounding the event. Moreover, investigative journalists and some serious sports commentators have reported detailed allegations against the IOC over the years. These exposures received little publicity, until now.

What has produced this change in attitude? Clearly the sponsors and media magnates, who have reaped massive profits from the Games, have not suddenly developed moral objections to the luxurious life-style, under-the-table payments and lavish gifts provided to IOC delegates. Another agenda is at work, and one that becomes clear through an examination of the operating structure of the IOC and the transformation of the Olympic Games into one of the world's most profitable international sporting events.

The IOC was first established in 1894 at an international athletics conference convened in Paris by Baron Pierre de Coubertin. Members were not paid but volunteered their services to the IOC, which was structured and functioned like a private and exclusive gentlemen's club.

Operating today under the law of Switzerland, where it is based, the 115-member organisation has more in common with a secret society or Masonic lodge than a modern global business corporation, let alone a democratic body elected by and representing the interests of athletes and sports fans. IOC members are chosen by President Juan Antonio Samaranch and the 11-member Executive Board, not elected by national athletic or sporting bodies, and can only be removed by the IOC itself.

Those selected before 1966 serve for life. This includes Marc Hodler of Switzerland and former International Federation of Football Association president Joao Havelange. Those selected after 1966 retire when they turn 80. The IOC Executive raised the limit from 75 years just before Samaranch reached that age.

A member breaching the organisation's rather loose rules and guidelines can be reprimanded under a three-tier disciplinary code: a "Warning", "Serious Warning" or "Most Serious Warning". Delegates can only be expelled if fellow members considered their actions unworthy of the organisation.

Samaranch, 78, the son of wealthy Barcelona textile family, has headed the IOC for the last 19 years. Samaranch joined Spain's fascist movement in his teens and was appointed that country's Sports Minister by General Franco in 1966. He remained a loyal Francoist until the dictator's death in 1975 and two years later was made ambassador to Russia--a position he used to establish contacts with Soviet sporting bureaucrats, thus securing the votes he needed to be elected IOC president in 1980.

Current IOC members include ex-government sports ministers, retired military generals, a former defense minister in Ugandan dictator Idi Amin's regime, an ex-head of the South Korean CIA and a former member of the Stasi, East Germany's secret police. Prince Albert of Monaco, Britain's Princess Anne, Prince Faisal Fahd Abdul Aziz of Saudi Arabia, the crown prince of the Netherlands and Prince Henri of Luxembourg are members, as is Boris Yeltsin's former private tennis coach, Shamil Tarpishev. As one former IOC member described the organisation: "It lives among itself. The members are like cardinals in the Vatican. Governments come and go, it doesn't matter to us."

In the late 1960s, increasing costs associated with the staging of the Olympic Games began to produce serious financial problems for the IOC and those cities staging the international event. The IOC had limited funds and few, if any, of the cities holding the Games made a profit. The 1960 Rome Olympic Games lost 300 million liras--a pattern repeated on a grander scale when the 1976 Montreal Olympics lost $1 billion.

But new international players in the form of transnational corporations began to enter the scene, anxious to use the event to promote their products or sell advertising space. This coincided with a series of reforms within the IOC and Samaranch's election to the IOC presidency. With the backing of major European and US corporations--Adidas, Coca-Cola and most importantly, giant media and television companies--Samaranch began to transform the Olympics.

Bound up with the use of the Games to promote national pride, the IOC previously attempted to maintain the event's amateur status and prevent commercial sponsorship taking over. Samaranch's predecessor, Avery Brundage, regularly wrote letters instructing competitors and teams not to wear company logos on uniforms. He established a "Commission for the Protection of the Olympic Emblems" to stop the Games being exploited by advertisers.

After taking office in 1980, Samaranch quickly expanded the organisation's membership base, appointing IOC delegates who would support opening the event up to professional athletes and private sponsorship.

In 1981 the Olympics' amateur-only status was watered down when international sports federations were given the right to determine which athletes could compete. This set in motion irresistible pressures--endorsement dollars and other commercial deals. Then, in 1983, the IOC voted to open up the Games to company sponsorship. Within a few years, sponsorship, broadcasting and other advertising rights were being sold to the highest bidder or at least those closest to Samaranch and the inner-circle in charge of the IOC.

After Los Angeles made a $215 million profit from the 1984 Olympic Games by selling exclusive rights to various corporate sponsorship categories--the official LA Olympic drink, the official outfitter, etc--a scramble began in earnest between cities for the right to host the Games and secure the profits that could be made in tourism, construction, transport and other industries.

From a small, nominally non-profit organisation, the IOC became a multi-million dollar enterprise, its members determining which cities and corporations would be granted access to massive profits through the Olympic Games. And, as competition between companies and cities increased, and profits climbed, so the opportunities for bribery and corruption rose, not just of individual members but the IOC as a whole.

Larger and larger inducements were provided to IOC delegates by candidate cities: furs, jewelry, paintings, first-class travel and accommodation packages, college tuition fees, jobs for relatives and cash payments. IOC lobbyists and middlemen were paid handsome fees to deliver delegates' votes. When the more obvious examples of vote-selling by IOC delegates were revealed, Samaranch and IOC officials responded with mild rebukes.

At the same time, the cost of sponsorship, television and other deals with the IOC began to soar. In 1988 nine corporate sponsors paid a total of $100 million for Games marketing rights. Eight years later in 1996 at Atlanta this had risen to $4 billion.

To purchase a space for the company logo on a sponsor medal stand for the 2002 and 2004 winter and summer Olympics now costs $55 million or 10 times the amount charged in 1984. Those who pay the price must agree to all the IOC's rules and restrictions, including prior approval of everything produced related to the Games--from stationery and pencils to television and website advertising.

Costs for broadcasting rights have gone through the ceiling--from the Â£80 paid to the IOC for the 1956 Melbourne Olympic Games broadcasting, to NBC's recent $3.5 billion deal with the IOC for broadcasting rights to all winter and summer Olympics between 2000 and 2008.

In the late 1980s and early 90s, the media networks and corporations were prepared to tolerate various IOC indiscretions. Today IOC cronyism and the prices demanded for broadcasting and sponsorship rights have come into conflict with the profit expectations of the transnational media and business corporations.

Furthermore, vote-selling and other under-the-table deals by the IOC have become so blatant that they are undermining the market value of the Olympic Games as a "clean and credible" advertising vehicle.

Big business is demanding a new corporate structure in line with its requirements. In the carefully-framed words of an article published in Rupert Murdoch's the *Australian* last month: "The only way forward is to embrace reform and that means changing management culture to meet the requirements of a modern corporation that the IOC must become."

Some of the changes demanded include lower fees for sponsorship rights, transparent bidding processes for broadcasting rights and more marketing opportunities. Other demands include major changes in the city bidding process, the election of IOC delegates by national Olympic committees and international sports federations, term limits instead of the 80-years-of-age rule, and the resignation of Samaranch.

If the IOC refuses to comply, the exposures and special investigations will continue.

Irrespective of how the conflict develops, Olympic Games "reform" has nothing to do with improving conditions for Olympic Games athletes or spectators. It will be designed to further corporate interests. Together with the athletes who compete in them, the Olympic Games have become commodities bought and sold in the market place--with the aim simply being the maximisation of private profit.

One glimpse of the possible Olympics of the future was provided by a proposal from M & M Mars during the 1992 Barcelona Olympics. The company sought permission for its M & M characters to jump out behind marathon runners, and appear on prime television, as the athletes passed through city streets. When the IOC refused, concerned that such crass advertising could devalue the Games' marketing image, the company dropped its sponsorship and directed its investment into marketing youth soccer. A Mars company spokesman complained: "There comes a point where you just don't get the return on your investment."