

State government takes direct control of Olympics

# Financial fiasco brewing in Australia over Sydney Olympic Games

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In January, less than seven months before the opening ceremony, the New South Wales government took the drastic step of removing organisational control of the Olympic Games from the Sydney Organising Committee for the Olympic Games (SOCOG) and assuming responsibility itself. The takeover means that the NSW government will run all Olympic sporting venues and control 35,000 of the 50,000 contractors needed for the day-to-day operation of the Games.

The move follows revelations that SOCOG has a debt of \$193 million or almost twice the amount disclosed last December. The budget blowout was the result of a \$76 million shortfall in ticket sales and \$108 million loss of corporate sponsorship revenue.

Soon after the debt was made public the SOCOG directors handed over their budget and organisation of the Sydney Games to the Olympic Coordinating Authority (OCA), which works under direct state government control. Ten of the OCA's most senior executives immediately moved into offices at SOCOG headquarters and began to "review and approve all Games operating plans", including a review of all contracts signed by SOCOG.

To try to patch the hole in the budget, the NSW government has relinquished a budgeted \$30 million "profit" and the International Olympic Committee (IOC) and the Australian Olympic Committee (AOC) agreed to contribute \$11 million from their portion of Games revenue. SOCOG also voted to cut \$36 million from their operational budget through the axing of positions and the transfer of staff.

While the NSW government used the much-publicised shortfall in ticket revenue as the pretext, its decision to assume organisational control of the Games is not just related to immediate budgetary problem. The government

fears, and with good cause, that the Olympics are going to cost substantially more than previously estimated and that a huge financial fiasco could emerge after the Olympic Games.

Olympics Minister Michael Knight obliquely hinted as much to the media when he said: "The biggest risk is you get a blowout in expenditure at the time of the Games and you find out about it afterwards and the people who were responsible of course have their contracts finished by then and are no longer around to be accountable."

IOC Vice President Dick Pound also pointed to an underlying financial crisis when he criticised SOCOG in February for its "dysfunctional relationship" with sponsors and inflated estimates of sponsorship revenue. "The original goal was wildly optimistic," Pound said, "and then when it got raised again we thought that was foolishly optimistic, the third time we knew it was nuts, and said so, and eventually we were proven to be right."

The Sydney Olympic Games' budget has always been a closely guarded secret. Although the state government agreed in 1994 to publish annual reports, no estimate of costings and revenues on the Games were released until mid-1998. Prior to then the only figures made public were AOC estimates used in 1993 as part of the Sydney bid to become the host city.

One of the few available public documents is a review by the NSW Auditor-General Tony Harris of the 1998 budget estimates published in January 1999. In rather guarded officialese, it points to a shaky financial situation with the potential for huge financial losses that threaten to blow out well beyond the \$193 million deficit currently acknowledged.

The Auditor-General stated that the Sydney Olympic Games budget did not "capture the overall expenditure associated with the Games, as required by the Olympic

Co-Ordination Authority Act”, nor did it provide a “complete picture of the costs for hosting the Games.” He described the figures used by the government to quantify the costs of the Olympics as “superficial”, having more to do with the bidding process than any real estimation of costs.

According to the report, the overall cost of the Olympics would be at least \$5.9 billion with estimated revenue from corporate sponsorship, media rights, marketing, ticketing and private sector investments raising only \$3.6 billion. As a result, the government would be liable for at least \$2.3 billion as opposed to the government's previous figure of \$1.6 billion. Even this figure, according to the report, was based on “unquantified” revenues, so the government's liabilities could become even larger.

These estimates, however, are only part of the equation. The NSW government has agreed to underwrite all expenses associated with the Games, including legal costs incurred by any Olympic authority. As the Auditor-General warned: “The risks created by the Games are significant... [so] the guarantee given by the Government to underwrite the Games is a major financial exposure”.

The Auditor-General politely pointed out that the “unnecessary secrecy” surrounding the Games budget bordered on being illegal. “Documents which would help the public to understand the Government's use of public moneys have not been provided to the public. Indeed they have been withheld in ways which are arguably inconsistent with that Act,” the reported stated.

Whilst mismanagement, under-the-table deals and, in some cases, outright stupidity have played a role in SOCOG's budgetary problems, a major factor in the Sydney Olympic's budget crisis has been a substantial drop in corporate sponsorship. This source of revenue declined following last year's allegations of bribery and vote selling by IOC delegates in the Olympic bidding process. Corporations that had signed sponsorship deals sought to have them renegotiated in order to reduce their contribution. Others were anxious to sever any connection with the increasingly discredited IOC and withdrew completely from sponsorship.

Under pressure to attract new corporate sponsors, SOCOG staggered from one crisis to the next. Last year SOGOG even began signing up businesses that were in direct competition with existing sponsors. As a result it now faces a multi-million dollar legal action by Reebok over breach of contract.

Sponsorship shortfalls also forced Olympic organisers to try and extract more money from ticket sales. In 1993,

the first Olympic budget estimated that ticket sales would constitute only 14 percent of total revenue. By 1998, as the budget began to blowout, the figure was revised upwards to 23 percent. With ticket sales one of the few sources of revenue under its control, SOCOG began selling blocks of tickets for higher than advertised prices in a desperate bid to boost income.

Of the 3.5 million tickets expected to be available for sports fans, 420,000 were assigned to exclusive clubs and wealthy individuals prepared to pay higher prices. Over 250,000 Australians who applied for tickets received none and 1.4 million cheaper tickets supposedly allocated for schoolchildren and welfare groups, suddenly shrunk to no more than 750,000.

The Olympic Games—a celebration of the highest achievements in human athleticism—like other arenas of human activity under capitalism has become a gigantic milking cow for corporate sponsors, the media and others. The cost of providing the facilities will be borne by working people as the NSW government cuts spending on desperately needed social services to plug shortfalls in the Games budget.

Over \$2.2 billion has been spent on massive stadiums and infrastructure programs for the Olympics. Even by its own underestimated figures, the NSW Treasury concluded that without the Games the state government would have been able to spend \$1.3 billion on hospitals, schools and infrastructure programs for the years 1991-2001. Furthermore the budget surplus for the single year 1998-9 would have been \$522 million, as compared to an estimated \$45 million for the entire decade 1991-2001.

As NSW's Auditor-General, said, when asked how the public would benefit from the Games: “The taxpayer, the taxpayer has ah, has paid for the privilege of paying for the Olympics.”



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