

NOTES FOR REMARKS BY

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COMMERCIALISM AT THE OLYMPIC GAMES: HOW MUCH IS TOO MUCH?

Introduction

Thank you for the invitation to be here today. My last appearance at the Canadian Club in Montreal earlier this year ended up being something in the nature of a political speech, directed at holding together our magnificent country, which played well in certain quarters, but not-so-well in other, misguided, quarters closer to home. Being able to talk about the Olympics will, I hope, be a considerable improvement over politics - especially since I do not seek elected office in Atlanta.

The Issue

The Centennial Olympic Games in Atlanta finished on August 4th. There has been a great deal of speculation as to what kind of balance sheet has been left behind.

Overall, I would rank the Atlanta Games as a great success. There were certainly a number of very positive elements.

The Games were watched by more television spectators than any Games in history. Audience ratings were up throughout the world and the number of countries covered increased over the previous record set at Barcelona in 1992. There must have been few countries indeed in which there was no coverage. The cumulative audience statistics are not yet fully available, but my guess is that the cumulative audience will be some 40 billion viewers.

There were more live spectators than ever before. In fact, there were more tickets sold for Atlanta than for the Games in Barcelona and Los Angeles combined - almost 8 million tickets.

The sports installations were of an excellent quality, which enabled the athletes to perform at their optimum level. These facilities were well designed and well managed.

The sports competitions were superb. There were many Olympic records and many wonderful moments, as there are in almost all Olympic Games.

The budget, which has always been in some doubt, looks as if it will be more or less balanced, although confirmation of this will probably take several months.

Perhaps most importantly, for the first time in history, every single national Olympic committee recognized by the IOC participated in the Games. There were 197 delegations present in Atlanta.

There were areas, of course, in which not everything went perfectly well. I should say that this is entirely normal and predictable. Nothing ever works perfectly. What you hope is that, if mistakes are made, they can be fixed as quickly as possible with a minimum disruption of the Games.

Transportation was difficult. No Olympic Organizing Committee ever believes, no matter how often you warn it, how many people will be in the Olympic area and how difficult it will be to make sure that the people who have to be in certain places at certain times can do so. In the case of Atlanta, there was a city core that handles, with difficulty, approximately 125,000 on a typical business day. During the Games there were 4, 5 or 6 times that many people in the same area. The city did not have a comprehensive plan and did not execute what plan there was with any consistency.

Some of the technological interfaces did not work as well as had been hoped, although none of the failures affected the Games or the outcome of any sporting event. Most of the problems were the result of the huge volume of data being transmitted from the many competition venues to international press agencies and broadcasters. While much was made in the press of the so-called failure of technology, it is important to note that the level of technological support for the Atlanta Games was generally higher than in any other previous Games. The level of service to the media, even without a few of the hoped-for technological advances that would have enabled direct on-line communication, was no less than the service provided in Barcelona and Lillehammer, which was more than satisfactory. So there is a matter of perspective to be maintained.

There was a tragic bombing incident in Centennial Olympic Park during the Games which underlined the sad need for high level security at a gathering of the magnitude of the Olympic Games. This, too, was an aspect about which we had warned the Atlanta Organizing Committee on many occasions. While it is easy to blame the cowardly event on lack of security, it is also important to understand that we live in an age which has spawned a new wave of suicidal terrorists and, in a free society, there is only so much that can be done to prevent a determined individual from perpetrating acts of this nature.

Finally, and probably most importantly, there was a disturbing lack of coordination between the Organizing Committee and the city government of Atlanta, about which I will speak more in a moment or two.

A Difficult Financial Model

Much of the difficulties that occurred with the Atlanta Games came as a result of the financing model which was adopted by the promoters of the Atlanta bid from the outset, namely that the Games would be totally privately funded. This is a model which is fraught with danger, although it can work - barely - in the United States, as we have seen, but I doubt very much that it could in any other economy not as robust as that of the United States. I have publicly expressed the very strong view that we should never award the Games unless there is a financial safety net in place, a view which I believe is now shared by a majority of my colleagues.

In addition to agreeing to fund the Games from private sources, in order to get approval of the City of Atlanta to go forward with a bid, the organizers also had to undertake to contribute approximately \$500 million dollars in facilities and infrastructure to the city and surrounding areas. This led to a concerted focus on the top line of revenues, at the expense of being able to do what needed to be done when it should have been done, since in order to undertake any major project related to the Games, the Organizing Committee had to have a contract or contracts in place which could be used as collateral for a line of credit from its bankers.

Just to give one example of how this funding model had negative economic effects on the financing of the Games, the Atlanta Organizing Committee approached me in early 1993 in my capacity as Chairman of the IOC Television Negotiations Committee, saying that they wanted us to negotiate the U.S. contract immediately.

Having followed the sports television market for some time, it was clear, to me at least, that the television sports market was experiencing a cyclical trough and that this would not be a good time to negotiate. I told the Organizing Committee that I thought we should wait for at least six or seven months and catch the market on the up-swing and that I did not favour negotiations with the U.S. networks at that time. The ultimate decision was one which we could have taken, because the television rights are the property of the IOC and we do the negotiating.

The Atlanta Organizing Committee then begged us, notwithstanding this advice, to hold the negotiations in mid-1993 because, until they had a contract which they could use as collateral, they would not be permitted even to begin construction of the Olympic Stadium. The Oversight Committee was concerned that there might be some liability attaching to the City if the financing costs for the construction were not assured before the ground was broken. The Organizing Committee was in a state of panic, since, if they did not begin the construction in the third quarter of 1993, the Stadium would not be ready by the time of the Games. Even starting when they did, the Stadium was only ready sixty days before the Games.

So, rather than have the IOC be manoeuvred into the position that it could be identified as the villain responsible for there being no Olympic Stadium, I agreed that, on the basis of this urgent request, we would negotiate with the U.S. networks in July, 1993, but officially went on

record with the Atlanta Organizing Committee that we would be foregoing a great deal of money as a result of bad timing of the negotiations and that the Organizing Committee would have to accept responsibility for this financial consequence.

The contract with NBC, at \$456 million dollars, was the highest in Olympic history, but well short of what could have been produced even six months later. My estimate is that we left between \$50 and \$100 million dollars on the table, an incremental amount which would more than have guaranteed the financial stability of the Organizing Committee. A further proof of this pudding is that we achieved a level of \$715 million three years later for Games in Sydney Australia, in a much smaller, foreign, market half way round the world.

The City of Atlanta did its best to have its cake and eat it as well. It benefitted from the economic impact of the Games, and present estimates of this are in the range of \$5.5 billion, yet sought to avoid any of the financial responsibilities connected with the Games. Although the mayor of the City of Atlanta signed a contract with the IOC on behalf of the City of Atlanta in 1990, guaranteeing any deficits from the Games, in a subsequent exercise of double-think, the City of Atlanta pretended that this contract did not exist and did not wish to be seen as doing anything which might suggest that it actually could be liable in the event of any financial shortfall. The result was that there was a deliberate minimal involvement by the City in any phase of the organization of the Games. This eventually led to a lack of coordination that exacerbated many of the problems that occurred during the time of the Games.

Financing the Olympic Games

Many people wonder how it is that Organizing Committees earn the money required to stage the Games. In the case of Atlanta, there were three principal sources.

Approximately one-third of the money came from the television rights negotiated by the IOC. This money is a direct grant from the International Olympic Committee to the Organizing Committee.

The second third came from the sale of sponsorships and supplierships to the Games. This is a combination generally of money, services and equipment necessary to stage the Games. Indeed, it is fair to say that it would not be possible to organize Games at the level expected in our day and age without significant technical help from sponsors.

The balance of the revenues came from the sale of tickets, in which the Organizing Committee was spectacularly successful, and a variety of miscellaneous sources such as coin programmes, licensing and so forth.

In the case of Atlanta, looking at the source of funds is actually quite interesting. The IOC is unique amongst sport and other organizations because it provides, either directly or indirectly, a significant portion of the funds required to stage its event, namely the Olympic Games. For Atlanta, we gave the Organizing Committee 60% of the television revenues which

we raised from the sale of our television rights. That provided the Organizing Committee with about \$550 million. We then gave the Organizing Committee a share of the international sponsorship program which the IOC has developed and, in the case of Atlanta, this amounted to about \$75 million, for a total direct grant of \$625 million.

The next thing we did was to allow the Organizing Committee to use the Olympic five rings symbol, which, according to market research, is the most widely known symbol in the world, and which imbues any commercial activity, such as domestic sponsorship or licensing activity, with a virtual guarantee of commercial success. The Atlanta Organizing Committee gained about \$575 million from its activities using the combination of the Olympic rings and its Centennial logo.

The total budget for Atlanta was approximately \$1.7 billion, including the \$500 million construction commitment. If you add up the \$625 million granted directly by the IOC and the \$575 million produced through access to the Olympic rings for sponsorships and licensing, the total comes to \$1.2 billion, an amount which would have covered the full costs of organizing the Games, without the new construction.

I have long been a believer that the Olympic revenues from television and sponsorship should not be used for bricks and mortar in the host country. Infrastructure is, in my view, a responsibility of the host city or country. I agree that the Games themselves should not be a huge drain on the hosts, and they need not be, given what the IOC contributes. But one should not forget that the IOC does not force the Games on anyone. In fact, there were no less than six cities all clamouring for the right to host the Games. For 2004, there are eleven cities bidding.

Commercialism and the Olympic Games

I am always both perplexed and somewhat amused by the concerns that are expressed in the media about commercial support of the Olympic Games. This feature attracts more ink and electronic comment than almost any aspect of the Games, often appearing almost to overshadow the Games themselves. This never seems to emerge as a concern about any other sporting event, where sponsorship is an accepted and welcome fact of life. I take some heart from the concern, however, because where the concern is genuine, as opposed to mere carping about a successful undertaking, I treat it as a recognition that the Olympics are, indeed, special in the minds of the public at large. And we on the IOC are very conscious of this special nature of the Games. We do our best to preserve and enhance it.

Before reaching a snap judgment on commercial involvement, we should consider the alternatives. The financial pressures on governments today are such that it is unrealistic to expect governments to be able to underwrite all the costs of a high-end event such as the Games. Their responsibility is to ensure that their societies have the basic infrastructure appropriate to

the needs of their particular societies. That is a good reason for some countries not to aspire to hosting the Olympic Games too early in their development.

Where, then, does one look? To the athletes or participants themselves? This is a complete non-starter and, even if feasible (which it is not), would restrict sport to the wealthy, a backward social step that I do not even want to contemplate. We have come too far in making sport accessible to the whole of society to consider such regression.

That leaves, if only by default, the private sector. I do not, however, regard this as a "default" consideration. I believe it is both right and proper that the private sector be involved - and actively involved - in the Olympic Movement and the Olympic Games. Don't forget that the whole sports system all around the world is essentially a manifestation of volunteers in the private sector, not of governments. Far from avoiding such involvement, we actively seek it. But, on certain terms and conditions, which we believe to be important for the Games and, in the long run, for the private sector itself.

Generally speaking, the private sector participates in two ways. The first is by buying tickets to the Games and, to a lesser extent, souvenirs. The amounts involved will obviously vary from country to country and according to the size of the stadia, as well as the economic conditions which prevail in the host country. The demand for Olympic tickets in Atlanta was astonishing. It seemed that everyone wanted to share in the Olympic experience. The interest was so great that it contributed to the transportation and security problems.

But the desire to be part of the Olympics was also so real and so fervent that it was an enormous contributing factor to the recovery from the bombing incident that might otherwise have cast a permanent pall on the Atlanta Games. What might be remembered as the tragic highlight of the Games was transformed by the public into a spiritual victory, an unmistakable, in-your-face, statement that they would not be terrorized and that they would support the Games with even more fervour.

The next level of private sector involvement in the Games comes from sponsors. There are some important ground rules which need to be understood about commercial sponsorship. The first is that sponsorship is not charity. It is the allocation of significant business assets to activity which is expected to generate a return on investment. Sponsors have an obligation to invest the moneys of their shareholders to generate a return. The many evocative images and values of the Olympic Movement are sought as image transfers to corporations, their brands, their products and their services. These Olympic images can, and do, add value to their enterprises.

We, in the Olympic Movement, have several obligations of our own. In relation to sponsors, we have the duty to give value if we want to receive value. I want happy sponsors, not sponsors who are disappointed or for whom the Olympic sponsorship is neutral, or just another media buy. I would happily forego any money we might get from an unhappy sponsor. My view has always been to try to be sure we leave some extra value on the table and that we

not extract the last dollar from any sponsor. I want Olympic sponsorship to deliver more than we promise and to generate a higher return for sponsors than they think they have paid for.

We have to protect the rights we grant, resorting to legal action if necessary, although I find that public exposure of ambushers or parasite marketers is generally more effective than lawsuits.

We have an obligation to be sure that the Olympics remain the premier sporting event in the world. So far, I believe we have delivered on that obligation. There are many external validations of this, as can be seen from the huge long-term television and sponsorship agreements we have reached, some of which extend to Games the locations of which have not even been decided.

We must, in marketing terms, continue to enhance and preserve the Olympic "brand." In recent years, we have begun to think of the Olympics as a special form of franchise, in which the IOC is the franchisor and the host cities are the franchisees. It is up to us to define the basic parameters and standards which we expect and to see that these standards are met and even exceeded by our franchisees. Above all, we must be sure that no franchisee devalues the Olympic franchise.

In the relationships we have with sponsors, we accept that the level of investment by our sponsors entitles them to visibility - and lots of visibility. After all, the event could not occur without them. Not only that, in the promotion of their sponsorships, our sponsors spend millions, hundreds of millions, of dollars enhancing our own franchise. Anyone who saw the commercial messages will recall how positive they were and what a wonderful support they generated for everything we are trying to develop, in a way which we could never afford to do with our limited budget.

This visibility is, however, controlled by the IOC. We have very well established guidelines regarding publicity and the appropriate use of the Olympic rings. There is, for example, unlike any other international sporting event, a strict rule that there will be no advertising in the competition venues. Our sponsors, after some initial resistance, have come round to understanding that this feature is better for them in the long run and that it is something which underlines the special nature of the event which they have helped to make possible. The longer a company has been an Olympic sponsor, the more it becomes a partner with us in protecting the specialness of the Games.

We are very satisfied with our Olympic sponsors. They delivered everything we wanted and hoped for from them and I am very proud that the Olympic Movement has been able to attract and retain their support. There is, in my view, no question of there being too much commercialism on their part. They do what they do by virtue of agreements with us and with our blessing.

We are not satisfied with parasite marketers, who pretend or try to create the impression that they are connected with the Games when they are not and who try to suck value out of an event to whose success they have not contributed. We do our best to create such a high level of public discomfort for them that they fold up their tents and sneak back out of town.

We were not satisfied by ambush and street vending programmes undertaken by Atlanta, the host city, which had sought to avoid any financial responsibility for the Games, yet make a profit at the expense of the Organizing Committee which was trying to raise enough money to pay for the Games.

Nor was anyone else impressed with this particular aspect of Atlanta. NBC, the U.S. Olympic broadcaster, had a standing rule that any employee who aired a shot of the City of Atlanta, even through inadvertence, would be fired on the spot. Fortunately, therefore, not too many people were forced to see what the city looked like during the Games.

But, as President Samaranch has said, Atlanta produced "exceptional" Games. They are now behind us. Each time we organize an edition of the Games, we learn something and we certainly learned in Atlanta. We are now looking forward to Nagano and Sydney, at both of which I am sure we will also learn more.

Commercialism will be with us as long as the Games are the leading sports event in the world. Sponsors will help us keep the Games as the leading sports event in the world. We will continue to control the level of commercial signage and identification and to ensure that the decisions affecting sport will continue to be made by the responsible sports authorities and in the best interests of athletes.

Let me conclude by saying that the economics of the Olympic Games are such that cities of substantial size and infrastructure should perceive them as an opportunity for growth, development and recognition on a world scale.

If you have begun to perceive a certain direction to this finale, you are right. Toronto is a city which is more than able to deliver fantastic Olympic Games to the world. We almost had a chance to do so in 1996, but fell just short. Toronto should continue to try. In doing so, it will be going up against other excellent cities, but I believe that Toronto within Canada can offer everything the world seeks in an Olympic host city and that we should not shrink from healthy competition.

But, a successful Olympic bid will require unity of action from the entire community. And, a bid is not the same as organization of the Games. We must not make the mistake of arguing publicly about details of organizing the Games until we have won. These days it is as hard to win the bid as it is to undertake the organization of the Games.

Whatever advice, help and support I can give, I willingly pledge to any such effort.