

Olympic-style mega-events reach new frontiers – at a cost

Will Jennings questions the sustainability of the governance model for sporting mega-events

On paper, the mega-event industry has lately experienced a period of unprecedented success – with international governing authorities such as FIFA and the IOC securing ever more lucrative revenues from their commercial activities and taking events to new markets and to new audiences. However, a cursory review of preparations for upcoming mega-events across the globe points to the challenges facing organizers and the problematic nature of their governance and future sustainability. In Qatar ahead of the 2022 FIFA World Cup, the dire safety record for migrant labourers in building the stadiums and infrastructure has brought much scrutiny and criticism. In Rio, ahead of the 2016 Olympics, the Chair of the IOC's Co-ordination Commission has warned that several venues have set 'very aggressive timelines in order to be ready for the test events,'¹ while pollution continues to be a concern at Guanabara Bay where the sailing and windsurfing competi-

tions are to be staged – with debris and super-bacteria identified as risks to competitors.² Indeed, last year the Vice President of the IOC, John Coates, described Rio's preparations as the 'worst ever'.³ In Sochi, the private investors who originally put up the funds for several of the venues for the 2014 Winter Olympics have since transferred their toxic assets back to the state, with Russian taxpayers left to pick up the cost of the white elephants.⁴ More generally Sochi suffered from a spiralling of costs, rising from \$10 billion in the original bid to \$50 billion according to some estimates, repeating the pattern

of systematic cost overruns observed at past Olympics. Meanwhile in the bidding contest for the 2022 Winter Olympics, the Norwegian city of Oslo became the fourth city to withdraw, in the face of opposition from citizens to the use of public funds to pay for the Games.

The seemingly endemic problems with the organization of mega-events run counter to a growing sensitivity of organizers to the many risks associated with putting on these grand spectacles. Today,

mega-event managers are typically in the business of compiling extensive lists of prospective hazards and threats to inform their strategies and operations. Despite pressure from authorities such as FIFA and the IOC, the costs of these events continue to grow and the array of risks that organizers face continues to proliferate. Why?

While there have been cost overruns ever since the first modern Olympic Games in 1896 the recent explosion of the mega-event industry has exposed event planners to new pressures and temptations. Commercialization has brought money flooding

into sport and made such mega-events desirable once again to ambitious politicians and governments in search of personal credit or an economic boost. It has also increased the financial liabilities at stake should things go wrong. Significantly, the recent trend of me-

sought after prize for certain city, regional and national governments looking to showcase their economic and/or political power on a global stage. Bidding competitions – for most events at least – can fuel the optimism bias in planning, pushing expectations skywards, and once preparations are underway the pressure to impress a potential global audience of billions can encourage a mindset among political overlords that 'no expense be spared' in

ga-events moving into emerging markets – such as the Olympic Games in Rio de Janeiro due to be held in 2016 and the Football World Cup in Qatar in 2022 – has given rise to a new set of risks. Indeed, the changing world of the mega-event industry suggests that the governance of mega-events may become increasingly problematic in future, for a number of reasons.

Bidding wars and showcasing

Despite continued upward pressure on event costs, mega-events remain a

designing and delivering the event – with such mega-projects often serving as expressions of political ambition and fiat.

Lack of infrastructure

Staging mega-events in emerging economies with under-developed infrastructure and facilities has implications both in terms of cost and event delivery. The high price tag for the Beijing 2008 Olympics, put by some at around \$40 billion, was linked to the huge sums that were invested in the infrastructure (even the security bill for the event was highly inflated by installation of a vast CCTV surveillance system that remained in place in Beijing after the event). The high cost of the Sochi Winter Olympics was similarly been put down to lacking most of the needed infrastructure, requiring it to be built from scratch. As mega-events increasingly are awarded to emerging markets in which infrastructure development is needed, and part of the deal, total

costs will rise – as will the propensity for cost overruns, as the associated portfolio of mega-projects also grows. This local context is crucial, since the two Olympics typically presented as being ‘textbook’ cases of financial restraint are US-based Games which necessitated minimal infrastructure or venue construction: Los Angeles 1984 and Atlanta 1996.

Corruption and construction standards

In comparison to advanced democracies, emerging economies tend to suffer from higher levels of corruption, which are a potential issue in containing construction costs, procurement and breaches of venue safety (such as allegations relating to EURO 2012 in Ukraine and Sochi 2014 which were associated with organized crime and stolen funds). Corruption is highly problematic for the governance of mega-events, since organizations like the IOC rely upon ‘values-based’ brand that events are built upon. Less tightly regulated markets also lead to poor construction standards and worker safety, especially when organizers are running behind schedule with a deadline that cannot be missed. In the run-up to the Delhi 2010 Commonwealth Games, the collapse of a footbridge close to the main stadium highlighted the chaotic state of preparations and unfinished venues as well as the infrastructure. Construction standards of stadiums in Brazil were the focus of concerns ahead of the 2014 World Cup and remain a factor in the preparations for the 2016 Rio Olympics. Shocking reports about the treatment of migrant workers in Qatar ahead of the 2022 World Cup highlight poor safety standards and worker exploitation commonly linked with weakly regulated labour markets in emerging economies.

Globalisation of risk portfolios

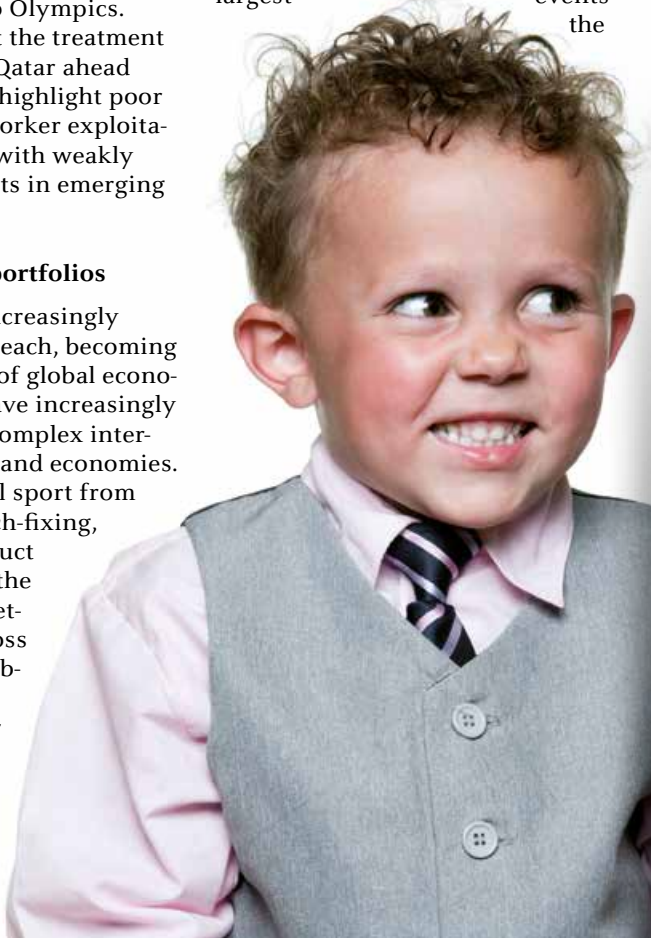
As mega-events have increasingly expanded their global reach, becoming embedded in the cycle of global economy and society, they have increasingly become vulnerable to complex interdependencies of states and economies. Threats to international sport from illegal betting and match-fixing, for example, are a product of globalized forces in the activities of criminal networks that operate across borders and exploit global audiences (and betting markets) for major events. Human trafficking and ticketing fraud similarly are

risks that face event organizers which require joined-up responses.

Democracy and weak states

With mega-events increasingly being awarded to authoritarian regimes, such as Qatar and China, or weak states that cannot fully control their borders and populations, there is increased risk of disruption both from democracy campaigners on the one hand, and terrorists on the other. For example, the 2011 Bahrain F1 Grand Prix was postponed and later cancelled due to civil unrest and pro-democracy protests. Militarized zones are often used to secure mega-events, but lead to the dispersal of unrest and terrorist activities to other regions, such as terrorist attacks in the Xinjiang province in China in the lead up to the Beijing Olympics and the Volgograd bombings in Russia ahead of the Sochi Winter Olympics. The award of mega-events to countries with poor human rights records and weak state institutions is another problematic trend in terms of the risks facing event organizers and transnational sporting authorities. Human rights abuses associated with preparations for the specific event represent a major headache for bodies such as the IOC and FIFA who are often left defending the indefensible.

Growth in the mega-event industry and its movement into emerging markets has left it facing an array of new and often poorly understood dangers. Over the next ten years, the world’s largest events –



Olympic Games and the FIFA World Cup will be held in a number of emerging economies – in Brazil, Russia and Qatar (and in recent years major events have been staged in Russia, China, South Africa and India) – against a backdrop of fast-changing global risks. The shift towards emerging markets offers exciting opportunities for major sports events to reach new audiences. They also, however, present serious problems in terms of their governance and spiralling financial and human costs that are interlinked with the selection of host cities and countries with limited physical and state infrastructure, weakly regulated markets and poor records in human rights.

Questioning the sustainability of mega-events is therefore not just about their complexity, financial costs and social consequences. They also raise questions about the sustainability of risk management and regulatory approaches that are challenged by the complexities of these events. More generally, mega-events risk long-term damage to their brand not just due to questionable conditions in host countries. The legitimacy crisis engulfing organizations such as FIFA and the IOC illustrates problems with self-regulation and autonomy. For how much longer these institutions can withstand calls for extensive governance reforms without damaging their branded mega-events remains an open question.

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