

Olympic Games - Sustainable Games?

Per Halvor Vale

H.H. Norwegian University of Life Sciences, Aas, Norway

Abstracts The paper discusses the application of Oslo to be the host of winter Olympic Games in 2022 from a national point of view. A departure for the discussion is that originally many cities in democratic countries were interested in being the host, but one after another has withdrawn its application. Summer 2014 there was three candidate Almaty (Kazakhstan), Beijing (China), and Oslo (Norway). Two of the cities in undemocratic countries, only Oslo are from a democratic country. The empirical finding shows that the project “Oslo as a host of Olympic Games in 2022” is not lucrative from a national point of view, and the parliament should not vote for state guarantee and support the project with tax money. When this paper was edited Oslo city withdrew its application. This left Almaty and Beijing as the sole applicants for being the host of winter Olympic Games in 2022. The paper states that to make the Olympic Games sustainable, the costs of the arrangement should be reduced, making it possible for also democratic cities / countries to be the host.

Keywords Olympic Games, Winter Games 2022, IOC, Sustainable

1. Introduction

The number of cities that wanted to be the host city for winter Olympic Games in 2022 has been significantly reduced, and in the summer of 2014 when IOC published the list of applications cities it comprised Almaty (Kazakhstan), Beijing (China) and Oslo (Norway). Barcelona, Munich, Krakow, Lviv, Stockholm etc. were originally interested, but one after another has withdrawn its application because of high resistance from the population.

The resistance to the application has been high also in Norway. Only a minority supported the application to the IOC. Today we know that the discussion process in Norway ended by Oslo city withdrawing its application. The number of cities applying for winter Olympic Games in 2022 is now reduced to cities in undemocratic societies. China has a one-party system, while Kazakhstan has a president with more power than is acceptable in a democratic country. If the future trend shows the same pattern, with democratic cities / countries dropping out of the application list and the share of totalitarian cities / countries increasing, the Olympic Games - and the idea they represent - will be undermined. Sustainability requires that cities in democratic societies want and are able to host the Olympic Games.

This paper will analyze the profitability of the Olympic Games project in Oslo / Norway from a national point of view. Formally the reason for the withdrew of the application

was that the largest party in the parliament supporting the government, could not vote for state guarantees to the project. The actual reason was the strong resistance of the project among the population, in all parties and regions of the country. This resistance was significantly related to the high cost of the arrangement. We will ask whether people were right when they considered the Olympic Games project a waste of resources. Even if Barcelona, Munich, Krakow, Lviv and Stockholm had their own reasons to withdraw from the competition for being the host city, the high arrangement cost was a sweeping and illustrative argument also in the resistance in these cases.

Oslo's work with the application strictly followed the IOC guidelines. If the conclusion in this paper will be that the arrangement in Oslo was not lucrative from a national point of view, it is tempting to formulate the hypothesis that due to IOC's guidelines to the host city of how to prepare the games and design the competitions venue, the cost of being the host of the Olympic Games become so high that democratic societies preferred to use the resources for other projects. In totalitarian countries, resources can be used for projects promoting the interests of the Party, the President, and the Bureau, at the expense of the people's welfare.

An important basis for this paper is the Quality Assurance Report [1]. This report's mission was to inspect the reasoning, calculations and figures in the draft to the application report.

This paper is organized in the following way: Chapter 2: The Vision of winter Olympic Games 2022 in Oslo; Chapter 3: A cost-benefit analysis of Oslo's application. Chapter 4: Empirical findings of cost and utility; Chapter 5: Cost and utility together - is the project lucrative? Chapter 6:

* Corresponding author:

per.vale@nmbu.no (Per Halvor Vale)

Published online at <http://journal.sapub.org/sports>

Copyright © 2014 Scientific & Academic Publishing. All Rights Reserved

Conclusions.

2. The Vision of Winter Olympic Games in Oslo

In November 2011, the Oslo City Council responded positively to an inquiry to become the host city for the Olympic and Paralympic Winter Games in 2022 [2]. In 14 March 2014 an application was submitted to the IOC on behalf of the city of Oslo and the Norwegian Olympic and Paralympics Committee [3].

The vision of winter Olympic Games in Oslo is expressed in the application in this way: “Our (the Norwegians’) joy of winter and sports achievements are part of what defines Norway as a nation... We aspire to share the passion with the world... We will use the Game to strengthen the sense of community in the city, as a nation and across national borders... Through the Winter Games, Norway will display its values, including tolerance and transparency, and will take pride in inviting the world to a celebration of sport and solidarity.”

The more specific core values of the Oslo Olympic Games will be:

- Urban and close to nature,
- Playful and responsible,
- Generous and ambitious.

3. A Cost-benefit Analysis Approach of Oslo’s Application

3.1. A Reference Alternative

A reference alternative should describe circumstances and trends in Oslo / Norway up to 2022 as an alternative to Olympic Games. According to the government’s guidelines for cost-benefit analyses, the reference alternative normally should consist of investments and projects already decided and granted. However, in this case it becomes difficult to have a relevant reference alternative for a project foremost accomplished in 2022. One big problem in this connection is the rapid yearly growth in population in the Oslo region (5%), which threatens the welfare level by making chaos, for example in the transport sector. According to the Norwegian guidelines for cost-benefit analyses, the reference alternative may include mending, preventing mending, replacement of destroyed components and even innovation and upgrading if necessary to avoid reduction in the general welfare level. Therefore, the Quality Assurance Report includes in the reference alternative investments to upgrade the transport capacity in the Oslo region.

3.2. Investments

3.2.1. Transport System.

The Olympic Games 2022 project requires of course specific investments in the transport sector. Many of these

projects have already been placed in the reference alternative (see section above). However, the Olympic Games project turns the optimal investment list around to some extent. The Olympic Games moves some investments forward, and demotes certain projects which were high up on the list. The cost of these changes is equal to the present value of investing in some projects before the optimal time.

The backbone of the Olympic transport system in Oslo is ring 3 (a semi-circle around the city). A bottleneck analysis to identify needed investments before the games’ start is then made. An investment program will guarantee a travelling time from the athletes’ villages to the city venues of 30 minutes.

Transportation between Oslo and the Lillehammer region (the place of alpine disciplines) will be by train, currently upgrading, and additionally by bus via the main road.

3.2.2. Sports Arenas

No investment plan exists for building more sports halls in Oslo city and no such investments are in the reference alternative. Olympic Games 22 needs 14 sports venues, including the Paralympic Games. The existing structures can to some extent be reused via necessary upgrades, but several new sports arenas must be built.

Currently there is a great scarcity of sports halls in the Oslo area. Sports teams and individuals must enter a queue system to get access to these facilities, and some must exercise at very unpleasant times, for example very early or very late in the day. There will therefore be a positive welfare effect for these people when the number of sports halls is increased and the strong queue regime is dissolved.

After the games the venues will be municipally owned and run for sports purposes. These and the existing venues will not have any commercial value. It is to be hoped that one can cover maintenance work without impacting the Oslo city’s budget. From the experience at Lillehammer and other earlier Olympic arrangements, it seems difficult not to charge a municipal fee or get support from the state budget.

3.2.3. Athletes’ Villages

The athletes’ villages are provided by private capital. The accommodation for the athletes is bought by the host city from the investors on the basis of market price. After the Olympic Games, the facilities will be sold in the market as private homes or converted to student accommodations, nursing homes or care homes. The Olympic arrangements will pay the cost of conversion. The Olympic budget will also include the cost of acquiring the sites, clearing them, and making the surroundings beautiful.

3.2.4. Media Center

Two Media Centers are planned, one in Oslo and one in Lillehammer. They will be financed by private investors, and during the games the facilities will be leased from a private developer. After the games, the media center in Oslo is expected to be a key driver for commercial development in

the districts where they are located (Oslo east).

At that time, the media center in Lillehammer will be taken over by the public sector and become a university college, university research center, or sold to private interests.

3.2.5. Safety and Security

It's to be admitted that being the host of an Olympic Games arrangement increases the risk of terror. The host city must therefore invest more in safety and security than is laid out in the reference alternative. On the other hand, this equipment will have a high value after 2022 and reduce the future need of investment. This will significantly reduce the real cost of the investment in safety and security.

3.3. Calculations Principles

The Quality Assurance Report assumes that the labour market in Norway will be rather tight in the period up to 2022, with a minimum of unemployment and a yearly increase in real wage rate of 1.5%. In this case, labour force applied in activities related to the Olympic Games will be used for the expense of activities in other sectors, such as care of old people, school sector, university and research sector, environmental purposes, health care, regions other than the capital (Oslo) etc. It is assumed that the market price of labour will reflect the opportunity cost of labour, and indicate what must be paid to draw manpower to Olympic Games investment and other projects.

When voluntary labour power is used in the Oslo Olympic Games, the cost is set equal to the loss of taxes. When voluntary labour is used in Olympic Games-related activities and they give up holidays, we may assume that they choose this work because it gives them pleasure. This pleasure is posted as a utility of the Olympic Games. The Quality Assurance Report has, in lieu of a better measure, approximated this value to the value of the clothes and food given to the voluntary workers. The cost of raw materials used in Olympics-related projects is calculated on the basis of the market prices of these commodities.

Because the cost is related to the fact that the Olympic Games changes an optimal investment program (in the transport sector) and some projects are moved forward, and taking into consideration that income and expenditure of the Olympic project come at different times, the Olympic Games budget posts will be transformed to present values based on a calculation rate of 4%.

4. Empirical Findings of Cost and Utility

4.1. The Total National Cost

Under the above assumption, the Quality Assurance Report calculated that the cost of Olympic Games in Oslo in 2022 will be, respectively, 22.880 and 25.080 milliard Norwegian 2013 crowns (depending on the decision regarding the athletes' village in Oslo). If we compare these

costs with the estimates of ticket income, sponsor income and the host city's part of the TV-rights, the net cost will be respectively 17.660 and 19.850 milliard Norwegian (2013) crowns.

In the case of a looser labour market, the net cost would be reduced to 5 milliard crowns, and the net cost of the Oslo Olympic Games will be reduced to 12.7 and 14.9 milliard crowns, respectively.

4.2. Values and Utility as a Result of the Olympic Games

The following values and utility posts may be achieved in the wake of the Olympic Games:

- A successful Olympic game seen on TV worldwide may increase the number of tourists to Oslo and Norway
- The competition among the world's best athletes in winter sports will have great entertainment value. This already takes into consideration the ticket income.
- There will be intervention in nature and other environmental consequences.
- The possibility of more physical activity among the citizens - at least among young people - would save money in the health sector in the future.
- The total experience in the population of the arrangement: would enhance the Norwegian identity, raising Norway's profile and providing a reminder also to the generation who did not experience Oslo 1952 and Lillehammer 1994.

The Quality Assurance Report has estimated the present value of the increased tourist flow to Oslo and Norway at 1.8 milliard Norwegian crowns. Researchers studying these effects in the wake of the Olympic Games in Lillehammer in 1994 state that this estimate is too optimistic.

If the Oslo Olympic Games result in an upswing in the activity level in the population, especially among youth, this may save money in the health sector in the future. The discussion in Norway showed that many think it is a strong relationship between being a host of Olympic Games and physical activity in the city's population. However, most important for inspiration to a more active physical life would be the presence of own winning athletes, such as Norwegian Olympic Games heroes Hjalmar Andersen (Hjallis), Johann Koss, Bjørn Dærlie, and Ole Einar Bjørndalen. I think it is far less important whether the Olympic Games are located in the country or abroad. The present value of eventually reduced payment to the health sector due to the Oslo Olympic Games I am inclined to set equal to zero. This is also the conclusion in the Quality Assurance Report after relevant research in this field.

As said, the city of Oslo has few sports arenas. Sportsmen and sportswomen in the area must exercise at very uncomfortable times. When the area gets more sports buildings and venues, the region will achieve an increased welfare effect. I consider the present value of this welfare effect to be small. Firstly, it is a fact that Oslo in the last 15 to 20 years has invested little money in sports arenas, reflecting a small priority given to sports teams and to individuals'

increased possibilities to exercise when they choose. Secondly, it will be a big challenge for the public sector to maintain all the venues, and it is likely that many of them over time will deteriorate, like the swimming hall in the schools.

It has already been pointed out that Olympic Games in Oslo will have negative ecological and environmental impact in the time before and during the games. It is positive that the games will try to reduce the air and water pollution to a minimum. It is also important that the buildings will accord with standards of excellence. However, putting money in the reference alternative with the purpose of developing Oslo as an environmental city of high standards will be more cost effective than going through an Olympic game. In sum, there will be some negative ecological impact before and during the games.

5. Cost and Utility Together - Is the Project Lucrative?

So far the estimated value and utility in the wake of the Olympic Games is approximately 2 milliard Norwegian crowns; increased tourism 1.8, some increased welfare effect of more sport facilities for exercises of interest for sport teams and individual men and woman, and negative ecological and environmental footprints. There will thus so far be a gap between cost and values created between 16 and 18 milliard crowns. One value not estimated remains, namely the last one in the list above: "Enhancing the Norwegian identity, raising Norway's profile and providing a reminder also to the generation who did not experience Oslo 1952 and Lillehammer 1994". The information as to what degree people are willing to pay for such experiences and adventures is not studied and is therefore uncertain. We can, however, easily calculate the smallest willingness to pay if the project "Oslo - the host of Olympic Games in 2022" should be profitable for Norway. The value should cover the gap between the total cost of 18 to 20 milliard crowns and utility so far calculated to approximately 2 milliards crowns. The result becomes 16 - 18 milliard crowns, and per average Norwegian's household, 7200 to 8200 crowns. Put in another way, the average Norwegian household should be ready to support the Oslo Olympic Games with from 7200 to 8200 crowns.

Notice, some households in every population have no interest in sports, while others are interested but don't care whether the competitions take place (Oslo or abroad). The payment from the households interested in Winter Olympic Games in Oslo should consequently be equivalently higher.

It is also important to note that since 1960, every Olympic Games event has had a total cost which exceeded the budget. The reasons are likely to be due to continually more competitive disciplines and more athletes. If such budget shortfall affect the application from the Oslo City and Norwegian Olympic and Paralympics Committee, this will increase the likelihood that the project "Oslo - the host of

Olympic Games in 2022" will not be a profitable project.

I'm inclined to conclude that is not likely that Norwegian households will agree to taking from 7 to 8 thousand crowns from their tax money to support the project "Oslo - as a host for the Olympic Games in 2022" (instead of allocating resources to nursing homes, hospitals, schools, environmental sector, infrastructure etc.)

Because of the small support for the originally plans of being the host of the Olympic Games in 2022, Oslo City and the Norwegian Olympic Committee took steps to reduce the cost. The main proposal for reducing the cost was to use sports halls situated in other counties. This strategy also involved upgraded sports arenas and venues from the Olympic Games in Lillehammer 1994. This approach was in conflict with Oslo's and IOC's vision of a compact Olympic Games with an atmosphere of closeness, intimacy, transparency and a setting around the venues of public festival and the vibrancy of a modern city.- This changes could not prevent that Oslo city withdraw the application.

6. Conclusions

In a democratic country the main target for the use of resources is to maximize people's welfare. From the study of the project "Oslo - as a host city of winter Olympic Games in 2022", we may conclude that this is not a lucrative project from a welfare point of view. The total cost is too high compared with what the host-role will pay back to be profitable. This gap is also an important reason why Barcelona, Munich, Krakow, Lviv, Stockholm et al. withdrawn their applications.

The resources in totalitarian countries tend to promote the interests of the Party, the President and the Bureau, often at the expense of the people's welfare. These regimes can be willing to pay a high / increasing cost of being a host city / country if they believe it would promote their interests, for example by more international goodwill and acceptance and more internal support by appealing to nationalism (conf. Berlin 1936, Sochi 2014).

If the trend in the future will be democratic countries dropping out of the application list of host cities and the proportion of applications from totalitarian cities / countries increasing, the Olympic Games - and the idea they represent - will not be sustainable.

To understand why (winter) Olympic Games have been so costly, we must expand the perspective to the International Olympic Committee (IOC), the owners of the Olympic Games. In this position IOC works out guidelines and manuals (over 6000 pages) to supervise and accompany the city host in preparing the games [4], including a 162- page manual covering the design and standards for competition venues [5]. An important cause of the high cost of hosting is to be found in these documents.

Now that Norway has thrown up its hands, the IOC and others should acknowledge the problem and accept dramatic changes in the framework for the Olympic Games, including

the IOC Charter [6], IOC ownership of the games, IOC 's manuals and the bidding process.

REFERENCES

- [1] Quality Assurance Report: «Quality Assurance Report of the application of state guarantee and support for OL/PL in Oslo in 2022. Exsist only in Norwegian: Kvalitetssikring av søknad om statsgaranti og -tilskudd for OL/PL i Oslo 2022. Rapport til Finansdepartementet og Kulturdepartementet, Utgivelses dato: 20.12.2013, DNV GL Rapport nr.: 2013-1695.
- [2] Oslo announces her candidature: <http://www.ol22.no/en/news/oslo-2022-announced-as-candidate-city>.
- [3] The first application document: Reponses au Questionnaire du CIO, Replies to the IOC Questionnaire, March 14, 2014, Oslo.
- [4] IOC: TECHNICAL MANUAL ON GAMES MAGEMENT,....
- [5] IOC: COMPETITION VENUES: Technical Manual on Venues - Design Standards for Competition Venues. 5th update cycle – post Vancouver Winter Games.
- [6] IOC: OLYMPIC CHARTER, in force as from 9. Sept. 2013.