



Submission Inquiry into the Brisbane Olympics and Paralympics Games Arrangements Bill 2021 by Economics and Governance Committee

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Introduction

This submission is on behalf of the Australian Institute for Progress. We are an Australian think tank based in Queensland.

We have recently completed research work into whether the Olympic Games is likely to provide positive economic or social returns to Queensland, taking account of the investment required, and the risk involved.

This research was published by the *Australian Financial Review* in the [form of an opinion editorial](#) on July 28, 2021ⁱ, and an original version was also published on [On Line Opinion](#)ⁱⁱ.

In terms of the act, we wish to raise concerns with the size and composition of the board as we do not think that they adequately address the issues of risk and return.

Risk

A recent paper by [Bent Flyvbjerg, Alexander Budzier and Daniel Lunn](#) at Oxford Universityⁱⁱⁱ provides the most recent rigorous analysis of Olympic cost over-runs as well as diagnosing the causes. Since 1976, the average overrun on Summer Olympics is 213 per cent and the median 120 per cent. Montreal (1976) had the worst result, with a 720 per cent increase over budget, resulting in a debt that took 30 years to repay. Rio (2016) was the next highest with 352 per cent.

The paper puts a 20% chance on the possibility that a \$5 Billion budget will blow out to \$15 Billion.

The study suggests that there are fat-tail, unquantifiable, and unpredictable risks with the Olympics, meaning unpredictable cost overruns are almost guaranteed to occur. The causes of these are:

1. It is impossible to reverse the decision once it has been undertaken
2. There is no option to trade off budget against schedule
3. The host is legally obliged to cover cost over-runs which gives the IOC no incentive to curb cost overruns
4. Tight constraints on the scope and quality in the delivery of investments
5. A long planning horizon
6. “Eternal Beginner Syndrome” – almost every city is doing the Olympics for the first time

Return

Extravagant claims were made for the economic impacts of the Sydney Olympics, which didn't arrive – no discernible increase to economic activity, employment or tourism. Similarly extravagant claims have been made about the Gold Coast Commonwealth Games with a similar result^{iv}. It appears that most of the return from mega-sporting events is economic activity that is diverted from elsewhere in the economy, so there is no overall increase in activity, it is just shifted from one area to another, and that it may actually decrease economic growth because the sporting activity may be less productive of wealth than the one curtailed.

It is often claimed that the value in this sort of sporting event is in building interest in sport, or increasing national pride. There is no evidence that this is the case. To take just one instance – Australia has hosted three major international athletics competitions since the Brisbane Commonwealth Games in 1982, obesity has grown into what is now described as an epidemic. Perhaps the epidemic would have been worth without the sporting events, but that seems unlikely.

Challenges for the board

The challenge for the board is to minimise the risk to the federal, state and local governments who are participating in hosting the games, as well as to ensure, as much as possible, that there is some positive economic or social pay-off from the games.

However, the board doesn't appear to be designed to achieve this. It is too large, embodies conflicts of interest between customers (sporting groups, the International Olympic Committee and the International Paralympic Committee) and supplier (federal state and local governments), and puts symbolism ahead of ability.

The size of the board

The board potentially consists of 23 people who are either ex-officio (6) and the rest of whom are appointed. This seems excessive. The state of Queensland is run by a cabinet of 18, while the Commonwealth of Australia is run by a cabinet of 23. These are vastly more complicated undertakings than the Olympic and Paralympic Games.

[Research by the Australian Institute of Company Directors in 2012 place company boards at an average of 7.15 members, and a range of between 4 and 13 members.](#)^v

The International Olympic Committee is also smaller, with [15 members](#)^{vi}.

The job of the board is to manage the Olympic games contract. There is no reason for it to be this size. Size may involve a larger group of stakeholders, but it will also attenuate decision-making, as well as increase the possibility of poor decisions being made for internal political reasons.

Conflicts of interest

A core issue in cost over-runs is the demands made by the IOC and IPC, as well as various sporting codes.^{vii} These sorts of conflicts are difficult to manage in general without having the client as part of the executive process. While the experience of the various members of the international and national sporting associations is undoubtedly valuable, it can be accessed through an advisory process, rather than as part of the executive body. Presumably they will need to declare conflicts of interest as they arise, and abstain from votes, but this situation would be best avoided all together.

It should also be noted that the IOC gets three representatives at the moment – Messrs Coates, Coles and Gosper – and the AOC two – Coates and Carroll. The IPC gets one – Mr O'Callaghan. Then there will be two representatives of previous Olympians. This is a total of 7 (Coates will only be represented once, although having two entitlements), which is almost one-third of the entire board.

There is some benefit from having the IOC members in the process, and that is it potentially mitigates "Eternal Beginner Syndrome".

Ability

The composition of the board suggests it is a political body, rather than an executive one. In particular, the requirement that "at least 50%" be female, signals that it is symbolic rather than functional.

As already noted, the various sporting organisations get 7 representatives at the moment, 5 of whom are male, with the only possibility of females being in the former Olympian category. Which means the rest of the board will need to be skewed female. As these are likely to be people concerned about delivery, is this a smart thing? Will the best people to fill these jobs conform to a strict gender quota?

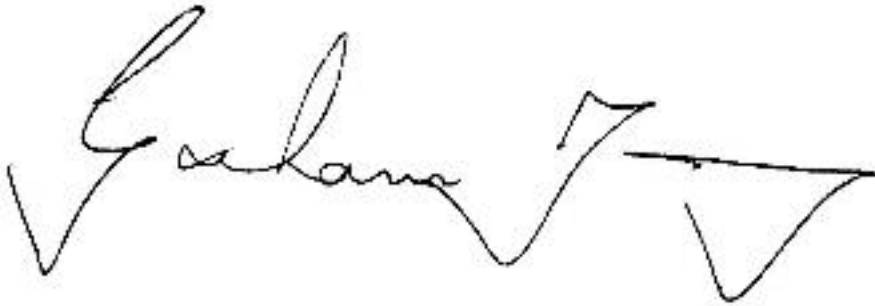
Then there is the issue of "at least". Why should it be wrong to have less than 50% female members, but fine to have less than 50% male?

And why is there a quota only for females? While there is a de facto quota for indigenous, as one of the joint nominees of the prime minister and premier must be indigenous, why no other quotas? Australia has a number of other racial minorities. 18% of the Australian population is disabled. All these groups could have specific issues with respect to the Olympics or Paralympics. To be consistent shouldn't we have carve-outs for them?

We would say no - to all the carve-outs. This board has an onerous task in front of it, and one which has been almost universally failed in every other country where the Olympics have been staged. The secret to a successful Olympics will be determined much more by the ability of the board, rather than its representativeness.

Conclusion

The Olympic Games are one of the most difficult events to organise and deliver to a budget. It is important that the board that runs these games be as effective as possible. It should be based on merit, and be no larger than it needs to be. The current structure is not designed on these lines.

A handwritten signature in black ink, appearing to read 'Graham Young', with a stylized flourish at the end.

Graham Young
Executive Director

November 8, 2021

ⁱ "Go for Olympic host city gold – and go for broke too: <https://www.afr.com/companies/sport/go-for-olympic-host-city-gold-and-go-for-broke-too-20210727-p58dev>

ⁱⁱ <https://www.onlineopinion.com.au/view.asp?article=21549&page=0>

ⁱⁱⁱ "Regression to the Tail: Why the Olympics Blow Up"

https://www.researchgate.net/publication/344409066_Regression_to_the_Tail_Why_the_Olympics_Blow_Up

^{iv} <https://www.onlineopinion.com.au/view.asp?article=21549&page=0>

^v <http://www.companydirectors.com.au/director-resource-centre/publications/company-director-magazine/2012-back-issues/october/inside-your-institute-asx-200-snapshot-report-2012-governance-of-listed-companies>

^{vi} <https://olympics.com/ioc/executive-board>

^{vii} "Regression to the Tail: Why the Olympics Blow Up"