

SBJ/July 17-23, 2017/Olympics

L.A. Olympics aren't a lock

Bids, USOC, IOC must scramble to sort details of delay to 2028

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Published July 17, 2017, Page 1



L.A. Mayor Eric Garcetti, IOC President Thomas Bach and Paris Mayor Anne Hidalgo last week.

Photo by: GETTY IMAGES

Assembled in front of the world media on July 11, Los Angeles Mayor Eric Garcetti spoke in decisive, lofty rhetoric about his progress toward securing the city's third Olympic Games.

"For the first time in a generation, we're going to bring you an Olympics," he

told Angelenos watching from 6,000 miles away.

Later, in a less quoted moment, he acknowledged the uncertainty a lot of people have glossed over:

"We're taking nothing for granted."

That cautionary note was no mere boilerplate. Despite the confidence around the International Olympic Committee session in Switzerland last week, the historic plan to give both L.A. and Paris the Games depends on successful, rushed negotiations that will confront issues never before considered in the Olympics business.

Under the plan approved by IOC members, the dual award will only proceed if L.A., Paris and the IOC all agree that one city would abandon '24 and bid for '28 uncontested. In a matter of weeks, the delayed city would also have to return to governments, private businesses and its own national Olympic committees to rewrite contracts for the later date.

If they don't get it done by Sept. 13, then IOC members will proceed with a traditional, unpredictable single ballot for 2024, which neither city wants to risk.

Fundamentally, the question at the bargaining table boils down to this: How will waiting four years add to the costs, and who will pay those?

Since L.A. has been publicly more open to waiting, most analysis focuses on the L.A. situation instead of Paris.

If LA24 were to accept 2028, the subsequent organizing committee would, at a minimum, need to keep the doors open for four more years than planned. Also, construction, labor and energy costs will grow, and terms could change in rewritten venue agreements. Governments might reconsider terms of financial guarantees and cooperation, and market conditions become that much harder to predict.

"I think there is less than 100 percent chance of it working out, but if you ask me to put a number on it, it would be a pretty high number," said British IOC member Craig Reedie. "Games that are four years later than you had planned have financial implications. They'll have to work that out."

Contrary to the conventional wisdom around Lausanne's SwissTech Convention Center last week, some marketing experts think the 2028 Games would be a net gain financially over hosting in '24.

Here's why: Sponsorship revenue has grown much faster than general inflation during the last two decades. If that continues, L.A.'s \$5.2 billion plan to host in 2024 would add more revenue than costs simply through the passage of time.

Also, it potentially could sell super-sized 10-year packages that would include Team USA marks for five Olympics: four foreign Games in '20, '22, '24 and '26 along with L.A. '28 rights. Under a normal Games timeline, the U.S. Olympic Committee and a local organizer would merge their rights for six years leading up to the Games they host, comprising rights to three Olympics overall.

The market is more open to sponsoring an event 11 years away than you might think, said Tim Crow, CEO of London-based Synergy. "Obviously on the face of it, you say it's pretty tough for a brand to commit to something so long term," Crow said. "But, it's not like there aren't long-term deals in the market."

With a longer run-up, the bid also could keep the price the same as a six-year deal but allow companies to spread the cost over a longer window.

Rob Prazmark, who's sold for both the IOC and USOC, also thinks the long window would benefit the organizing committee. "Here you've got a long runway to prepare for

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anything,” Prazmark said. “I think it’s a safer bet than it may appear.”

But the 10-year offering can’t happen without a separate deal between LA24 and the USOC. They would have to rewrite their Joint Marketing Program Agreement, which lays out ahead of time how the USOC and the local Games organizers merge their marketing assets and collaborate on commercial matters.

Obviously the USOC wants to deliver the Games — it’s been a central mission of CEO Scott Blackmun’s entire tenure — but the committee also has a duty to protect its long-term interests, including funding dozens of sports and thousands of athletes long after 2028. Doing something extraordinary to raise funds for the ’28 Games could conflict with that mission.

“For whichever city takes ’28, do we keep the same joint marketing period of six years, of a quad and a half, or do we create a longer period?” Blackmun said. “And can we create more value by lengthening that window? That’s a discussion we’ll have to have with L.A. I don’t have any doubt we’ll reach an accommodation. The key is really to make sure the athletes don’t suffer, so they don’t have to make due with less resources.”

In the current agreement that would be in force if L.A. hosts in 2024, the USOC agreed to take a lower share than usual from the commercial revenue generated by the Games in order to smooth the bid.

These intranational talks could solve the entire financial issue, said Australian IOC member John Coates, a powerful lieutenant to President Thomas Bach.

“That will be the answer to your question: Whether the [national Olympic committee] opens the door for them to operate a little early, which might increase revenue,” Coates said. “We don’t know that yet.”

L.A. bid officials declined to comment on the upcoming negotiations, but Garcetti did suggest he thinks the sponsorship revenue will grow enough to cover increased costs.

For a time, Garcetti encouraged the notion that the IOC might reward his magnanimity with a simple cash grant if L.A. accepted ’28. In May, he suggested one outcome of waiting could be that the IOC would fund youth sports in L.A. for a decade.

to abandon its bid for 2024 and become the only bidder for 2028. For the most part, talks will occur between each bid and the IOC separately, but all three must agree to the final contract.

- L.A. negotiators will be Chair Casey Wasserman and CEO Gene Sykes. Paris will be led by co-presidents Tony Estanguet and Bernard Lapasset, and CEO Etienne Thobois. IOC administrators, including Olympic Games Executive Director Christophe Dubi, will lead the talks.

- An IOC commission would produce a rush report assessing the status of the new plan for 2028, highlighting any problems posed by the delay. The IOC would amend the all-important host city contract to reflect any special considerations for the ’28 host.

- The revamped 2028 bid would be required to provide new guarantees for venue availability and government cooperation, and also come to new terms with its national Olympic committee over the Joint Marketing Program Agreement, which sets the terms for merging the Olympic team’s and the organizing committee’s domestic sponsorship program.

- If these steps are completed, then the single ’24-’28 package would be presented to IOC members Sept. 13 for a vote. If this process breaks down at any point, the IOC will revert to a traditional single competitive vote on the 2024 Games that same day.

That, however, is a nonstarter. On the floor of the session, Bach dismissed a question about a grant, and members were cool to the idea. “I don’t think so,” said Austrian Olympic Committee President Karl Stoss in an interview. Many others said L.A. would already be getting special consideration, namely being handed the Games without another open bid campaign that would cost between \$50 million and \$100 million.

“The advance talk from the L.A.’s of the world is, ‘We need some money to keep this ball in the air for four more years,’” said Canadian IOC member Richard Pound. “And the IOC’s opening is, ‘Well, wait a minute, you’re saving \$100 million, you don’t even have to bid anymore. So there’s your reward.’”

But Pound disagrees with that position, saying the IOC must be prepared to spend in order to make the deal work.

“To the extent it’s a real expense, and it arises because you agreed to wait, or agreed to be indifferent as to whether you come first or second, we should talk about that,” he said. “Because the IOC’s getting something out of this, too — the certainty of a first-class host.”

As Paris, L.A. and the IOC head to the bargaining table, it’s difficult to say which party might have leverage. Paris is seen as the favorite in a traditional head-to-head vote for 2024, but the voters are famously unpredictable and the L.A. bid is technically excellent.

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CRAIG REEDIE
BRITISH IOC MEMBER

Paris Mayor Anne Hidalgo needs the Games to boost her own political career, and French President Emmanuel Macron said this week that Paris wants to avoid losing for the fourth time since 1986. Garcetti has been similarly invested in the L.A. bid, and his claim of bringing the Olympics back last week didn’t give him any wiggle room.

But this entire dual-bid process wouldn’t even be on the table if it weren’t for the IOC’s profound problems. Eight cities this decade have abandoned their bids due to local political opposition, leaving the IOC to now conclude it can’t lose either Paris or L.A. this time.

“This has to be a no-fail mission,” Pound said during the floor debate. “We have to be satisfied we can pull it off. If it’s a failure, it’s going to be viewed as a failure of the IOC, not the candidate cities.”

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