

Performance Audit Report

Sydney Olympics 2000

● Review of Estimates

DO NOT REMOVE



BOX 12 GPO
SYDNEY NSW 2001

The Clerk of the Legislative Assembly
Parliament House
SYDNEY 2000

Dear Sir

In compliance with Section 38E(2) of the Public Finance and Audit Act 1983, I present to you a special audit report titled **Sydney Olympics 2000**.

The report is issued pursuant to Section 38C of the Public Finance and Audit Act 1983 and is to be dealt with in accordance with Section 63C of that Act.

Yours faithfully

A handwritten signature in black ink, appearing to read 'A C Harris'.

A C HARRIS

18 November 1994

Performance Audit Report

SYDNEY OLYMPICS 2000

- **Review of Estimates**

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Table of Acronyms

AOC	Australian Olympic Committee
COOB	Committee Olympic Organisation Barcelona
HBDC	Homebush Bay Development Corporation
IBC	International Broadcast Centre
IF	International Sporting Federation
IOC	International Olympic Committee
MPC	Main Press Centre
NOC	National Olympic Committee
OOC	Office of Olympic Co-ordination
OPCB	Olympic Project Construction Budget
RAS	Royal Agricultural Society
SOBL	Sydney Olympics 2000 Bid Limited
SOCOG	Sydney Organising Committee for the Olympic Games
TOP	The Olympic Program

References to the Government refers to the Government of New South Wales unless stated otherwise.

References to client agencies of Government refer to and comprise Homebush Bay Development Corporation, Department of Planning, Department of Sport, Recreation and Racing, and SOCOG.

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1. Overview

1. Overview

1.1 Background

On 23 September, 1993, the IOC awarded the City of Sydney the right to host the Olympics in the year 2000. The Olympics will be held from 15 September to 1 October 2000.

The granting of the Olympics followed a process of evaluation by the IOC of the applications lodged by each bidding city.

The IOC issued each Candidature City with the “*Manual of Cities Bidding for the Olympic Games*”. This document specified in detail the content and presentation for each city’s Candidature File.

Sydney’s Candidature File included estimates of receipts and payments known as the Bid Estimates. The Bid Estimates were developed by Sydney Olympics 2000 Bid Limited (SOBL) and submitted to the IOC as part of Sydney’s Candidature File on 1 February 1993.

The Bid Estimates, in general, include only Operating Receipts and Payments. With one exception, they exclude capital expenditures associated with the cost of the construction of sporting facilities, which have ongoing community use after the Sydney Olympics, or any other costs that are associated with, but not directly relating to, the staging of the Sydney Olympics, or are not in accordance with the IOC Guidelines.

As such, the Bid Estimates are only a part of the total costs incurred in staging of the Olympics.

The review conducted by the Audit Office of New South Wales examines the reasonableness or the ‘due process’ used to develop the Bid Estimates and the estimates of known capital costs directly relating to the staging of the Olympics.

It should also be noted that the actual results are likely to be different to those forecast. Accordingly the Audit Office does not express an opinion on the forecast estimates.

1.2 The Cost to Stage the Olympics

The cost to stage the Olympics can be divided into the following segments:

- operating costs to stage the Olympics between 15 September and 1 October 2000. These costs are included within the Bid Estimates; and
- the capital costs of providing the infrastructure in terms of sporting and other facilities, including venues such as the Coliseum, Olympic Stadium, Athletes' and Media Villages etc so as the City of Sydney will be able to stage a successful Olympics.

Table 1.1 (opposite) titled *The Estimated Direct Public Cost of the Sydney Olympics 2000*, summarises: the estimates for the operating and capital costs to stage the Olympics; and the funding arrangements for staging the Olympics.

The table has been **prepared by the Audit Office of New South Wales** from information contained within the Bid Estimates and acquired from other sources during the course of the review.

Unless otherwise stated all tables are expressed in 1992 dollars and based on estimates prepared in 1992 by SOBL.

Table 1.1 The Estimated Direct Public Cost of the Sydney Olympics 2000

Costs of Staging the Olympics:

	\$Am	\$Am
Operating Costs		
<i>SOCOG</i>		
Cost to Stage the Olympics (Bid Estimates)		1372.3
<i>OOC</i>		
Office of Olympic Co-ordination		16.1
Total Operating Costs		1388.4
Capital Costs		
<i>Client Agencies of Government</i>		
Construction of Olympic Venues		560.5
<i>Homebush Bay Development Corporation</i>		
Construction of Athletics and Aquatic Centres		214.5
<i>Private Sector</i>		
Construction of Sporting Facilities and Venues		852.0
Net Capital Costs		1627.0
Total Estimated Costs of Sydney Olympics 2000		3015.4

To be Funded by:

	\$Am	\$Am
SOCOG		
Revenue from Staging the Olympics (Bid Estimates)	1393.3	
<i>less</i>		
Surplus from Staging the Olympics (Bid Estimates)	21.0	
Net Revenues from Staging the Olympics		1372.3
Construction Reimbursement from SOCOG	180.9	
Commonwealth Government	135.8	
Proceeds from the Sale of the RAS site at Moore Park	74.5	
Interest	49.2	
Rental Facility Fee from SOCOG	50.8	
		491.2
Private Sector		852.0
		2715.5
Costs to be met from NSW Government Revenue Sources		299.9

Notes:

- The proposed sites (at Homebush Bay and Citywest, for the Athletes' Village, the Media Villages and the Technical Officials' Villages) are located on land currently owned by the Commonwealth and the New South Wales Governments. In 1992 this land was valued at \$A77m (Commonwealth portion \$A32m and State portion \$A45m). No decision has yet been made as to whether this land will be sold to the private sector, transferred to the private sector at no cost, or whether it will form part of arrangements that will see the value of the land revert to New South Wales. Subject to finalising the disposition of the land, arrangements put in place may affect the cost of staging the Olympics.
- As at September 1994 Public Works estimate that the International Athletics and Aquatic Centres and supporting infrastructure will cost \$A211.4m (expressed in 1994 dollar values) to construct.

The costs as outlined in Table 1.1 represent only “known” costs identified by the Audit Office as being directly related to the staging of the Sydney Olympics 2000.

These costs do not include:

- *certain costs which would normally be included within the estimates for construction of facilities, such as land costs, holding costs, etc, (refer Notes to Tables 1.4 and 1.6);*
- *any costs of public servants or public service organisations (apart from the Office of Olympic Co-ordination (OOC) which have been estimated at \$A16.1m for the period 1993-2001) who/which may provide assistance to the Olympic effort;*
- *additional payments in respect to the staging of the Paralympics in the Year 2000. The State and Commonwealth Governments have agreed to meet the budgeted shortfall in the costs to stage the Paralympics to the extent of \$A25m each. This is in addition to the \$A15m contribution to the Paralympics already included within the Bid Estimates under Events, Ceremonies and Programs (refer Table 6.2);*
- *any costs to be incurred by the Government in facilitating private sector involvement in financing sporting, residential, administration and ancillary facilities needed to stage Sydney Olympics 2000. These considerations could include the Government:*
 - ◊ *entering into commercial arrangements with the private sector;*
 - ◊ *providing financial and other support;*
 - ◊ *providing other contributions as the Government's investment;*
 - ◊ *adopting risk and reward sharing arrangements consistent with the underlying commerciality of the project;*
- *interest costs on construction of the International Athletics and Aquatic Centres at Homebush Bay which are funded from Consolidated Fund. To the extent that Consolidated Fund reflects a deficit and the deficit is funded by loan borrowings, interest will be incurred;*
- *the costs of any future additions/modifications to Sydney's infrastructure (eg road or rail works) announced by the Government directly or indirectly in support of the Olympics;*

- *additional costs associated with the inclusion of new sports to the Sydney Olympics 2000 program. The Bid Estimates were developed, by SOBL, on the basis of the sporting events to be conducted in Barcelona. At a meeting of the IOC on 3 September 1994 two new events were included to the Olympics 2000 program, triathlon and tae kwon do. IOC officials are to decide after the Atlanta Games as to the final content of the sports program for the Sydney Olympics 2000. If new sports are added to the Olympic program, further costs will be incurred, for example, it has been estimated that a slalom canoeing course would cost \$A8m. It should be noted, however, that the Host City Contract places a “cap” on the number of athletes and officials participating in the Olympics and officers of SOCOG have advised that any escalation in costs in providing additional sports are to be met from existing budgets and contingencies;*
- *the costs of variations or additions to Olympic facilities which may occur between now and the time all Olympic facilities are completed to the extent that such variations or additions are not met by the private sector;*
- *the impact of new sporting facilities on existing facilities in terms of future usage (and revenue foregone) has not been examined and therefore not quantified. For example, the impact of the Olympic Stadium at Homebush Bay on the Sydney Football Stadium has not been examined and therefore not quantified;*
- *the costs of projects announced in regard to Homebush Bay such as the relocation of a ferry wharf, the possible installation of a light rail line, the relocation of some sporting facilities and a more central location for the railway station. These variations in so far as they affect Homebush Bay have not been identified as Olympic related expenditure but related to the general development of Homebush Bay;*
- *the costs to develop an international rowing/canoeing course at Penrith Lakes. The Government contribution is assessed at \$A23m. The Government had entered into an agreement in 1987 with the private sector to construct an international class rowing facility at Penrith. Unlike the construction of the International Athletics and Aquatic Centres, the construction of this facility was not a pre-condition to gain support for Sydney's Bid and as such is not viewed by the Audit Office as a cost directly associated with staging of the Sydney Olympics 2000.*

The estimation or verification of all the above other costs and benefits is beyond the scope of this audit.

Operating Costs The Operating Costs or Payments within the Bid Estimates are reproduced in the following table.

Table 1.2 Bid Estimates - Payments

Item	\$USm	\$Am	% of Total
Payments			
Events, Ceremonies, Programs	301	430	31.4
Media	187	268	19.5
Construction Reimbursements	127	181	13.2
Administration/Personnel	48	68	5.0
Transport	46	66	4.8
Security	30	43	3.1
Advertising/Promotion	28	40	2.9
Olympic Organisation	14	20	1.5
Catering	8	12	0.8
Medical	8	11	0.8
Other Costs and Contingencies	163	233	17.0
Total	960	1,372	100

Note: Percentage calculations are based on \$US960m.

Included within the Bid Estimates above are payments from SOCOG to client agencies of Government totalling \$A231.7m. These payments comprise:

- Construction Reimbursements \$A180.9m (expressed in 1992 values) which represent a contribution by SOCOG towards the construction of the International Athletics and Aquatic Centres at Homebush Bay.

The contract entered into with the AOC to endorse Sydney's bid acknowledged that the costs to construct the Athletics and Aquatic Centres should be treated as part of the expenditure for staging the Olympics.

- Rental of permanent sporting facilities, \$A50.8m (expressed in 1992 values). This amount is included within the category "Events, Ceremonies, Programs" (refer Tables 1.2 and 6.2), and represents rent payable by SOCOG to client agencies of Government for the use of sporting facilities over the period of the Olympics.

The costs of OOC, \$A16.1m, as shown on Table 1.1, is an estimate of the cost for the period 1993-2001.

Capital Costs

Table 1.3, compiled by the Audit Office, provides an estimate of capital costs directly associated with the Olympics. These costs are to be incurred by:

- client agencies of Government including ;
- Homebush Bay Development Corporation (HBDC);
- the private sector.

Table 1.3 Capital Costs

Costs	\$Am
Capital Costs	
<i>Client Agencies of Government</i>	
Construction of Olympic Venues	560.5
<i>Other Capital Costs</i>	
Construction of Athletics and Aquatic Centres	214.5
<i>Private Sector</i>	
Construction of Athletes'/Media/Technical Officials' Villages	637.0
Contribution to the Cost of Construction of Sporting Venues	126.0
Construction of Communications Centre	89.0
Total	1627.0

Notes:

- The proposed sites, at Homebush Bay and Citywest, for the Athletes' Village, the Media Villages and the Technical Officials' Villages is located on land currently owned by the Commonwealth and the New South Wales Governments. In 1992 this land was valued at \$A77m (Commonwealth portion \$A32m and State portion \$A45m). No decision has yet been made as to whether this land will be sold to the private sector, transferred to the private sector at no cost, or whether it will form part of arrangements that will see the value of the land revert to New South Wales. Subject to finalising the disposition of the land, arrangements put in place may affect the cost of staging the Olympics.

Expenditures are identified within the following tables for, respectively, the client agencies of Government including HBDC, and the private sector.

It should also be noted that estimates of construction costs prepared by SOBL were developed in conjunction with experts from industry and commerce from both the private and public sectors. Nonetheless, these estimates were based on conceptual drawings and not on detailed plans and therefore may be subject to variation.

**Client Agencies
of Government**

Expenditure identified within the table below represents the costs of construction of new sporting venues by client agencies of Government. The costs used in Table 1.4 are based on estimates prepared by SOBL in November 1992.

Table 1.4 Construction Costs of Olympic Venues

Venue	\$USm	\$Am
Olympic Stadium	181	259
Sports Halls	60	86
Coliseum	43	61
Site Enhancement	14	20
Equestrian	7	10
Shooting	7	10
Baseball	7	10
Training Facilities	6	8
Tennis	6	8
Hockey	5	7
Velodrome	2	3
Interest, Contingencies and Other	56	78
Total	394	560

Notes:

- The estimates of construction costs exclude land costs; holding costs; vehicles; event management, special equipment, signage, promotion of events; rental charges for the use of premises and hire of temporary accommodation; and infrastructure external to the facility sites.
- The estimates are based on June 1992 rates and include a contingency for design and construction risk.
- The above costs exclude the development of the international rowing/canoeing course at Penrith Lakes. The Government contribution is assessed at \$A23m (in 1987 the Government entered into an agreement with the private sector to construct an international class rowing facility at Penrith. As the agreement was in force prior to the development of Sydney's Candidature File, and construction was to proceed irrespective of the Olympics, these costs were viewed as non-Olympic).

Costs of upgrading existing venues and the provision of temporary facilities are included within the Bid Estimates.

**Homebush Bay
Development
Corporation
(HBDC)**

The HBDC was established to oversight the urban renewal of Homebush Bay.

The bid to host the Sydney Olympics 2000 has increased the pace of development of Homebush Bay. This has meant a revision of the original site master plan and Homebush Bay will now incorporate the development of Sydney Olympic Park (the site of the Olympic venues) into one of Australia's largest urban renewal projects.

Discussions with officers of the HBDC indicate that, overall, the staging of the Olympics will have a minimal impact on the infrastructure requirements of the Homebush Bay site.

The Corporation's capital budget is outlined as follows.

Table 1.5 HBDC Capital Budget

Item	\$Am
Sports Precinct	247
Development of the RAS	235
Transport	192
Infrastructure	68
Site Remediation/Environmental Works	56
Development/Management Costs	16
Other	10
Total	824

Notes:

- The above budget was prepared by Homebush Bay Development Corporation.
- Figures were as at October 1993.

The item Sports Precinct \$A247m includes the costs of construction of the International Athletics and Aquatic Centres and supporting infrastructure. A condition to the AOC providing endorsement to Sydney's bid was that the Government would commence, and substantially complete, construction of the International Athletics and Aquatic Centres during the period of the Candidature. Based on this condition the costs of the centres are considered Olympic related.

As for the remainder of the HBDC Capital Budget, the expenditure is related to the development of Homebush Bay and therefore cannot be said to be directly related to the cost of the Olympics.

Private Sector

In order to minimise the cost of the Olympics to the Government (and the people of New South Wales), it is planned to attract private sector funding for certain projects.

On 17 August 1994 the Government released their document "*Partnership 2000 - An Opportunity for Private Sector Investment*". This document invited the private sector to submit proposals for the delivery of the sporting, residential, administrative and ancillary facilities needed to stage the Sydney Olympics 2000.

Basically the private sector participation falls into two categories:

- development of sports venues (the Olympic Stadium, Coliseum, Velodrome, four Sports Halls, Indoor Sports Centre, Equestrian, Tennis, Shooting, and Baseball Centres), the provision of media facilities (the International Broadcast Centre) and the provision of accommodation facilities (the Olympic Villages for athletes, media and technical officials); and
- provision of infrastructure services for facilities across the Olympic sites (services such as water, power, communications and electronics).

Nominated Government agencies have been assigned roles and responsibilities for the delivery of each sporting facility and venue. The agency responsible for the total development of a particular project will be the client and the landlord or manager of the precinct on which the facility is located.

In adopting a co-operative approach to the delivery of Olympic projects, the Government will consider making limited commercial contributions, on a case-by-case basis, by:

- entering into commercial arrangements with the private sector;
- providing financial and other support;
- providing other contributions as the Government's investment;
- adopting risk and reward sharing arrangements consistent with the underlying commerciality of the project.

The Government seeks to attract private funding of \$A852m to finance a variety of capital projects. If private sector funding does not materialise, funding will need to be provided from another source(s). Because the Government has guaranteed to underwrite the cost of staging the Olympics, any shortfall in overall funding would, in terms of the guarantee, be met from public funds unless alternative sources can be identified.

Table 1.6 Private Sector Funding

Venue	\$USm	\$Am
Athletes' Village	246	351
Media Villages	140	200
Media Centre	62	89
Coliseum	51	73
International Centre	31	44
Technical Officials Village	29	42
Velodrome	14	20
Olympic Stadium	10	15
Equestrian Centre	6	8
Shooting Complex	5	7
Tennis Centre	2	3
Total	596	852

Notes:

- The estimates of construction costs exclude some land costs; holding costs; vehicles; event management, special equipment, signage, promotion of events; rental charges for the use of premises and hire of temporary accommodation; and infrastructure external to the facility sites.
- The estimates are based on June 1992 rates and include a contingency for design and construction risk.
- The proposed sites, at Homebush Bay and Citywest, for the Athletes' Village, the Media Villages and the Technical Officials' Villages is located on land currently owned by the Commonwealth and the New South Wales Governments. In 1992 this land was valued at \$A77m (Commonwealth portion \$A32m and State portion \$A45m). No decision has yet been made as to whether this land will be sold to the private sector, transferred to the private sector at no cost, or whether it will form part of arrangements that will see the value of the land revert to New South Wales. Subject to finalising the disposition of the land, arrangements put in place may affect the cost of staging the Olympics.

Funding of the Sydney Olympics 2000

As indicated at Table 1.1 the Sydney Olympics 2000 is to be funded from receipts from staging the Olympics and Government and private sector contributions. The following sections provide more detail of revenue sources.

Olympic Receipts

Operating costs will be met by receipts from staging the Olympics. The Receipts, as included in Sydney's Candidature File presented to the IOC, are reproduced at Table 1.7 below.

Table 1.7 Bid Estimates - Receipts

Item	\$USm	\$Am	% of Total
Receipts			
TV Rights Fees	488	697	50.0
Local Sponsorship	207	296	21.2
Tickets	139	199	14.3
TOP Sponsorship	90	128	9.2
Licensing Fees	33	47	3.4
Coin Marketing Royalties	18	26	1.9
Total	975	1,393	100

Significant items appearing in the above table are discussed in more detail in section 5. *Bid Estimates - Receipts*. Private sector funding is discussed under the heading Private Sector. Other funding sources as identified in Table 1.1 are discussed hereunder.

The Bid Estimates forecast a surplus of \$A21m. This surplus is based on Operating Receipts of \$A1,393m (refer Table 1.7) and Payments of \$A1,372m (refer Table 1.2). The surplus resulting from staging the Olympics is to be divided in terms of the Host City Contract (as outlined at section 4.5 *Distribution of Surplus from the Olympics*). On this basis the surplus has been deducted from operating revenues as it will not be available to fund capital works.

Construction Reimbursement

The amount of \$A180.9m represents a contribution by SOCOG (from Olympic revenues) towards the cost to construct the International Athletics and Aquatic Centres.

Commonwealth Government	<p>The amount of \$A135.8m (in 1992 dollar values) represents a contribution by the Commonwealth Government towards the cost of the construction of sporting facilities.</p>
Proceeds from Sale of RAS Site at Moore Park	<p>Revenue of \$A74.5m from the sale of land occupied by the Royal Agricultural Society (RAS) at Moore Park was to be applied towards the cost of construction of facilities/venues.</p> <p>However it should be noted that current legislation, enacted by the Parliament of New South Wales, prevents the sale of the RAS site at Moore Park.</p> <p>Given that the Government has approved the relocation of the RAS to Homebush Bay additional funding of \$A74.5m will be required to construct the Sports Halls at Homebush Bay.</p>
Interest	<p>Cash flow (budget) records prepared by SOBL indicate that substantial funds, will be received in advance of scheduled construction work. It has been assumed that surplus funds will be deposited with licensed Australian trading banks earning interest at the rate of 8% per annum. It was further assumed any borrowings required would be at an interest rate of 10% per annum. Interest receivable has been estimated at \$A49.2m (in 1992 dollars) and interest payable has been estimated at \$A1.8m.</p>
Rental Facility Fee from SOCOG	<p>A gross rental fee of \$A50.8m has been budgeted to be paid by SOCOG to client agencies of Government.</p>
TAB Race Days	<p>The NSW Government has approved the staging of up to six Sunday race meetings per year to be held between 1994 and the year 2000. Proceeds from these race meetings are to be credited to Consolidated Fund. Notwithstanding that a decision on allocation of these funds will be made in the future, at this stage it is intended the major recipient will be the Paralympics.</p> <p>Estimates are that revenue of approximately \$A1m will result from each meeting.</p>

1.3 Economic Impact of Staging the Olympics

The staging of the Olympics also has an impact on the host Country's and City's economy. This review has not attempted to quantify that. It was noted, however, that in respect of the Sydney 2000 Olympics, KPMG Peat Marwick, Chartered Accountants, in association with the Centre for South Australian Economic Studies were commissioned to conduct an Economic Impact Study of staging the Olympics.

The "most likely" result suggested by the Study was: an increase in Australia's Gross Domestic Product (GDP) by a net \$A7.3b in the period 1994 to 2004 (an increase of about 0.2% per annum in GDP) and most of the benefit would flow in the period 1998 to 2000. New South Wales is expected to derive an increase of \$A4.6b in GDP, of which Sydney is expected to derive \$A3.6b.

More detailed analysis and comments on the Bid Estimates and some of the other related expenditures are contained in the rest of this report.

Conclusion

The review concludes that:

- the Bid Estimates have been developed following due process;
- the assumptions on which the forecasts were prepared are considered sound or neutral while the procedures adopted in developing the estimates were rigorous; and
- the processes used to develop the estimates were appropriate for the purpose.

The conclusion is qualified to the extent that:

- the Bid Estimates are based on forecasts (some seven years from the time the estimates were prepared) which include key assumptions on Australia's economic performance. While these assumptions have been based on advice from Australia's leading trading banks, a small variation to the assumptions could have a significant impact (either positive or negative) on the Bid Estimates.

Ultimately the reliability of the estimates of Government contributions will depend upon the ability of the IOC and SOCOG to attract revenues at the levels projected and the ability of the relevant agencies to contain costs to the levels budgeted.

The latter outcome will hinge on the commitment of managers at all levels in all agencies as well as the implementation of adequate financial/management information systems. Officers of OOC have advised that work has commenced on the design and implementation of a computerised management information system.

The more important risks associated with the Bid Estimates and the estimates of capital costs are:

- *revenue from TV rights represents 50% of the estimate of total revenue from staging the Olympics. A small variance can have a significant impact on the forecast net position, both positive and negative;*
- *any changes to sporting facilities and venues (eg roofing the Olympic Stadium) not currently planned within the Olympic Project Construction Budget;*

- *the costs of significant items (eg land costs and holding costs, Tables 1.4 and 1.6 refers) have been excluded from the estimates prepared by SOBL for capital works to be undertaken by client agencies of Government and the private sector. While the estimates contain contingencies to cover design and construction risk, the capacity of the contingencies to absorb the costs of the excluded items is unknown;*
- *the estimates of construction costs prepared by SOBL were developed in conjunction with experts from industry and commerce, from both the private and public sectors. Nonetheless these estimates were based on conceptual drawings and not on detailed plans and as such potential exists for variations;*
- *on 17 August 1994 the Government released their document "Partnership 2000 - An Opportunity for Private Sector Investment", inviting private sector organisations to become "equity participants in the provision of sporting venues and facilities which will be used in the 2000 Olympic Games". If private sector participation does not eventuate at the levels forecast then this could significantly impact on the estimated costs to be borne by the Government;*
- *the sale of the RAS site at Moore Park. Proceeds from the sale of the RAS site, \$A74.5m, are to be used towards construction of facilities. Current legislation enacted by the NSW Parliament prevents the sale of this site. As a consequence additional funding of \$A74.5m will be required to construct the Sports Halls at Homebush Bay; and*
- *costs of additional works approved under the "Olympic" head not currently planned within the Olympic Project Construction Budget. Should such works eventuate then the relevant costs should be included in the capital costs to stage Sydney Olympics 2000.*

It should be noted that any additional costs resulting from changes/additions to the Olympic Games Budget must be contained within existing forecasts unless approved by the Premier and the President of the AOC and with the concurrence of the Treasurer (the Sydney Organising Committee for the Olympic Games Act 1993 refers).

It is important to record, however, that the financial results of the Sydney Olympics 2000 for the taxpayers of New South Wales is not limited to the receipts and payments within the formal Bid Estimates. As indicated in *Table 1.1 The Estimated Direct Public Costs of the Sydney Olympics 2000*, there are other significant outlays to be incurred (and funded) in providing the facilities/venues so that Sydney will be able to stage the Olympics as agreed to within the Host City Contract and the Candidature File.

Recommendations

It is recommended that the Government arrange for:

- the preparation and publication of annual estimates (based on current dollar values), until the year 2000, of operating and capital costs of the Sydney Olympics 2000;
- the estimates to be discounted to 1992 dollars and compared to the Bid Estimates submitted to the IOC and capital estimates prepared in conjunction with the Bid Estimates;
- those annual estimates be audited on an annual basis; and
- actual costs of staging the Olympics (operating and capital costs) of Government be prepared and audited after the completion of the Sydney Olympics 2000.

Acknowledgement

The Audit Office acknowledges the valuable assistance provided throughout the audit by the personnel of those organisations, both in the private and public sectors, listed within Appendix 4 (refer page 109).

Response by Director-General, Premier's Department

The following response dated 9 November 1994 to the report has been received from the Director-General of the Premier's Department.

Thank you for the opportunity to respond to your report.

The only specific issue on which I wish to comment is in relation to the revenue to be derived from Sunday race meetings.

It must be stated that the Government's general policy is not to hypothecate taxation revenues to particular expenditure programs as this limits the flexibility of future Governments in effectively managing State finances. In accordance with this policy the taxation proceeds from Sunday race meetings will be paid to the Consolidated Fund and be available for appropriation through the Parliamentary process.

Based on six race meetings per annum the additional revenue available to the Government will amount to approximately \$42 million. This is more than the \$26.6 million included in the Olympic Estimates and will also defray Government contributions to the Paralympics which must also be made from the Consolidated Fund.

End of response.

2. Audit Objectives, Criteria And Scope

2. Audit Objectives, Scope and Criteria

2.1 Audit Objectives

The objectives of the audit were to:

- form an opinion on the reasonableness of the Bid Estimates presented to the IOC;
- identify and provide an estimate of Olympic related expenditure which has not been included in the Bid Estimates;
- examine the funding arrangements for the Olympics;
- report the impact of the Olympics on the New South Wales economy and on the State's credit rating;
- ascertain the potential financial exposure of the Government as a result of guarantees provided (by Government) to attract private sector funding; and
- examine the organisational arrangements to stage the Olympics.

2.2 Scope of the Audit

The scope of the audit was focused primarily on the Bid Estimates which were prepared by SOBL. The audit examined the processes employed by SOBL in framing the Olympic Budget including the:

- financial parameters of the budget, that is Olympic specific and Olympic related payments;
- underlying assumptions impacting on significant areas of receipts and payments; and
- skill and competence of persons and experts engaged in compiling the budget.

In reviewing the Bid Estimates the Audit Office placed reliance on the findings of various committees of SOBL and consultants commissioned by SOBL and the Premier's Department.

Given the satisfactory results of two external reviews conducted by Price Waterhouse, Chartered Accountants, and Dr Dale Cooper on the Olympic Estimates, this audit has focused only on those areas which were considered to have a material impact on the Bid Estimates as presented to the IOC.

Based on the nature of the estimates of receipts and payments a materiality level of 5% of total receipts and total payments was set. Comment in Section 5, *Bid Estimates - Receipts* and Section 6, *Bid Estimates - Payments* of this report have been confined to those components of the estimates which meet the materiality requirements.

2.3 Audit Criteria

The audit criteria used to assess the reasonableness of the Bid Estimates were:

- the assumptions underlying the estimates should be based on sound judgement;
- the estimates should be prepared on the basis of the assumptions;
- the estimates should be prepared by persons with relevant expertise.

In framing the audit criteria reliance was placed, where appropriate, on Audit Practice Statements promulgated by the professional accounting bodies. Those statements were:

- AUP 22 - Using the Work of an Expert
- AUP 28 - Audit of Accounting Estimates
- AUP 36 - Audit of Prospective Financial Information

Interviews were conducted with a range of Government agencies and private sector organisations. These are identified within Appendix 4.

3. The Host City Contract

3. The Host City Contract

3.1 Overview

The City of Sydney is the Host City for the staging of the Sydney Olympics 2000.

The contractual obligations of the Host City are outlined within the Host City Contract (the Contract). The contract was signed on 23 September 1993. Signatories to the contract and the organisations they represent are:

- The International Olympic Committee
H.E. Juan Antonio Samaranch
President

Mr Marc Hodler
Chairman Finance Commission
- The Australian Olympic Committee Inc.
Mr John Coates
President
- The City of Sydney
Councillor Frank Sartor
Lord Mayor

3.2 Contractual Obligations

SOCOG intervened as a party to the Host City Contract by executing a Notice of Intervention on 4 February 1994.

The Host City Contract defines the rights and obligations of the IOC, the City of Sydney, the AOC and SOCOG. Amongst other things the contract outlines the obligations regarding sponsorship, marketing, television and broadcasting rights.

The various rights and responsibilities are discussed hereafter.

The **IOC** is the supreme authority governing the Olympic Movement. The Olympics are the exclusive property of the IOC which owns all rights thereto, including the rights to their organisation, exploitation, broadcasting and reproduction. Under the Host City Contract the IOC is responsible for negotiating agreements for television and radio broadcasting rights for the Olympics as well as negotiating agreements for the international marketing of the Olympics.

Under the terms of the Host City Contract the **City of Sydney** is jointly and severally responsible with the AOC and SOCOG for the organisation, financing and staging of the Olympics.

The **AOC** is the National Olympic Committee representing the IOC in Australia and is responsible for the preparation of Australia's Olympic Team to compete at the Olympics.

The Government of New South Wales has agreed, as part of Sydney's Candidature File to the IOC, to underwrite the costs of staging the Sydney Olympics 2000. The Government is also assisting in funding the construction of new sporting venues for staging of Olympic events.

SOCOG is a statutory authority and is accountable to the Government. Under the Sydney Organising Committee for the Olympic Games Act 1993 the primary objective of SOCOG is to organise and stage the Games of the XXVII Olympiad in Sydney in the year 2000.

SOCOG is also responsible for providing transportation and accommodation for all officials, accredited athletes, coaches and the media.

Sections 28 to 30 of the Host City Contract outline the obligations of SOCOG with respect to sporting venues. These Sections are repeated hereunder:

28. *Minimum Technical Requirements for Each Sport: The City and the NOC (National Olympic Committee) and the OCOG (Organising Committee for the Olympic Games) undertake to respect the minimum requirements for each sport as defined by the relevant (International Federation) IFs and as shall be approved by the IOC Executive Board.*
29. *Olympic Venues: the size, contents and location of the Olympic venues proposed by the City and the NOC in their application to host the Games may not be modified without the agreement of the relevant IF's and the approval of the IOC Executive Board.*
30. *Sports Facilities and Training Sites: The City and the NOC shall provide adequate and properly equipped sports facilities and training sites.*

In addition to the above, SOCOG has to submit a cultural program to the IOC Executive Board for approval. This program is to run for the entire length of the XXVII Olympiad, from, and including, the closing ceremony of the 1996 Olympics in Atlanta to the closing ceremony in Sydney in the year 2000.

In the body of the Host City Contract reference is made to two other significant documents, **the Olympic Charter**, and the **Candidature File** (also referred to as the Bid Papers).

3.3 The Olympic Charter

In general terms the Olympic Charter is the codification of the fundamental principles and by-laws adopted by the IOC. It contains the IOC's statutes, governs the organisation and running of the Olympic Movement and stipulates the organisation and conditions for the celebration of the Olympics.

As part of its Candidature File to host the Olympics, the City of Sydney and the AOC had to provide an undertaking to stage the Olympics in full compliance with the provisions of the Olympic Charter and the Host City Contract. In accordance with rule 37 (3) the IOC required the Government (in the case of Sydney's Candidature File both the Commonwealth Government and the Government of New South Wales), to guarantee that the country would respect the Olympic Charter.

Two other Rules, Rule 40 and Rule 42, are referred to below for specific mention:

Rule 40 states that the NOC, the OCOG and the Host City are jointly and severally liable for all the commitments entered into and assume complete financial responsibility for the organisation of the Olympics.

Rule 42 refers to the provision of an Olympic Village. Under this rule the OCOG shall bear all expenses for board and lodging of competitors, team officials and other team personnel in the Olympic Village, as well as their local transportation expenses.

Reference to these requirements is specifically included in the Host City Contract.

3.4 The Candidature File

The IOC issued each Candidature City with the “*Manual of Cities Bidding for the Olympic Games*”. This document specified in detail the content and presentation for each city’s Candidature File.

As noted above, the Olympic Charter requires the Government to guarantee that Australia will respect the Olympic Charter. This guarantee is contained in official correspondence to the President of the IOC from the Prime Minister of Australia, the Premier of New South Wales, and the Lord Mayor of Sydney. Copies of these letters form the initial pages of Volume One of the Candidature File.

3.5 Other Obligations Not Specified In The Host City Contract

Undertakings given to the IOC and not included within the Candidature File and the Host City Contract include a commitment:

- to create a position of “Environment Officer” to assist with environmental issues affecting the Olympics;
- to the NSW Aboriginal Land Council and the Aboriginal and Torres Strait Islander Commission (ATSIC) to include aboriginal representation in the Cultural Program and the Torch Relay. Undertakings were also given regarding merchandising of Aboriginal Arts and Crafts, employment opportunities on construction projects and sporting scholarships, with consideration also being given to the possibility of a public housing component at Homebush Bay;
- as to the availability and affordability of tickets for the Olympics. In this regard the estimated prices outlined in the Candidature File should be viewed as a desirable goal rather than an absolute undertaking; and
- that athletes would have access to seats at other competition venues in order that they might see their team colleagues compete when their own event(s) was over. Also as part of the “Homestay” program family members of athletes would be allocated tickets at face value to see their own son/daughter compete as far as practicable.

3.6 The Paralympic Games

Following Sydney's successful Bid, the International Paralympic Committee awarded Sydney the right to host the 2000 Paralympic Games. The Paralympics will be staged approximately 20 days after the Olympics.

The New South Wales and Commonwealth Governments have agreed to meet the budgeted shortfall in the costs of staging the Paralympic Games to the extent of \$US17m (\$A25m in 1992 dollars) each. These contributions are in addition to the \$US10.5m (\$A15m in 1992 dollars) contribution to the Paralympics included in the Bid Estimates. This contribution is part of the payment figure of \$US301m for "Events, Ceremonies and Programs" within the Bid Estimates.

4. Bid Estimates - General

4 Bid Estimates - General

4.1 Overview

The Bid Estimates, as outlined in Volume 3 of Sydney's Candidature File, represent the operational budget to stage the Olympics in the year 2000.

Initially a consolidated budget was prepared by SOBL, including operational costs and capital works. Based on advice from the AOC and a senior IOC official, the consolidated budget was segregated for bid presentation purposes into two budgets. One budget is known as the Bid Estimates (to be administered by SOCOG), while the other is the capital works budget (to be administered by client agencies of Government).

Consequently, the Bid Estimates generally exclude costs attributable to the construction of permanent facilities. This is based on the Government's position that venues provide a benefit which outlasts the period of the Olympics.

4.2 Budget Process

The Bid Estimates were prepared by SOBL. The process involved:

- reference to Organising Committee Official Reports of past Olympics;
- visits to Barcelona Olympic venues and discussions with key Barcelona OCOG officials;
- consultation with senior AOC and IOC officials and members of the Atlanta Organising Committee;
- preparation of initial budget estimates by Commissions and Committees responsible for various budget line items. These Commissions were composed of suitably qualified experts in particular fields specific to the budget line items. Consultants were also engaged to assist in the formulation of estimates where considered necessary. Details of the composition of the various Commissions and Committees formed are outlined under the relevant sections of the estimates of Receipts and Payments;
- confirmation signatures were provided by each Commission/Committee Chairman for each budget line item (within the Bid Estimates) under their responsibility, attesting to the reasonableness of estimates provided;

- estimates were subsequently reviewed by SOBL's Finance Commission to ensure their reasonableness, with adjustments made where considered appropriate; and
- the final Budget was reviewed, presented to and endorsed by the Executive Board of SOBL, and subsequently passed to State Cabinet where it was further endorsed on 29th November 1992.

A Chronology of Key Events in Sydney's Olympic Bid is contained at Appendix 1.

Key Assumptions	As part of the process of formulating the Olympic Estimates certain key financial assumptions were made and applied uniformly to each line item of the Olympic Budget.
<i>Inflation</i>	Receipt and payment items were inflated at a rate of 4% per annum, representing the average expected inflation rate over the period. The inflation estimates used were based on advice from the New South Wales Treasury. Rates ranged from a low of 2.0% in 1992/93 to 4.5% in the year 2000/01.
<i>Building Price Index (BPI)</i>	Costs of venue construction and upgrading were inflated using a BPI forecast provided by the Building Commission. This forecast ranged from a 2.0% BPI in 1992/93 to a 7.5% BPI in the year 2000/01.
<i>Interest Rates</i>	Interest rates of 8% per annum for deposits and 10% per annum for borrowings were used in formulating the amounts of interest receivable and payable. These rates represent the mean of the rates advised by Australia's major trading banks.
<i>Exchange Rates</i>	For Bid presentation purposes figures were expressed in \$US. An exchange rate of \$A1.00:\$US0.70 was used. This rate was based on advice received from Australia's major trading banks.
<i>Discount Rates</i>	The estimates quoted by the Commissions/Committees are in Australian dollars. Receipts and payments between the date of occurrence and the year 2001 have been discounted at the rate of 4% per annum to 1992 dollar values. This discount rate was also applied to building costs, notwithstanding that building costs had been inflated at the higher Building Price Index.

4.3 Economic Impact of Staging the Olympics

In assessing the economic impact from staging the Olympics, reliance was placed on studies undertaken by experts.

SOBL commissioned KPMG Peat Marwick, Chartered Accountants, in association with the Centre for South Australian Economic Studies, to conduct an Economic Impact Study of staging the Olympics (selected tables used in the study were provided by the University of New England).

The "most likely" result suggested by the Study was: an increase in Australia's Gross Domestic Product (GDP) by a net \$A7.3b (an increase of about 0.2% per annum in GDP) in the period 1994 to 2004 and most of the benefit would flow in the period 1998 to 2000. New South Wales is expected to derive an increase of \$A4.6b in GDP, of which Sydney is expected to derive \$A3.6b.

The major findings have been reproduced in the Tables below. Table 4.1 shows the "net impacts", that is the increase in value added income (GDP) from staging the Olympics.

Table 4.1 Net Increase in Gross Domestic Product 1991-2004

	Scenario		
Region	Low Case \$m	Most Likely \$m	High Case \$m
Australia	6,352	7,336	8,230
New South Wales	4,093	4,587	4,790
Sydney	3,221	3,560	3,747

Table 4.2 Net Taxation Revenue 1991-2004

	Scenario		
Government	Low Case \$m	Most Likely \$m	High Case \$m
Commonwealth	1,673	1,934	2,174
New South Wales	336	376	393
Local	65	73	76

Table 4.3 Net Increase in Jobs 1991-2004

Region	Scenario		
	Low Case	Most Likely	High Case
Australia	133,123	156,198	175,006
New South Wales	78,613	89,504	93,860
Sydney	64,846	73,089	77,551

The Study found that:

Sydney 2000 Olympics will have a major impact on the Australian, New South Wales and Sydney regional economies. The economic impacts attest to the fact that the Olympics will be a major 'export' earner, through selling 'Olympic services' to the world, either through the funding of construction and operating costs from overseas income sources (eg Television Rights) or through international (and interstate in the case of NSW) visitors being attracted to Australia because of the Games or the international exposure winning the Games will bring.

The Study also discussed possible negative effects from hosting the Olympics, such as:

- an increase in house prices from property speculation;
- traffic congestion and urban consolidation from an increase in housing at Homebush Bay;
- an increase in inflation of 1% in Sydney in the year 2000; and
- environmental pressures resulting from increased tourism.

Nonetheless, the Study found that:

the advantages of holding the Olympic Games in Sydney are greater than any disadvantages envisaged.

4.4 Impact of the Olympics on the State’s Budget and Credit Rating

Reports issued by two international credit rating agencies, Standard and Poor’s and Moody’s, indicate that the staging of the Olympics will have a negligible impact on the State’s Budget and no effect on the State’s AAA credit rating.

Extracts from the reports are provided below:

Standard and Poor's

The awarding of the Olympic Games...to Sydney has placed an additional expenditure burden on the State Government...

While the scope and cost of the Games has been the subject of some controversy, there is little doubt of the capacity of the State to accommodate the Games....

While large, the operating budget of \$A1.7b must be viewed within the context of total State sector revenues which amount to \$A33b annually. Similarly the capital budget ...must be viewed within the totality of the State's general Government expenditure which will exceed \$A3b in 1993/94....Total capital expenditure at Homebush Bay will amount to only 4% to 5% of total general Government capital outlays from 1994 to 2000.

Moody's

costs could balloon, as the costs on complex projects with long horizons tend to do.....the State has adequate fiscal flexibility to accommodate negative medium sized surprises.

4.5 Distribution of the Surplus from the Olympics

The Bid Estimates forecast a surplus of \$US15m or \$A21.7m. This forecast is based on the following assumptions.

Table 4.4 Bid Estimates

Item	\$USm	\$Am
Receipts	975	1,393
Payments	960	1,372
Surplus	15	21

Note: \$US and \$A are expressed in 1992 values.

Under the terms of the Host City Contract and as specified in the Sydney Organising Committee for the Olympic Games Act 1993, any surplus resulting from the cost to stage the Olympics will be divided as follows:

- 10% to IOC;
- 10% to AOC; and

- 80% payable to the AOC to be held in trust and to be paid to the national federations for sports on the Olympic Program for the costs of international competition of athletes and officials who are likely to be selected in future Olympic teams in accordance with guidelines as may be determined by the AOC from time to time.

4.6 Reviews by SOBL

An initial review of the Bid Estimates was completed by SOBL in February 1993. This review identified net *unrecognised contingent receipt items* totalling \$A143m. A subsequent internal review conducted in August 1993 identified further *unrecognised contingencies* totalling \$A22m. This brought the total to \$A165m.

Unrecognised contingencies comprised: a net increase in receipts of \$A99m and a net decrease in payments of \$A66m. Of the net increase for receipts, 76.8% or \$A76m, related to the impact of fluctuations in foreign exchange on receipts from TV Rights and The Olympic Program (TOP) Sponsorship (refer comments at 4.8 Foreign Exchange). Of the net decrease in payments 89.4% or \$A59m related to an estimated reduction in rent payable by SOCOG for the Olympic villages.

After analysing the result of the review the Finance Commission commented that, in their opinion, *the budget remains conservative* and that *careful consideration should be givento the unrecognised contingency items*.

4.7 External Reviews

The Bid Estimates have been reviewed by two external organisations (other than the Audit Office). In December 1992 SOBL engaged Price Waterhouse, Chartered Accountants, to review the estimates prior to submission of the Candidature File to the IOC. In December 1993 the Premier's Department commissioned Dr Dale Cooper of Broadleaf Capital International Pty Ltd to conduct a Risk Management Analysis of the Olympic Project, including the Olympic Estimates.

Price Waterhouse Review

Price Waterhouse are the external auditors for the IOC and were engaged also as a joint external auditor for the Barcelona Olympics.

The review conducted by Price Waterhouse focused on the forecasts of receipts and payments within the Bid Estimates.

The finding of Price Waterhouse was that the methodology used to prepare the forecasts was sound. In conducting their review, Price Waterhouse placed reliance on the findings of the Commissions/Committees and consultants employed by SOBL as well as representations by management.

In summary, Price Waterhouse reported:

in the course of our review nothing has come to our attention which causes us to believe that the assumptions used in this forecast do not provide a reasonable basis for the forecast. The assumptions have been consistently applied and the resulting calculations are correct. We are satisfied that the methodology used to prepare the forecasts is sound. Checks and balances have been provided through the use of consultants and the reviews carried out by management and the various commissions and committees.

**Dr Dale
Cooper's Risk
Management
Analysis**

Dr Dale Cooper is a management consultant specialising in risk management and strategic planning and has broad industry experience in both the private and public sectors.

Dr Cooper's analysis was commissioned by the Government. Its purpose was to assess the financial risk to the Government of Sydney hosting the Olympics.

The methodology used by Dr Cooper was to propose two scenarios (cautious and favourable) for receipts and payments respectively and assess the probability of achieving combinations of these scenarios. In all cases, the analysis identified a greater than 10% chance of the SOCOG budget making a profit (refer Table 4.5) even when under a "cautious cautious" scenario the model forecasts an expected loss of only \$A48m.

In overall terms Dr Cooper stated:

the SOCOG Budget has been prepared professionally and in detail by Sydney Olympics 2000 Bid Limited (SOBL). It is broadly conservative in tone, in both revenue and expense estimates. It projects a modest surplus of \$A22 million...it assumes good commercial management. The SOCOG revenues for TV rights, TOP marketing, Local sponsorship, and Ticketing have a good chance of exceeding estimates.

In conducting the analysis, Dr Cooper relied on the Bid company's estimate for the main revenue items: TV rights; TOP Sponsorship, Marketing Revenue and Coin Program.

The major findings of Dr Cooper's analysis were:

- *a favourable view of SOCOG revenues indicates a 65% chance of exceeding budget estimates of \$A1,515m;*
- *the cautious view suggests lower expected revenues of \$A1,366m;*
- *SOCOG expenditure estimates of \$A1,407m appear achievable, even on a cautious assessment; and*
- *overall, the SOCOG budget is likely to yield a surplus, provided no major risks arise.*

The following table summarises the results of the Sensitivity Analysis performed by Dr Cooper.

Table 4.5 Sensitivity Analysis

Receipts Scenario Payments Scenario	Cautious Cautious	Cautious Favourable	Favourable Cautious	Favourable Favourable
	A	B	C	D
Expected Surplus(Deficit) \$Am	(48)	21	110	179
Likelihood of Making a Profit	12%	72%	100%	100%
Likelihood of Achieving the Projected Surplus of \$A22m	4%	48%	99%	100%
Likelihood of Achieving a Surplus of \$A100m	0%	1%	66%	100%

The financial result included under column B is closely aligned to the result depicted within the Bid Estimates. In discussions with the Audit Office Dr Cooper expressed the view that the most likely scenario (and outcome) was that depicted by column C. This opinion is based primarily on revenues generated at past Olympics and in particular revenues generated from television contracts by the Atlanta Olympic Organising Committee.

4.8 Foreign Exchange

SOBL conducted reviews of the preliminary Bid Estimates in February and August of 1993 and consequently identified additional *unrecognised contingent receipt items* to the value of \$A165m. Of this figure 46% related to fluctuations in the exchange rate.

The impact of potential movements in the exchange rate has been addressed. A strategy to manage foreign exchange risk has been developed by the (New South Wales) Treasury in consultation with SOCOG and the AOC. The objective of the strategy is to minimise any fluctuations in the exchange rate by guaranteeing a rate equivalent to that included within the Bid Estimates (that is \$A1.00:\$US0.70).

The foreign exchange risk management strategy includes the following:

- the Government has given an explicit guarantee to convert \$US revenues receivable by SOCOG (from Television Rights and TOP Sponsorship) up to \$US737m at the budgeted exchange rate of \$A1.00:\$US0.70;
- SOCOG will manage the foreign exchange exposure on the balance of budgeted \$US revenues (estimated at \$US129m) through effecting a natural hedge against payments in US currency; and
- in the event of \$US revenues from Television Rights and TOP Sponsorship exceeding the budget estimates, SOCOG will manage the foreign exchange exposure on the excess revenues.

Forward cover has been taken on the foreign exchange exposure assumed directly by the Government in respect of revenue up to \$US637m from Television Rights and TOP Sponsorship. Hedging transactions have already locked in benefits, compared to the budgeted exchange rate, in the order of \$A41.6m.

In addition, an option taken as part of the strategy provides cover for \$US100m. A further potential benefit of up to approximately \$A16.9m may materialise in September 2000. This is calculated on the basis of a 62.6 cent exchange rate in September 2000.

The realisation of any benefits is, of course, dependent on the timing and volume of receipts relative to current projections. However, the level of benefits achieved should allow reasonable scope to manage any variations that may occur.

The abovementioned strategy now means that Treasury has assumed the foreign currency risk. Having entered into forward foreign exchange contracts on the basis of forecast cash flows, Treasury is exposed to a “timing mismatch” (a mismatch occurs where cash inflows do not eventuate precisely on the dates contracted or at the amounts budgeted). Given this situation it is not possible to quantify foreign exchange exposures.

If cash inflows from the Olympics are delayed or do not eventuate at the levels forecast and the forward exchange contract matures, Treasury is committed to fulfilling the contract, i.e. exchange US for Australian dollars. Without the US dollar cash inflow, Treasury is obliged to buy US dollars in order to fulfil its contractual obligations.

5. Bid Estimates - Receipts

5. Bid Estimates - Receipts

5.1 Overview

The estimates of receipts included within the Bid Estimates as presented to the IOC as part of Sydney's Candidature File are as follows:

Table 5.1 Bid Estimates - Receipts

Item	\$USm	\$Am	% of Total
TV Rights Fees	488	697	50.0
Local Sponsorship	207	296	21.2
Tickets	139	199	14.3
TOP Sponsorship	90	128	9.2
Licensing Fees	33	47	3.4
Coin Marketing Royalties	18	26	1.9
Total	975	1,393	100

Note:

- \$US and \$A are expressed in 1992 values.
- Percentage calculations are based on \$US975m.

In developing the estimates for receipts, the various Committees/Commissions utilised:

- information from past Olympics;
- discussions with the IOC;
- the collective expertise of Committee/Commission members; and
- external experts/consultants.

The audit examined the processes used to formulate the estimates and inquired as to the credentials of SOBL personnel and/or experts engaged to assist in compiling the estimates. Independent experts were not engaged by the Audit Office to comment on the estimates of receipts prepared by SOBL.

Reference was also made to reports prepared by Price Waterhouse, Chartered Accountants, (January 1993) and Dr Dale Cooper of Broadleaf Capital International Pty Ltd (March 1994). These reports were commissioned by the Bid Company and the Premier's Department respectively. Extracts from the report by Dr Dale Cooper have been included in this report where considered necessary.

5.2 Television Rights Fees

Host City Contract Section 41 of the Host City Contract outlines the arrangements to apply in respect to Television and Radio Broadcasting Agreements.

The remaining revenue (after deducting IOC costs) is to be shared between the IOC and SOCOG on a 40:60 basis. The figure within the Bid Estimates for this item equates to SOCOG's share of the TV Rights Fees. No allowance has been made in the budget for revenue from radio broadcasting.

Due Process and Responsibility The Media Committee of SOBL was responsible for estimating fees of \$A697m from Television Rights.

The Chairman of the Committee was a former Chief Executive of one of the major commercial television networks. Other members included the Chief Executive of the Seven Network (telecasters of the 1992 Barcelona Olympics), the Finance and Administration Director of the AOC and a former executive of the ABC who is a manager of a media communications business.

As shown in Table 5.1 the estimate appearing within the Bid Estimates is \$US488m (\$A697m). This equates to the Media Committee's median estimate.

In estimating receipts the Media Committee assessed, based on their collective knowledge of the Australian TV market and receipts from this source for past Olympics, a "Best, Median and Worst" estimate for TV rights. The IOC's estimates were also reviewed during the course of the audit. The estimates were generally supportive of the Media Committee's estimate of fees.

A factor affecting the calculation of Television Rights Fees is the timing of cash flows from the various TV agreements. In deriving their estimate of TV receipts the Committee assumed that 10% of the receipts would be received in June 1997, 40% in June 2000 and 50% in September 2000.

It should be noted that:

- the forecast amount is some \$US222m, (\$A317m or 83.7%) greater than for Seoul in 1988 and some \$US68m (\$A97m or 16.2%) greater than for Barcelona. However the estimate is some \$US66m (\$A94m or (11.9%)) less than that forecast for Atlanta;

- revenue from sale of TV rights in Europe should increase due to market de-regulation;
- no allowance has been made for withholding tax which may apply to international payments for television rights. The USA has indicated that it is introducing such a tax and there is also a concern that other countries may follow suite, thereby extending the application of a withholding tax to all international television rights; and
- in past Olympic Games TV rights have been sold with radio rights attached. The Media Committee considered it may be possible to sell radio rights separately and earn \$US25m. However, the Media Committee did not include this source of income in the forecast receipts.

Past Olympics

Appendix 3 to this report outlines the financial components of past Olympics in Seoul 1988 and Barcelona 1992. These figures were compiled by and included in the IOC Enquiry Commission Report on the Games of the XXVII Olympiad 2000. While there are pitfalls to comparing receipts and payments of past Olympics they are however a useful indicator of trends. The trend has been that receipts from TV rights have increased.

Observations

- The estimate of fees from TV was based on the collective expertise of the Media Committee including its knowledge of the Australian and international television markets;
- the persons comprising the Media Committee are considered by audit to be experts and qualified to estimate television revenue;
- revenue from TV rights represents 50% of the estimate of total revenue from staging the Olympics. A small variance within this source of revenue can have a significant impact on the forecast net position, both positive and negative; and
- the IOC's estimate for Television Rights Fees was generally supportive of the estimate of the Media Committee of Television Rights Fees.

5.3 Local Sponsorship

Host City Contract Sections 40(a),(b) and (c) of the Host City Contract refer to the Marketing Plan, the Single Joint Marketing Program and the Avoidance of Ambush Marketing, respectively. In essence the Host City Contract requires SOCOG to develop a marketing strategy/program in conjunction with the IOC. This strategy/program is to be submitted to the IOC Executive Board for approval prior to implementation.

Table 5.2 Dissection of Local Sponsorship

Item	\$USm	\$Am
Sponsorship: Cash and In-Kind, International Marketing (excluding TOP), Local Marketing, Advertising	253	361
<i>less:</i> AOC Team Preparation	(32)	(45)
IOC Commission	(14)	(20)
Total	207	296

Note: \$US and \$A are expressed in 1992 values.

Section 40 (d) of the Host City Contract refers to IOC royalties (excluding TOP). That section states:

The IOC shall receive 5% of the value of consideration of all contracts pertaining to the marketing program or containing any element of commercial exploitation of the emblem, mascot or designations of the Games or relating to the Games in any way....and the value of contracts which provide goods or services to be supplied at less than full market value in return for, or in connection with which, any advertising, promotional or other rights are granted or permitted.

Due Process and Responsibility

The Media Committee was responsible for developing the estimate of Local Sponsorship receipts. In developing the projections for receipts from this source the Media Committee relied on the following information:

- a review of the marketing receipts for the Barcelona Olympics;
- an evaluation of the marketing receipts earned at previous major sports events held in Australia;
- advice provided by marketing consultants in support of the bid process and by the AOC; and
- precedents in relation to the marketing of the Olympics.

The Media Committee also sought advice from the IOC.

The figure of \$US207m included within the Bid Estimates for Local Sponsorship (refer Tables 5.1 and 5.2) equates to the Committee's "median" estimate. Again the IOC's own estimates were generally supportive. The IOC advised, however, that in their opinion, no allowance should be included for additional receipts from international marketing in excess of that already allowed for under TOP Sponsorship (section 5.5 - *The Olympic Program (TOP)*, refers).

It should also be noted that the Media Committee examined each expenditure item and estimated the level of "in-kind" support. While there was limited supporting evidence available, some comfort can be gained by the level of "in-kind" support provided to SOBL during the course of the bid. This was estimated at 15% to 20% of the total cost.

The Media Committee was informed that the Barcelona Olympics secured over \$US300m in "in-kind" sponsorship. The Committee is of the view that "in-kind" receipts will substantially exceed that provided for in the Bid Estimates for the Sydney Olympics 2000.

AOC Team Preparation

The charge of \$A45m represents a payment to the AOC (and is shown as a deduction from the receipts budget) as compensation for the AOC forfeiting its right to local sponsorship for the 1998 Winter Olympics and the 2000 Summer Olympics. The amount of compensation to be paid is in accordance with the Endorsement Contract between the AOC, the State of New South Wales and the Sydney City Council.

Observations

- The estimate of receipts from Local Sponsorship complies with the financial requirements of the Host City Contract;
- the Media Committee was appropriately qualified to formulate an estimate of receipts from Local Sponsorship;
- the Committee's estimate of receipts from Local Sponsorship is based on the collective experience of members of the Committee and their knowledge of the Australian market and its capacity to support the Sydney Olympics 2000. While the estimate is likely to be achieved, there is limited "hard" evidence to support the estimate; and
- the IOC's estimate for Local Sponsorship was generally supportive of the Media Committee's estimate of Local Sponsorship.

5.4 Ticket Sales

Host City Contract Section 38 of the Host City Contract requires that:

the system of distribution for admission tickets to all events and the prices thereof shall be submitted to the IOC Executive Board for approval, not later than two years prior to the Opening Ceremony of the Games.

Table 5.3 Ticket Sales

Item	\$USm	\$Am	% of Total
Games Events	103	147	74.1
Opening and Closing Ceremonies:	22	31	15.8
Corporate Boxes	10	15	7.2
Cultural Program	3	4	2.2
Science Program	1	2	0.7
Total	139	199	100

Note:

- \$US and \$A are expressed in 1992 values.
- Percentage calculations are based on \$US139m.

Section 4 of Appendix “K” to the Host City Contract requires that:

The prices of admission shall be kept as low as possible to ensure wide attendance from visitors and tourists around the world as well as from the local population.

The remainder of that section and section 5 of Appendix “K” refer to the fact that SOCOG is to make available a number of complimentary tickets to athletes and members of the Olympic Family.

The Host City Contract does not stipulate the prices to be charged for attendance at the Olympics.

Due Process and Responsibility

Responsibility for preparing the estimate was shared between the Sports Commission and the Strategy Committee of SOBL. The Sports Commission was responsible for estimating receipts from: admission to the Olympics and Training Events; the Science Program; and the Youth Program. The Strategy Committee was responsible for estimating receipts from the Cultural Program and the Opening and Closing Ceremonies.

The Sports Commission was chaired by the Managing Director of Sport Australia (the major promoter of Australian indoor tennis). Its members included: the Executive Director of the AOC; the President of the Australian Soccer Federation; a Director of the Australian Sports Commission; and a member of the IOC’s Athletes Commission.

The Strategy Committee was chaired by the Chief Executive Officer of SOBL and included amongst its members were: the General Manager of SOBL; the Minister for Transport and Minister for Roads; the Lord Mayor of Sydney; the President of the AOC; the Secretary-General of the AOC; and the Managing Director of Sport Australia.

Games Events

The estimate of \$A147.3m was based on a detailed analysis of attendance records and ticket prices for the Barcelona Olympics. Adjustments were made for the varying popularity of individual events in Australia.

No estimate of revenue has been included for admission to training events.

<i>Opening and Closing Ceremonies</i>	The estimate is based on ticket prices ranging from \$A125 to \$A600 (in 1992 dollars), with an average of \$A250 per seat for each ceremony. The estimate assumes all tickets will be sold (including an allowance for complimentary tickets).
<i>Corporate Boxes</i>	It is planned that the Olympic Stadium will include corporate boxes which will be sold or leased for the duration of the Olympics. The estimate is based on revenue raised from the sale or lease of corporate boxes at other major sporting venues in Australia with a premium being charged for the Olympics.
Observations	<ul style="list-style-type: none">• The estimate of receipts from Ticket Sales complies with the requirements of the Host City Contract; and• the Sports Commission and the Strategy Committee are considered by audit as appropriately qualified to estimate receipts from ticket sales.

5.5 The Olympic Program (TOP)

Host City Contract	In 1988 the IOC introduced a world-wide sponsorship arrangement known as The Olympic Program (TOP). TOP guarantees sponsors exclusiveness in product category and merchandising opportunities in Olympic member countries. Section 40 (e) and Appendix “G” of the Host City Contract refer to the International Marketing Program.
Due Process and Responsibility	<p>The estimate for TOP Sponsorship was the responsibility of the Media Committee. The composition of this Committee was outlined under section 5.2 <i>Television Rights Fees</i>.</p>

In developing the estimate the Committee relied on the TOP marketing receipts of the Barcelona Olympics and that estimated for the Atlanta Olympics.

The estimate figure agreed to by the Committee and included within the Bid Estimates is \$A128.5m. This figure is a net figure after deducting the IOC’s agent’s Commission at a rate of 11.25% (\$A49m), after deducting the Olympic Family share of proceeds of 50% (\$A194m) and after splitting the remainder between SOCOG (66.7%) and the Organising Committee for the XVIII Winter Olympics (33.3%).

The assumed timing of the revenue flow from TOP Sponsorship is the same as that used for the Atlanta Olympics (i.e. 15% on signing in 1997 and the remainder in four equal instalments from 1998 to 2001). This timing was as advised by the IOC.

Past Olympics

The trend over recent Olympics has been for revenue from TOP Sponsorship to increase (Seoul 1988, \$US41.9m, Barcelona 1992, \$US56.6m, and the estimate for Atlanta 1996, \$US119.1m). The estimate agreed to by the Media Committee is less than that budgeted for the Atlanta Olympics but greater than for Seoul and Barcelona.

Observations

- The estimate compiled by the Media Committee complies with the Host City Contract;
- the Media Committee were considered by audit to be appropriately qualified to estimate receipts from TOP Sponsorship;
- while there is corroborative evidence to suggest that the receipts estimate from TOP Sponsorship is attainable there was a lack of “hard” evidence to support the Committee’s estimate; and
- the IOC’s estimate of TOP sponsorship was generally supportive of the estimate of the Media Committee which is considerably less than that included within the budget for the Atlanta Olympics.

5.6 Licensing Fees

Host City Contract The Host City Contract is silent in regard to Licensing Fees.

Due Process and Responsibility Receipts from Licensing Fees were estimated by the Media Committee at \$A47m.

In determining the estimate, the Committee had regard to Olympic receipts from this source received by the AOC, licensed product experience of Atlanta and Seoul and to receipts generated for Australia’s Bicentenary. The Committee also sought advice from the IOC.

The figure included within the Bid Estimates equates to the Committee’s median estimate and is a net figure after deducting commission payable to the IOC.

- Observations**
- The estimate of receipts from Licensing Fees accords with the requirements of the Host City Contract in regard to Local Sponsorship;
 - the Media Committee comprised experts appropriately qualified to assess the expected receipts from this source;
 - there is no “hard” evidence available to audit, to support the estimate prepared by the Media Committee.

5.7 Coin Marketing Royalties

Host City Contract Section 40 (f) of the Host City Contract refers to Coin Programs of the Host Country.

Due Process and Responsibility The estimate of receipts from Coin Marketing Royalties, \$A26m, was based on a business plan provided by the Royal Australian Mint. The Mint was involved in the IOC’s 1993 Centennial Commemorative Coin Program and was also involved in a five year minting program celebrating the centenary of the Olympic Movement in 1996.

As well as utilising the information provided by the Royal Australian Mint, SOBL sought advice from the IOC.

The figure of \$26m is a net figure after allowing for the payment of \$A6m to the IOC as royalty from the program

Receipts from this source are dependent on the domestic market. On this basis comparison with past Olympics is not considered useful.

- Observations**
- The requirements of the Host City Contract have been complied with; and
 - the Royal Australian Mint is appropriately qualified to formulate an estimate for this category.

6. Bid Estimates - Payments

6. Bid Estimates - Payments

6.1 Overview

The estimates of payments included within the Bid Estimates as presented to IOC as part of Sydney's Candidature File are reproduced hereunder.

Table 6.1 Bid Estimates - Payments

Item	\$USm	\$Am	% of Total
Events, Ceremonies, Programs	301	430	31.4
Media	187	268	19.5
Construction Reimbursements	127	181	13.2
Administration/Personnel	48	68	5.0
Transport	46	66	4.8
Security	30	43	3.1
Advertising/Promotion	28	40	2.9
Olympic Organisation	14	20	1.5
Catering	8	12	0.8
Medical	8	11	0.8
Other Costs and Contingencies	163	233	17.0
Total	960	1,372	100

Notes:

- \$US and \$A are expressed in 1992 values.
- Percentage calculations are based on \$US960m.

The estimates of payments prepared by SOBL were reviewed by audit. The review:

- examined the process used to prepare the estimates; and
- made enquiries as to the relative credentials of SOBL personnel and/or experts engaged by the company to assist in compiling the estimates.

It was not considered useful or practical to comment on each and every payment category within the Bid Estimates. Rather, comment has been restricted to the material segments of payments, being: Events, Ceremonies, Programs; Media; Construction Reimbursements; Administration/Personnel; Transport; and Other Costs and Contingencies.

6.2 Events, Ceremonies and Programs

The following table identifies the main components of the estimate for Events, Ceremonies and Programs.

Table 6.2 Events, Ceremonies and Programs

Item	\$USm	\$Am	% of Total
Athletes' and Technical Officials' Villages	99	142	33.0
Temporary Facilities/Upgrades	94	134	31.2
Rental of Permanent Facilities	36	51	12.0
Opening and Closing Ceremonies	24	34	8.0
Games Events	18	26	6.0
Cultural Program	14	20	4.7
Paralympics	10	15	3.3
Torch Relay	2	3	0.7
Youth Program	2	3	0.7
Science Program	1	1	0.2
Medal Ceremonies	1	1	0.2
Total	301	430	100

Notes:

- \$US and \$A are expressed in 1992 values.
- Percentage calculations are based on \$US301m.

Host City Contract Under the terms of the Host City Contract SOCOG is required to provide:

- an Olympic Village to accommodate competitors, team officials and other personnel (section 22);
- Olympic Venues and Sports and Training Facilities at standards required for international competition (sections 28 to 30); and
- a Cultural Program and scenarios for all ceremonies including Opening and Closing Ceremonies, Victory Ceremonies and the torch relay program (sections 31 and 32).

Appendix F of the Host City Contract refers to accommodation required for judges, referees and other technical officials.

Due Process and Responsibility

The Building Commission was responsible for the estimates of the Athletes and Technical Officials' Villages, Temporary Facilities/Upgrades and Rental of Permanent Facilities within Events, Ceremonies and Programs. This Commission was chaired by the Chairman of the Australian Sports Commission. Its members included: the Director-General of Public Works; the General Manager of Major Projects for Property Services Group; the National Director of Special Events for Telecom; the Chairman of Linfox Australia; a City Planner for the Council of the City of Sydney; a Professor of Design, Architecture and Building for the University of Technology; the Manager Infrastructure Development for Thiess Contractors; and two engineering consultants.

The remainder of the estimates within Events, Ceremonies and Programs was the responsibility of the Sports Commission.

Both Commissions were assisted by the Strategy Committee.

Selected items within Events, Ceremonies and Programs are discussed hereunder.

Athletes' and Technical Officials' Villages

Expenditure of \$A142m represents the cost to SOCOG to fitout the villages for use during the Olympics and at the conclusion of the Olympics to refurbish the villages to the original specification for sale as affordable residential housing.

A dissection of the estimate is: Athletes' Village \$A133m (fitout \$A100m and lease costs \$A33m); and Technical Officials' Village, \$A9m (fitout \$A3m and lease costs \$A6m).

The construction of the Athletes' Village and the Technical Officials' Village is to be undertaken by the private sector and to be leased by SOCOG for the duration of the Olympics. This strategy is based on the results of a feasibility study commissioned by SOBL and undertaken by a major Australian Trading bank. The study was based on a return of 15% to attract a private developer(s).

***Temporary
Facilities and
Upgrades***

The item Temporary Facilities and Upgrades, \$A134m, comprises the estimated cost to upgrade existing sporting venues to Olympic standards and the estimated cost of providing temporary facilities at sporting venues.

The single major component of this figure is \$A20m to provide temporary seating for 12,000 spectators at the International Aquatic Centre.

A critical analysis was undertaken by the Estimates Sub-Committee with input from SOBL technical team which had inspected the facilities at the Barcelona Olympics.

For each project identified the following documentation was prepared to assist the development of the estimates.

- a brief of the facility;
- an International Federation Questionnaire (international technical requirements);
- basic planning sketches; and
- a written description of the venue.

Based on this information costings for each item were split into the following components: permanent works; temporary works (Olympic fitout); consultant fees (including design and project management fees); furniture and equipment; and after Olympic costs (including cost of repairs and removal and fitout).

As indicated earlier within this report, estimates of construction costs prepared by SOBL were developed in conjunction with experts from industry and commerce from both the private and public sectors. In developing the estimate for Temporary Facilities and Upgrades assistance was provided by a firm of Quantity Surveyors. Nonetheless, the estimate was based on conceptual drawings and not on detailed plans and therefore may be subject to variation. The Estimates do provide, however, a contingency to cover unknown factors.

***Rental of
Permanent
Facilities***

SOCOG is to lease the required sporting facilities at a cost of \$A50.8m from client agencies of Government for the period of the Olympics.

Opening and Closing Ceremonies

The estimate of \$A34m was based on advice received from the producer of the opening and closing ceremonies of both the Barcelona and Los Angeles Olympics. This same producer has been engaged to arrange ceremonies for the Sydney Olympics 2000.

The Strategy Committee was given the responsibility for estimating the costs of the Opening and Closing Ceremonies and the Cultural Program. The composition of this Committee is outlined at section 5.3 *Due Process and Responsibility*.

SOBL were advised that the estimated cost to stage the opening and closing ceremonies at the Barcelona Olympics was \$A36m. SOBL viewed the cost of the ceremonies as a controllable cost, that is, the size and nature of the ceremonies would be structured to fit the budget.

Paralympics

SOCOG's first progress report to the IOC includes reference to the level of contributions, by both the State and Commonwealth Governments, towards the staging of the Paralympics in Sydney in the year 2000. The Report states that both Governments have agreed to meet the budgeted shortfall in the costs of staging the Paralympic Games to the extent of \$A25m each. The contributions are in addition to the \$A15m contribution to the Paralympics already included in the Bid Estimates.

Observations

- The estimate for Events, Ceremonies and Programs complies with the requirements of the Host City Contract;
- the Estimates were compiled in a professional manner. Each component was developed by a Commission assisted by committees comprised of experts in relevant fields. Suitably qualified consultants were also engaged to assist in the development of the estimates for major components of this payment category;
- the assumptions underlying the estimates are considered reasonable. However, as commented on earlier, a degree of uncertainty surrounds the two largest components of this estimate, Temporary Facilities and Upgrades and the Athletes' and Technical Officials' Villages. However should additional expenditure be necessary it is not likely to be material in terms of the Bid Estimates; and
- a further contribution of \$A25m is required by the Government to stage the Paralympic Games.

6.3 Media

Host City Contract The requirements of the Host City Contract are that SOCOG (formerly OCOG within the contract) is to ensure adequate accommodation is available for all accredited media representatives (section 23). A final estimate of the number of media representatives will be determined at the completion of the 1996 Atlanta Olympics. At present SOCOG anticipates accommodation for 14,000 representatives of the media.

Sydney's Candidature File provides for two media villages to be constructed to accommodate 6,000 media representatives. It is anticipated that the villages will be constructed by private enterprise.

SOCOG is also responsible, under the Host City Contract, to provide facilities, services and other requirements for radio and television broadcasting of the Olympics as defined in the IOC Media Guide. SOCOG is also to provide facilities, services and other requirements for the written and photographic press. All facilities, services and other requirements for the electronic, written and photographic press shall be provided free of charge by SOCOG unless expressly specified otherwise in the IOC Media Guide. The guide specifies in general terms those facilities which are to be provided free of charge by SOCOG as well as those facilities for which SOCOG may charge a fee.

Table 6.3 Media Costs

Item	\$USm	\$Am	% of Payments
Media Centres Lease and Fitout	72	103	30.5
Personnel Costs	65	93	27.5
Usage Cost to Host Broadcaster based on 20% of Net Capital Value of Equipment	39	56	16.5
Media Villages Lease and Fitout	30	43	12.7
Telecommunications Usage Costs	16	23	6.8
Additional Computer, Photographic and Ancillary Equipment and Uninterrupted Power Supply for the IBC and MPC	14	20	6.0
Accommodation Fees - Media Centres	(26)	(37)	*
Media Villages	(23)	(33)	*
Total	187	268	100

Notes:

- \$US and \$A are expressed in 1992 values.
- * not applicable.
- Percentage calculations are based on \$US187m.

Due Process and Responsibility

The estimate of media costs was compiled by the Media Committee.

Communication consultants were engaged by the committee to assist in the calculation of estimates.

Selected items within Media costs are discussed hereunder.

Media Villages and Media Centres

As outlined in the Host City Contract it is anticipated that SOCOG will need to ensure accommodation is available for approximately 14,000 media representatives.

It is planned to provide accommodation for 3,000 persons at each of two media villages; the remainder to be accommodated in hotels and serviced apartments. One village with a capacity to house 3,000 persons is proposed to be constructed within a reasonable proximity of the International Broadcast Centre (adjacent to Darling Harbour). A similar sized village to accommodate a further 3,000 persons is proposed for Sydney Olympic Park near the site of the Main Press Centre.

It is proposed that the media villages will be constructed by the private sector and leased by SOCOG for the duration of the Olympics. This strategy is based on a feasibility study conducted by a major trading bank and advice from major firms in the property market sector.

SOCOG is responsible for leasing costs (\$A20m) and fitout costs (\$A23m) of the Media Villages which include conversion/reversion of residences, fitout of community facilities and major equipment. This cost will be offset by charging media representatives a fee for accommodation. In arriving at the estimate for accommodation income the Media Committee (of SOBL) struck a rate of \$A180 per day and \$A130 per day (net of servicing and maintenance costs) for the Darling Harbour site and the Sydney Olympic Park site respectively.

Equipment for the electronic media is to be housed within the International Broadcast Centre while the print media equipment will be housed within the Main Press Centre located at Sydney Olympic Park.

The estimated cost to SOCOG of the Media Centres comprises \$A70m for fitout (conversion/reversion of buildings, furniture, community facilities and major equipment) and \$A33m for leasing costs.

Media Centres costs are to be offset by charging the media a usage fee based on a per square metre of floor space. The charge out rate is based on that for the equivalent facility at the Barcelona Olympics.

The IOC Media Guide requires that accommodation rates are to be submitted to the IOC for consideration three years prior to the Olympics, with the rates being fixed two years before the Olympics. Charges to the media for items not provided free are also required to be agreed to by the IOC after consultation with the media profession. This process has yet to occur.

Personnel Costs

Personnel costs of \$A93m represent an estimate of the cost of personnel required by SOCOG to fulfil the function of Host Broadcasters. The estimate of costs was prepared by communication consultants engaged by the Media Committee.

***Host Broadcaster
Costs***

The usage cost of technical equipment required for television and radio broadcasting is based at a rate of 20% of the net capital cost of equipment used at the Barcelona Olympics and previous Olympic Games. Information was also obtained on equipment used at other Olympic Games. Estimates of equipment needs were obtained from a firm of communication consultants.

***Additional
Computer,
Photographic
Ancillary
Equipment and
Power Supply***

In estimating this cost the Media Committee relied on information supplied by a communications consultant and Telecom.

Observations

- The estimates for Media costs have been prepared in a professional manner by the Media Committee comprising appropriately qualified experts in the media and communications fields;
- rates used to estimate accommodation fees are considerably higher than those being charged by hotels in the vicinity of the proposed villages; and
- the estimated costs for the Media Villages and Media Centres are limited to lease and fitout costs. It is proposed that construction costs of the centres will be met by the private sector. Unless and until private sector involvement is achieved for the construction of villages and centres, the Government is liable to meet the costs of construction.

6.4 Construction Reimbursements

A requirement of the Olympic Charter is that a city's Candidature File is to be endorsed by its National Olympic Committee before being recognised by the IOC. In Sydney's case this endorsement was formalised in a document known as the Endorsement Contract. The parties to this contract were the Premier of New South Wales, the President of the AOC and the Lord Mayor of Sydney. The contract was signed on 1 May 1991.

In terms of the contract the parties acknowledged that, unless determined otherwise by the IOC, the cost of the International Athletics and Aquatic Centres, which were under construction during the Candidature File, should be treated as part of the cost of staging the Olympics.

The item, Construction Reimbursements, represents a payment of \$A180.9m (in 1992 dollar values) by SOCOG to client agencies of Government as a contribution towards the cost of construction of the International Athletics and Aquatic Centres.

This item of expenditure was identified separately in the Bid Estimates presented to the IOC. The Bid Estimates were examined in detail by the IOC Inquiry Commission as part of the Host City selection process. By these actions it is considered that the IOC has concurred with the inclusion of the International Athletics and Aquatics Centres as a cost to stage the Olympics.

6.5 Administration/Personnel

Host City Contract While the Host City Contract in most instances outlines specifically the obligations of SOCOG in staging the Olympics it is however silent as to the number of administrative staff to be engaged for the Games.

Due Process and Responsibility The Finance Commission was responsible for estimating the costs of \$A68m of administration/personnel. The Commission was chaired by a partner of Coopers and Lybrand, Chartered Accountants. Members of the Commission included a director of SOBL, the Assistant Secretary of the Treasury; and representatives of O'Connell Street Associates Pty Ltd, P&O Containers Pty Ltd and Burns Philp & Co Ltd.

In order to establish the most appropriate structure for SOCOG (and its costs) the Commission reviewed the administrative structure and budget of the Organising Committee for the Barcelona Olympics (COOB). COOB employed around 1,100 personnel (not including 4,100 temporary staff for non-administrative purposes for the last two months of the Olympics) over the 5 years leading up to and including the period of the Olympics. Of these numbers approximately 35% were engaged on general administrative duties. COOB also made extensive use of volunteers.

Similar numbers of administrative personnel are planned by SOCOG and use will be made also of volunteers. The budgeted cost has been estimated at an average of \$A60,000 per annum per person including 25% salary on costs.

Observations

- The estimate for administration/personnel has been arrived at in a professional manner and co-ordinated by a Commission comprising appropriately qualified experts in the field of finance; and
- the approach adopted and the assumptions used are considered reasonable. It is difficult to say with any certainty whether the administrative structures used by COOB for staging the Barcelona Olympics are a suitable basis of comparison for the Sydney Olympics 2000.

6.6 Transport

A dissection of the estimate for the cost of transport is provided hereunder.

Table 6.4 Transport

Item	\$USm	\$Am	% of Total
Athletes' and Officials' Travel Subsidy	29	41	63.0
Local Transportation	17	25	37.0
Total	46	66	100

Notes:

- \$US and \$A are expressed in 1992 values.
- Percentage calculations are based on \$US46m.

Host City Contract Section 14 and Annexure “C” of the Host City Contract refer to SOCOG’s responsibilities to provide, at its expense, transportation for athletes, coaches, officials, the media and members of the Olympic Family.

Further commitments by SOCOG to meet other transportation costs were outlined in Sydney’s Candidature File. These commitments included the cost of air travel for competitors and officials and bearing the cost for freight of canoes, kayaks, rowing shells, yachts and horses.

Due Process and Responsibility A Transport Committee was formed by SOBL to formulate the estimate for Transport costs. The Committee was chaired by a former Director-General of the New South Wales Department of Transport. Its members included: the Chairman of the Maritime Services Board Waterways Authority; the General Manager, Urban Development, Property Services Group; The Transportation Planning Manager for CityRail; the State Officer, Traffic State Command, New South Wales Police Service; President of the Bus and Coach Association of New South Wales; the Executive Director of the Motor Trader’s Association of New South Wales; and, the President of the New South Wales Taxi Council.

Transport consultants were engaged to provide an initial transport plan and estimates of costs. These preliminary estimates were further refined by the Committee based on data received on the transportation arrangements for the Barcelona Olympics.

Final costings were formulated in consultation with representatives of the State Rail Authority, the Department of Transport and the Property Services Group.

Comments on selected items within Transport are discussed hereunder.

***Athletes' and
Officials' Travel
Subsidy***

This component comprises: \$A34m for air fares; \$A1m for canoeing, rowing and yachting freight costs; and, \$A6m for equestrian freight costs.

***Local
Transportation***

The overall Transport Plan developed for the Olympics was based on a detailed analysis of venue capacities, proposed training and competition schedules and projected attendance numbers.

The estimate for local transportation costs was based on two principal assertions:

- the Olympics would be held during the school holiday period; and
- the commencing time for events at major venues would be outside the normal peak hour so as not to clash with the peak demands for the public transport system.

Forecast local transport leasing and usage costs include estimates for: 520 buses and coaches, \$A6m; 1,300 limousines and sedans, \$A6m; 280 mini buses and trucks, \$A3m; 1,070 staff, \$A3m; park and ride facilities, \$A4m; and rail infrastructure, \$A3m.

Observations

- The estimate for transportation costs complies with the requirements of the Host City Contract and the Candidature File;
- the Transport Committee was appropriately qualified to formulate an estimate of transportation costs; and
- the estimate does not include costs of infrastructure requirements for the Olympics, i.e. construction of bus terminals, ferry wharfs or modifications to Sydney's rail and road networks. These costs have also been excluded from capital budgets commented on elsewhere in this report.

6.7 Other Costs and Contingencies

A dissection of this payment category is provided hereunder.

Table 6.5 Other Costs and Contingencies

Item	\$USm	\$Am	% of Total
Contingency and Other Head Office Costs	73	104	44.6
Consultants (Computer Software, etc)	16	23	9.9
Insurance	14	20	8.6
Rent and Outgoings	13	19	8.2
Volunteers	12	17	7.3
Computer Hardware	11	16	6.9
Ticketing	8	12	5.2
Translation and Interpreters	6	9	3.9
Legal and Audit	5	7	3.0
Stationery	2	3	1.3
Office Furniture and Equipment	1	1	0.4
Telephone	1	1	0.4
Travel	1	1	0.4
Total	163	233	100

Notes:

- \$US and \$A are expressed in 1992 values.
- Percentage calculations are based on \$US163m.

Host City Contract Section 5 of the Host City Contract refers to the establishment of an organising committee for the Olympics. Section 45 and Appendix “H” refer to the development of data processing systems (including software and hardware); Appendix “A” refers to the provision of interpreters and translation facilities; and Appendix “J” refers to the need for adequate insurance coverage to be obtained for the Olympics.

Due Process and Responsibility Responsibility for formulating this estimate was delegated to the Finance Commission. Comment as to the composition and credentials of the Finance Commission is provided at section 6.5 Due Process and Responsibility.

The majority of the components of this payment category relate to the administrative and operational requirements of SOCOG. Costings have been based on an analysis of past Olympics, in particular, discussions were held with the management of the Barcelona Olympics (COOB).

Those components of an administrative nature have been based on an extrapolation of the assumed personnel levels multiplied by the average per staff member cost.

Contingency

The estimate includes a contingency to cover fluctuations in forecasts of both operational receipts and payments. Further contingencies have been provided within the capital budget to be administered by client agencies of Government to cover fluctuations in capital costs.

Insurance

The estimate for insurance costs was based on advice provided by a firm of international insurance brokers and risk management consultants. Insurance cover includes \$A100m for public liability and \$A200m for loss of revenue.

Volunteers

This estimate is based primarily on the costs incurred at the Barcelona Olympics. It is envisaged that some 34,000 volunteers will be utilised (a similar number as for Barcelona). The estimate covers, amongst other things, the cost of providing food, transport and clothing. The estimate equates to \$A500 for each volunteer.

***Computer
Hardware and
Software***

This estimate was based on forecasts included in Melbourne's unsuccessful Bid for the 1996 Olympics and on costs incurred at the Barcelona Olympics. Costings cover the general requirements for sporting results management, logistics and information systems.

Observations

- The estimate for Other Costs and Contingencies complies with the requirements of the Host City Contract;
- the Finance Commission was appropriately qualified to formulate an estimate of Other Costs and Contingencies; and
- the adequacy of the contingency to absorb fluctuations in both receipts and payment items will only become evident as the Olympic Project evolves.

7. Other Olympic Related Expenditure

7. Other Olympic Related Expenditure

7.1 Overview

In the main, Olympic expenditure of a capital nature has not been included in the Bid Estimates.

The exception to this is expenditure of \$A180.9m (in 1992 dollar values), being a recoupment by SOCOG to client agencies of Government for “Construction Reimbursement”.

Olympic related expenditure, not included within the Bid Estimates, will be incurred by the following organisations (or in the case of the private sector, expenditure which is to be financed by the private sector):

- client agencies of Government; including
- Homebush Bay Development Corporation (HBDC); and
- the private sector.

7.2 Host City Contract

The Host City Contract (sections 29 and 30) state that the Host City will provide sporting venues and training sites adequate for Olympic competition.

SOBL identified facilities currently in existence and those facilities requiring construction. Those sporting venues that are required to be built comprise the Olympic construction program.

The number of sports events to be conducted at the Sydney Olympics 2000 has to be ratified by the International Olympic Committee. The finalisation of this process is expected to occur in mid 1996.

A new event, slalom canoeing, if accepted by the IOC, will be conducted at Penrith Lakes. It is estimated that a venue to host this event will cost in the order of \$A8m. While the cost to construct this facility is not currently included within the capital budget, any future cost must be accommodated within that budget.

7.3 Olympic Project Construction Budget

Expenditure within the capital budget (to be administered by OOC) primarily represents the costs of construction of new sporting venues for the Olympics. Costs for the upgrading of existing venues and the provision of temporary facilities are included within the Bid Estimates.

With the exception of the International Athletics and Aquatic Centres, construction has yet to commence on Olympic venues included within the capital budget. A recommended program of construction has been developed for ratification by OOC. All areas of planning, design and construction have been timetabled and scheduled for completion at least one year prior to the Olympics.

A dissection of construction costs appears at Table 7.1 opposite.

Table 7.1 Construction Costs of Olympic Venues

Venue	\$USm	\$Am
Olympic Stadium	181	259
Sports Halls	60	86
Coliseum	43	61
Site Enhancement	14	20
Equestrian	7	10
Shooting	7	10
Baseball	7	10
Training Facilities	6	8
Tennis	6	8
Hockey	5	7
Velodrome	2	3
Interest, Contingencies and Other	56	78
Total	394	560

Notes:

- The estimates of construction costs exclude land costs; holding costs; vehicles; event management, special equipment, signage, promotion of events; rental charges for the use of premises and hire of temporary accommodation; and infrastructure external to the facility sites.
- The estimates are based on June 1992 rates and include a contingency for design and construction risk.
- The above costs exclude the development of the international rowing/canoeing course at Penrith Lakes. The Government contribution is assessed at \$A23m. In 1987 the Government entered into an agreement with the private sector to construct an international class rowing facility at Penrith. As the agreement was in force prior to the development of Sydney's Candidature File, and construction was to proceed irrespective of the Olympics, these costs were viewed as non-Olympic.

The responsibility for estimating the construction costs of the Olympic venues was that of the Building Commission of SOBL. The cost estimation phase included an inspection of facilities at the Barcelona Olympics.

The estimates of construction costs prepared by SOBL were developed in conjunction with experts from industry and commerce (quantity surveyors and financial consultants), from both the private and public sectors. Nonetheless these estimates were based on conceptual drawings and not on detailed plans and as such potential exists for variations. It is noteworthy that the costs of sporting facilities exclude various costs identified within the note at the bottom of Table 7.1.

Budgets do contain, however, contingencies.

7.4 Homebush Bay Development Corporation

The Homebush Bay Development Corporation (HBDC) was established to oversight the urban renewal of Homebush Bay. The budget for this project is outlined within the following table.

Table 7.2 HBDC Capital Budget

Item	\$Am
Sports Precinct	247
Development of the RAS	235
Transport	192
Infrastructure	68
Site Remediation/Environmental Works	56
Development/Management Costs	16
Other	10
Total	824

Notes:

- The above budget was prepared by Homebush Bay Development Corporation.
- Figures are as at October 1993.
- The estimate for the Sports Precinct includes the cost to construct the International Athletics and Aquatic Centres and supporting infrastructure (\$A214.5m in 1992 dollars). As at September 1994 Public Works project that these facilities will cost \$A211.4m (in 1994 dollar terms).

Development of Homebush Bay commenced in 1991 and is scheduled for completion in the year 2000.

The first stage of development, incorporating the International Athletics and Aquatic Centres, is now complete. The remaining development for the other stages will include residential, commercial, industrial, recreation and retail areas.

The bid to host the Sydney Olympics 2000 has increased the pace of the development of Homebush Bay. This has meant a revision of the original site master plan and Homebush Bay will now incorporate the development of Sydney Olympic Park (the site of the Olympic venues), into one of Australia's largest urban renewal projects.

Discussions with officers of the HBDC indicate that, overall, the impact of staging the Olympics will have a minimal affect on the infrastructure requirements of the Homebush Bay site.

For example, the proposed relocation of the RAS to Homebush Bay, together with the other planned activities for the site, have placed a heavy future demand on infrastructure at Homebush Bay which, nonetheless, should be sufficient to cater for the demands of the Olympics.

**International
Athletics and
Aquatic Centres**

The master plan for Homebush Bay, at the time of the Bid, incorporated a sporting precinct which included Athletics and Aquatic Centres. At the time of preparation of this report the most recent costing for these Centres, including some adjacent rehabilitation and infrastructure, is \$A211.4m (in 1994 dollar terms).

The construction of the Centres was to proceed regardless of whether Sydney won the right to host the Olympics on the premise that Sydney's sporting facilities were the least developed of any capital city in Australia.

The contract entered into with the AOC to endorse Sydney's bid to host the Olympics acknowledged that the costs to construct the Athletics and Aquatic Centres should be treated as part of the expenditure for staging the Olympics.

**The Royal
Agricultural
Society (RAS)**

The Government has approved the relocation of the RAS to Homebush Bay.

The construction of facilities at Homebush Bay to accommodate the RAS are to be used also to stage Olympic events.

Revenue of \$A74.5m from the sale of land occupied by the RAS at Moore Park was to be applied towards the costs to construct Sports Halls at Homebush Bay. However current legislation enacted by the NSW Parliament prevents the sale of this site. As a consequence additional funding of \$A74.5m will be required to construct the Sports Halls.

7.5 The Private Sector

In order to minimise the cost of the Olympics to the Government (and the people of New South Wales), it is planned to attract private sector funding for certain projects (as outlined in the Table 7.3).

On 17 August 1994 the Government released its document *"Partnership 2000 - An Opportunity for Private Sector Investment"*. This document invited the private sector to submit proposals for the delivery of the sporting, residential, administration and ancillary facilities needed to stage the Sydney Olympics 2000.

Basically the private sector participation falls into two categories:

- development of sports venues (the Olympic Stadium, Coliseum, Velodrome, four Sports Halls, Indoor Sports Centre, Equestrian, Tennis, Shooting, and Baseball Centres), the provision of media facilities (the International Broadcast Centre) and the provision of accommodation facilities (the Olympic Villages for athletes, media and technical officials); and
- infrastructure services for facilities across the Olympic sites (services such as water, power, communications and electronics).

Nominated Government agencies have been assigned roles and responsibilities for the delivery of each sporting facility and venue. The agency responsible for the total development of a particular project will be the client and the landlord or manager of the precinct on which the facility is located.

In adopting a co-operative approach to the delivery of Olympic projects, the Government will consider making limited commercial contributions on a case-by-case basis. These contributions may include:

- entering into commercial arrangements with the private sector;
- providing financial and other support;
- providing other contributions as the Government's investment;
- adopting risk and reward sharing arrangements consistent with the underlying commerciality of the project.

Private sector funding totalling \$A852m has been identified by SOBL. Costs are based on estimates developed in November 1992. A dissection is provided below:

Table 7.3 Private Sector Funding

Venue	\$USm	\$Am
Athletes' Village	246	351
Media Villages	140	200
Media Centre	62	89
Coliseum	51	73
International Centre	31	44
Technical Officials' Village	29	42
Velodrome	14	20
Olympic Stadium	10	15
Equestrian Centre	6	8
Shooting Complex	5	7
Tennis Centre	2	3
Total	596	852

Notes:

- The estimates of construction costs exclude some land costs; holding costs; vehicles; event management, special equipment, signage, promotion of events; rental charges for the use of premises and hire of temporary accommodation; and infrastructure external to the facility sites.
- The estimates are based on June 1992 rates and include a contingency for design and construction risk.
- The proposed sites, at Homebush Bay and Citywest, for the Athletes' Village, the Media Villages and the Technical Officials' Villages is located on land currently owned by the Commonwealth and the NSW Governments. In 1992 this land was valued at \$A77m (Commonwealth portion \$A32m and State portion \$A45m). No decision has yet been made whether this land will be sold to the private sector, transferred to the private sector at no cost, or whether it will form part of arrangements that will see the value of the land revert to New South Wales. Subject to finalising the disposition of the land, arrangements put in place could affect the cost of staging the Olympics.

**Facilities to be
Financed by the
Private Sector**

The Host City Contract states that the Host City will provide accommodation for athletes and officials and develop appropriate systems to transmit information relating to the Olympics (sections 22, 23, 24 and 45).

***Village
Accommodation***

Included in Sydney's Candidature File is the development of 4 villages to accommodate athletes, officials and the media. The largest of these villages being the Olympic Village (also referred to as the Athletes' Village) to be located at Sydney Olympic Park. This will provide 2500 units to house 15,000 athletes and officials.

Two media villages are required to house a total of 6,000 media representatives during the Olympics. One village is proposed for the Pyrmont precinct to accommodate 3,000 people from the electronic media. The other village, housing representatives from the written media, is being considered for Sydney Olympic Park. Two Technical Officials' villages to house 1,500 are also proposed, one to be located at Sydney Olympic Park and the other at Pyrmont/Ultimo. The cost of these villages is estimated at \$A637m (Athletes Village, \$A351m; International Centre, \$A44m; Media Villages, \$A200m; and Technical Officials Villages, \$A42m) excluding the cost of land.

Land at Homebush Bay tentatively earmarked for the location of the Athletes' Village is owned by the Commonwealth. There are at present no arrangements in place to transfer the site to State ownership. The land was valued at \$A32m in 1992.

Discussions with officers from the Citywest Development Corporation indicate that a land site has yet to be identified for the media village at Pyrmont (electronic media). It is estimated that the cost to the private sector for land within the Citywest area would approximate \$A30m.

The location of the second media village (written media) is proposed for Sydney Olympic Park. The land is valued at \$A10m.

The proposed location of the Technical Officials' Village is Homebush Bay. The land component is valued at around \$A5m.

The cost of land outlined in the preceding paragraphs totals \$A77m (Commonwealth owned, \$A32m, and State owned, \$A45m). No decision has yet been made as to whether this land will be sold to the private sector, transferred to the private sector at no cost, or whether it will form part of arrangements that will see the value of the land revert to New South Wales. Subject to finalising the disposition of the land, arrangements put in place could affect the costs of staging the Sydney Olympics 2000.

It is also proposed to develop an International Sector within the environs of the Athletes' Village. The sector will comprise a major retail, commercial and public facility complex. The estimated cost to the private sector is \$A44m. The Government will contribute \$A5m towards the cost of a primary school for the use by the surrounding districts after completion of the Olympics.

Coliseum

The venue, costing \$A61m to be constructed by HBDC (refer Table 7.1) is to be built to Olympic standard from available funds within the capital budget of the HBDC. Additional assistance of \$A73m from the private sector is required to develop a superior venue for the Olympics and in turn enhance after-Olympic use.

Media Centre

The provision of a media centre is required under the Host City Contract. The development of this facility has been estimated at \$A89m.

Observations

- The estimate for the provision of venues complies with the requirements of the Host City Contract;
- the estimate of the cost of construction of venues was compiled in a professional manner by appropriately qualified experts;
- the Bid Estimates exclude the cost of construction work to be undertaken by client agencies of Government, \$A560m, and other work of a capital nature earmarked to be provided by the private sector, \$A852m;
- the costs of construction work to be undertaken by client agencies of government exclude land costs, operating costs, holding costs, etc;

- the proposed site of the Olympic Village at Homebush Bay is located on land currently owned by the Commonwealth Government. Currently no arrangements are in place to transfer the land to State ownership. The land is valued at \$A32m;
- the Olympic Project Construction Budget included receipts of \$A74.5m from part proceeds of the sale of the RAS site at Moore Park. An equivalent amount has been included as costs to construct the proposed Sports Halls at Homebush Bay to cater for Olympic events. While the Government has resolved to relocate the RAS to Homebush Bay current legislation enacted by the NSW Parliament prevents the sale of this site.

As a consequence additional funding of \$A74.5m will be required to construct the Sports Halls at Homebush Bay;

- other potential costs of \$A8m were identified in providing slalom canoeing facilities at Penrith Lakes if slalom canoeing is ratified as an Olympic sport; and
- the costs of construction of the International Athletics and Aquatic Centres and supporting infrastructure, \$A214.5m (in 1992 dollar terms), has been treated within this report as Olympic related expenditure.

8. Government Guarantees

8. Government Guarantees

At the time of preparation of this report the Government had provided a guarantee to underwrite the costs of staging the Sydney Olympics 2000.

The Government has given also a guarantee on exchange rates in regard to revenues receivable by SOCOG. This is discussed in more detail within section 4.8 *Foreign Exchange*.

This guarantee (that is that the Government will underwrite the cost of the Olympics) was made by the Premier of New South Wales in a letter to the president of the IOC which was reproduced in full in Volume 1 of Sydney's Candidature File. Also included in the aforementioned letter was an agreement to ensure compliance with all commitments given as part of the Candidature File and other official commitments given by officials of SOBL. Details of these and other commitments are provided at Section 3 *The Host City Contract*.

The Government has identified a number of projects to be funded by the private sector. These projects, and related costs, are discussed within section 7.5, *The Private Sector*. Basically, funding is required for:

- development of sports venues (the Olympic Stadium, Coliseum, Velodrome, four Sports Halls, Indoor Sports Centre, Equestrian, Tennis, Shooting, and Baseball Centres), the provision of media facilities (the International Broadcast Centre) and the provision of accommodation facilities (the Olympic Villages for athletes, media and technical officials); and
- infrastructure services for facilities across the Olympic sites (services such as water, power, communications and electronics).

The value of private sector funding to be sought in support of the Olympics is \$A852m.

Given that the Government has guaranteed to underwrite the costs of staging the Olympics then a failure to attract the necessary level of private sector funds would require the Government to explore alternatives to provide the necessary facilities or to provide the funding itself.

It would appear that there is a reasonable chance that the Government will attract private sector involvement. The presumption of private sector involvement in the development of the four Olympic villages is based on the results of a feasibility study undertaken by a major Australian trading bank. This study indicated that a reasonable pre-tax return can be expected by the private sector from the development of the villages.

It is noteworthy that during the Bid preparation phase SOBL received a pledge of \$A20m to be applied towards the cost of construction of facilities.

At this stage it is not known whether the Government will be required to offer financial incentives to private sector developers to attract funds at the level reported above. However, information obtained from a leading firm in the property market sector indicates that the required level of funds would be “achievable without the need for Government investment or provision of guarantees”.

9. Organisational Arrangements for Staging the Sydney Olympics 2000

9. Organisational Arrangements for Staging the Sydney Olympics 2000

9.1 Overview

This section comments on the roles and responsibilities of organisations, international and domestic, which have a direct and indirect involvement in the staging of the Olympics.

9.2 International Organisations

The International Olympic Committee (IOC)

The IOC is the supreme authority over matters associated with the Olympic Movement. The day to day operations of the IOC are directed by the Executive Board. The roles and activities of the IOC are governed by the Olympic Charter. In accordance with the Charter:

- the Olympics are the exclusive property of the IOC;
- the IOC owns all rights relating thereto, in particular, and without limitation, the rights relating to their organisation, exploitation, broadcasting and reproduction by any means whatsoever;
- the election of the Host City is the prerogative of the IOC alone; and
- the IOC shall establish a Co-ordination Commission to manage the working relationship between the IOC and the OCOG. Such Commission, which will include representatives of the IOC, the IF's and the NOC's will:
 - monitor the progress of the OCOG;
 - provide assistance to the OCOG; and
 - exercise any additional authority conferred upon it by the Executive Board.

National Olympic Committees (NOCs)

Each country who participates in the Olympics also has established, by virtue of conditions within the Olympic Charter, a NOC. The mission of each NOC is to develop and protect the Olympic movement in their respective country. A NOC has the authority to designate which city may apply to the IOC for the purpose of staging the Olympics. In Australia the NOC and AOC are synonymous.

**Organising
Committee for the
Olympic Games
(OCOG)**

In accordance with the Olympic Charter the *organisation of the Olympic Games is entrusted by the IOC to the NOC of the country of the Host City as well as to the Host City itself. The NOC shall form, for that purpose, an OCOG which, from the time it is constituted, communicates directly with the IOC, from which it receives instructions.* Australia's OCOG for the Games of the XXVII Olympiad is named SOCOG.

The Host City Contract contained the requirement that *the City and the NOC shall, not later than eight months following the execution of this contract, create, in a form ensuring it legal personality, an Organising Committee for the Games.* Following the signing of the Host City Contract SOCOG was constituted as a corporation by an Act of Parliament known as the Sydney Organising Committee for the Olympics Games Act 1993 (No. 67).

As stipulated under the Host City Contract:

- SOCOG shall submit a general organisational plan of the OCOG and of the Olympics to the IOC Executive Board for its approval. All changes to this general organisational plan shall be subject to the prior approval of the IOC Executive Board. Submission of the Plan is to take place within one year of the Host City being selected;
- SOCOG is also bound to forward to the IOC Executive Board a half-yearly report in English and French on the progress of the preparation of the Olympics. The first report was presented to the full session of the IOC in Lillehammer, Norway, site of the 1994 Winter Olympics. Commencing two years before the opening ceremony of the Olympics in the year 2000, such reports shall be forwarded quarterly; and
- from the time of its constitution to the end of its liquidation, the OCOG shall conduct all its activities in accordance with the Olympic Charter, with the contract entered into between the IOC, the NOC and the Host City and with the instructions of the IOC Executive Board.

The SOCOG Act stipulates *SOCOG is to be wound-up after the conclusion of the Games on or before 31 March 2002.*

9.3 Domestic Public Sector Agencies

Following the City of Sydney's successful Bid the Government set about establishing an organisational structure of public sector organisations.

The roles and responsibilities of Olympic organisations are outlined at *Appendix 5 Organisational Arrangements for the Staging of the Olympics*. The information contained therein has been provided by the Premier's Department and has been endorsed by Cabinet.

9.4 Paralympics Overview

SOBL assisted the Australian Paralympic Federation in preparing and lodging a Bid for the 2000 Paralympics. Following Sydney's Bid success, the International Paralympic Committee (IPC) awarded Sydney the Paralympics.

The Premier of New South Wales has established an Interim Sydney Paralympic Organising Committee (ISPOC) to advise on: the most effective organisational mechanism for the Paralympics, and: the development of a suitable contract to be negotiated between the Sydney Paralympic Organising Committee and the IPC. Executive support to ISPOC is being provided by OOC.

It is intended that the Sydney Paralympic Organising Committee will be established by the end of 1994 with the Committee structure dependent on the Paralympics organisational mechanism chosen.

Observations

- The organisational structure, as approved by the Government, should provide adequate accountability to both Government and the Parliament;
- the organisation structure for the Olympics has been interwoven with the traditional accountability structures found within the Westminster System. These structures have operated satisfactorily in the past;

- a Premier's Department commissioned report titled "*Olympic Games Financial Risk Analysis*" by Dr Dale Cooper, identified areas of exposure/risk to the Olympic Project. In identifying areas of risk Dr Cooper put forward a number of Action Schedules. These schedules were broken down into specific tasks which were allocated to agencies together with a suggested timetable. One such task that was allocated to OOC related to the delineation of roles and responsibilities of Government agencies. The assignment of client agency roles based on the current facility plan have been completed and dispersed to each of the primary agencies involved;
- an Olympic Project Plan has been completed by OOC. This Plan encompasses time schedules and financial budgeting information for each Olympic project under its domain;
- on 17 August 1994 the Government released their document "Partnership 2000 - An Opportunity for Private Sector Investment", inviting the private sector to submit proposals for the delivery of the sporting, residential, administration and ancillary facilities needed to stage Sydney Olympics 2000. This document outlined the framework for delivery, the principles for private sector delivery and the "Government Contribution" in facilitating a co-operative approach to the delivery of Olympic projects; and
- the ultimate success of the Olympic Project will hinge on two factors: the commitment of agency managers to construction milestones and financial budgets and the implementation of adequate financial and management information systems. In regard to the latter of these two factors, work has commenced on the design and implementation of a computerised Management Information System.

10. Appendices

Appendix 1: Chronology of Key Events in Sydney's Olympic Bid

The following is a chronology of the key events of the Bid process.

Date	Event
23 October 1990	NSW Premier announces the formation of the Sydney Olympic Games Review Committee (SOGRC). The Committee was chaired by the Hon B. G. Baird, MP. and was charged with taking a <i>"pragmatic and hard headed look"</i> at whether Sydney should bid for the 2000 Olympics.
16 November 1990	AOC provisionally endorses Sydney's Candidature File for the 2000 Olympics, subject to the New South Wales Government commencing and substantially completing the construction of the proposed International Aquatic and Athletics Centre at Homebush Bay.
5 December 1990	The Baird Committee Review Report was released. It concluded that: <i>"A bid by Sydney for the year 2000 Olympics is both winnable and financially viable..... and the economic benefit to New South Wales would be profound and enduring."</i>
11 December 1990	NSW Cabinet approves the findings of the Baird Report.
1 March 1991	Sydney's bid was formally launched by the Government and the City of Sydney.
1 May 1991	AOC formally endorses Sydney as Australia's Candidate City for the 2000 Olympics.
19 June 1991	Sydney Olympics 2000 Bid Limited was incorporated in NSW. Sydney Olympics 2000 Bid Limited (SOBL) was a public company limited by guarantee and incorporated in NSW to conduct and manage Sydney's Candidature File for the year 2000 Olympics.
29 November 1992	Olympic Budget formally approved by Executive Board of SOBL and the State Cabinet.
1 February 1993	Candidature File lodged with the IOC.
1 - 5 March 1993	Visit to Sydney by IOC Enquiry Commission delegates. The IOC sent a Commission of Enquiry to each Candidate City to independently assess the respective bids.
24 May 1993	Presentation of the IOC Enquiry Commission Report to the IOC.
23 September 1993	Announcement of the Host City for the 2000 Olympics by the IOC in Monte Carlo. A \$US900,000 payment was made to the IOC, representing the balance on the \$US1,000,000 deposit required under the Host City Contract. A US\$100,000 deposit was required to be paid upon lodgement of the Candidature File.
12 November 1993	The Sydney Organising Committee for the Olympic Games Act 1993 Act was enacted to establish the Sydney Organising Committee for the Olympic Games (SOCOG) with 15 Board members, to organise and stage the Olympics for the year 2000.
24 March 1994	Commencement of wind-up of SOBL. The decision to voluntarily wind-up the Bid Company was approved in an Executive Board meeting on this day.

Appendix 2: Prospective Venues, Sports, Dates and Estimated Capital Costs

Sport	Proposed Venue	Proposed Construction Timetable (1)	Estimated Construction Costs \$Am (2)	Estimated Upgrading \$Am (3)
Opening/Closing Ceremonies, Athletics (4) Football finals	Olympic Stadium, Sydney Olympic Park	PW: March 1996 - Sept 1999 OW: June 2000 - July 2000	OPCB: 257.0 PSF: 15.0	SOCOG: 5.0
Archery	Olympic Archery Centre, Sydney Olympic Park	OW: Dec 1999 - May 2000	N/A	SOCOG: 2.8
Cycling	Olympic Velodrome, Sydney Olympic Park	PW: Jan 1998 - Sept 1999 OW: May 2000 - Aug 2000	OPCB: 3.0 PSF: 20.0	GF: 2.0
Baseball	Olympic Baseball Centre, Sydney Olympic Park	PW: June 1998 - Sept 1999 OW: Feb 2000 - July 2000	OPCB: 9.6	SOCOG: 4.4
Tennis	Olympic Tennis Centre, Sydney Olympic Park	PW: Sept 1998 - Sept 1999 OW: March 2000 - July 2000	OPCB: 8.0 PSF: 3.0	SOCOG: 4.0
Gymnastics Handball finals Volleyball finals	Coliseum, Sydney Olympic Park	PW: March 1996 - May 1999 OW: June 2000 - Aug 2000	OPCB: 61.3 PSF: 73.0	SOCOG: 5.7
Equestrian and Individual Show Jumping finals	Olympic Equestrian Centre, Western Sydney Recreation Area, Eastern Creek	PW: Sept 1995 - Sept 1999 OW: Sept 1999 - July 2000	OPCB: 9.8	SOCOG: 4.5
Canoeing Rowing	Canoeing and Rowing Course, Penrith Lakes (6)	PW: Dec 1989 - Dec 1995 OW: May 2000 - July 2000	GF: 23.0	SOCOG: 4.9
Volleyball Preliminaries	Pavilions 1 & 2, Sydney Olympic Park	PW: t.b.r. - by Aug 1999 OW: Feb 2000 - July 2000	OPCB: 6.0 (5) GF: 37.0	SOCOG: 4.5
Badminton Rhythmic Gymnastics	Pavilion 4, Sydney Olympic Park	PW: t.b.r. - by Aug 1999 OW: Feb 2000 - July 2000	OPCB: 3.0 (5) GF: 18.6	SOCOG: 3.0
Handball Preliminaries	Pavilion 3, Sydney Olympic Park	PW: t.b.r. - by Aug 1999 OW: Feb 2000 - July 2000	OPCB: 3.0 (5) GF: 18.6	SOCOG: 5.0
Swimming Synchronised Swimming Diving Water Polo	Sydney International Aquatic Centre, Sydney Olympic Park (6)	PW: April 1992 - Oct 1994 OW: March 1999 - June 2000	GF: 181.9	SOCOG: 20.0
Shooting	Sydney International Shooting Centre, Holsworthy	PW: March 1996 - Feb 1997 OW: April 2000 - July 2000	OPCB: 10.0 PSF: 7.0	SOCOG: 1.0
Basketball	Sydney Entertainment Centre, Darling Harbour	OW: July 2000 - Aug 2000	N/A	SOCOG: 0.8

Sport	Proposed Venue	Proposed Construction Timetable (1)	Estimated Construction Costs \$Am (2)	Estimated Upgrading \$Am (3)
Weightlifting	Sydney Convention Centre, Darling Harbour	OW: June 2000 - Aug 2000	N/A	SOCOG: 0.8
Judo Table Tennis Boxing	Sydney Exhibition Centre, Darling Harbour	OW: March 2000 - Aug 2000	N/A	SOCOG: 9.0
Hockey	State Hockey Centre, Sydney Olympic Park	PW: Sept 1998 - June 1999 OW: April 2000 - July 2000	OPCB: 7.0	SOCOG: 7.7
Fencing	State Sports Centre, Sydney Olympic Park	OW: June 2000 - Aug 2000	N/A	SOCOG: 1.2
Wrestling	State Sports Centre	OW: April 2000 - July 2000	N/A	SOCOG: 3.7
Yachting	Olympic Marina, Rushcutters Bay	OW: Dec 1998 - July 2000	N/A	SOCOG: 8.0

Key

- 1 **PW: Permanent Works** - This includes the cost of the original structure, permanent fitout and services included in the original structure.
OW: Olympic Works - Includes the fitout of the facilities for Olympic use. They may be removed after the Olympics or left in place as appropriate.
TBR: to be resolved - This relates to the construction of the three pavilions to house the RAS. At the time the Candidature File was compiled the issue of relocating the RAS from its Moore Park site had not been resolved by Government. The Government has now resolved to relocate the RAS to Homebush Bay at a date to be announced.

OPCB: Olympic Project Construction Budget - The budget is to be administered by client agencies of Government.
PSF: Private Sector Funding - The role of attracting private sector funding rests with the respective Government agencies. Guidelines to be followed by the agencies have been drafted by OOC. On 17 August 1994, the Government released a document, Partnership 2000, inviting proposals from the private sector. Estimated costs of private sector funded infrastructure is \$A852m. This includes costs of venue construction, and the construction of the Athletes', Officials' and Media Villages and the Main Press Centre.
GF: Government Funding
- 3 Games fitout costs relate to the addition of temporary facilities to cater for the staging of the events during the 17 days of Olympic competition. Estimated costs were included in the Olympic Budget as part of the \$US301M for "Events, Ceremonies and Programs".
- 4 The International Athletics Centre was completed in March 1994. The budget cost was \$A50m. These tracks will be used as training and warm-up facilities for athletes during the period of the Games.
- 5 Includes an estimate of the cost to construct the RAS pavilions to a standard suitable to stage the respective Olympic events.
- 6 These projects were under construction during the Bid period and were Government commitments prior to the commencement of the Candidature File.

Comment

The above table provides a summary of the costs of capital works required to construct sporting facilities and to upgrade new and existing venues to the standard required for Olympic competition over the seventeen days of the Games from 15 September to 1 October 2000.

The source for the table is predominantly from Volume 2 of Sydney's Candidature File presented to the IOC. As can be expected this information is prospective in nature. For example, while estimates of construction costs were verified by external quantity surveyors, they were however based only on sketch drawings and not on detailed plans. On this basis the final costs of construction may vary from the estimates outlined in the Candidature File.

According to officers at OOC a final decision has not been made on such issues as: the venues for all sports; the location of all sports venues; and the construction timetable. As at the date of this report options are still being considered. While saying this officers at OOC anticipated minimal change from that outlined in the Candidature File.

Detail of the competition sports for the 2000 Olympics was based on those core sports conducted at the 1992 Barcelona Olympics. It is understood that the final decision on the competition sports for the 2000 Olympics is scheduled for mid 1996.

Based on the information contained within the table the total capital cost to the Government to construct the facilities and venues for the Olympics is estimated at \$A560m excluding the costs of the Aquatic and Athletic Centres. The International Aquatic Centre and the International Athletic Centre were excluded from Sydney's Candidature File but these facilities will be utilised during the Olympics. This figure also excludes:

- infrastructure costs associated with the development of the Homebush Bay Development Area;
- capital costs which are to be borne by the private sector; and
- costs associated with the relocation of the RAS from Moore Park to Homebush Bay.

Appendix 3: Budget Information from Past Olympic Games

Information concerning the financial details of past and proposed Olympic Games is supplied hereunder for reference purposes. This information was sourced from the IOC Enquiry Commission Report for the Games of the XXVII Olympiad 2000. The Commission's report is based on data supplied in the Bid documents of the various Host Cities, and supplemented by information gained during visits by the Commission. Sydney was visited by the Commission over the period 1 March to 5 March 1993.

Details of Receipts and Payments of Olympic Games

Olympic Games	1988 Seoul	1992 Barcelona	1996 Atlanta	2000 Sydney
	Actuals \$USm	Final Budget \$USm	Budget \$USm	Budget \$USm
Receipts:				
Local Sponsorship	41.9	490.8	569.0	207.0
TV Rights	265.9	419.9	554.1	488.0
TOP Sponsorship	41.9	56.6	119.1	90.0
Coins	160.0	10.0	....	18.0
Ticketing	32.5	109.4	225.8	139.0
Other	534.5	651.3	121.0	33.0
Sub-Total	1,076.7	1,738.0	1,589.0	975.0
Payments:				
Capital Investment	312.2	375.2	568.6	127.0
Management, Administration	100.7	494.5	326.6	279.0*
Olympic Village, Sports Events	88.8	264.8	283.5	301.0
Operations: Media, Promotions, Marketing and Telecommunications	63.8	393.0	300.6	215.0 ⁺
Security	59.3	48.7	....	30.0
Protocol Ceremonies and Culture	44.9	84.8	93.6	....
Medical Service	3.0	13.7	....	8.0
Paralympics	....	60.2	....	#
Total	672.7	1,734.9	1,572.9	960.0
Surplus	404.0	3.1	16.1	15.0

Notes:

- Figures expressed in 1992 dollar values.
- Figures appearing in the above table were compiled by the IOC Enquiry Commission. Certain individual figures do not agree with the dissection appearing within the Bid Estimates. The totals appearing in the above table and the Bid Estimates do, none the less, agree.
- * This figure comprises: Administration/Personnel, \$US48m; Transport, \$US46m; Olympic Organisation, \$US14m; Catering, \$US8m; and Other Costs and Contingencies, \$US163m (refer Table 6.1).
- ⁺ This figure comprises: Media, \$US187m; and Advertising/Promotion, \$US28m (refer Table 6.1).
- # Sydney's contribution to the Paralympics, \$US10m (as per the Bid Estimates) has been included in the figure of \$US301m, Olympic Village, Sports Events.

***Qualifying
Statements
Concerning Use of
Comparative Table
Information***

- Whilst TV and TOP revenue (international marketing) are unlikely to change by more than + or - 10% depending on the venue, revenue from local marketing will be dependent on the local market potential and to that extent could vary considerably.
- Due to inconsistencies in the structure of the budget presentation between different candidate files, captions have been grouped to provide a basis of comparison. Care should be taken in interpreting captions, as the contents of the captions may differ between cities.
- Comparisons of overall expenditure are also of little value, as cities have used different accounting criteria, particularly with reference to the inclusion of certain venue capital costs. Many cities are forecasting Games operating expenditure substantially less than Barcelona and Atlanta, and to that extent the importance of any government guarantee is critical should the budget increase; and
- comparison is also hindered given the different time periods involved, different local capacities for marketing sponsorships, proximate localities of Olympics, political/diplomatic interferences at the time of staging the Games, etc.

For the above reasons, any comparison of proposed surplus margins is of little value. The most useful trend evident from the above table is that recent Olympic Games have or are in fact forecasting a surplus.

Appendix 4: List of Organisations Visited as Part of the Review

New South Wales Government Sector Agencies

- Treasury
- Premier's Department - Office of Olympic Co-ordination
- Property Services Group
- Homebush Bay Development Corporation
- Citywest Development Corporation
- Sydney Organising Committee for the Olympic Games
- Public Works (including the Olympic Construction Authority)
- Department of Sport, Recreation and Racing
- Treasury Corporation

Private Sector Organisations

- Price Waterhouse, Chartered Accountants
- Broadleaf Capital International Pty Ltd, Risk Management Analysts

Appendix 5: Organisational Arrangements for the Staging of the Olympics

Organisation Design Principles

The Olympics is a large, high-profile project. If it is to be managed efficiently and effectively for the benefit of New South Wales, its organisation structure must be sound. The criteria for a good management structure are:

Clear Division of Work	Functions should be separated into specialised groups to promote unity of purpose and better performance.
Clear Accountability	Clear statements of responsibility are required, with the appropriate authority delegated to enable functions to be performed effectively.
Clear Control	Formal lines of control are required from the Premier to all organisations and agencies involved in the Olympic effort.

The normal procedures of Government should be maintained.

The management structure must recognise the different objectives associated with Olympic activities:

- SOCOG's primary objectives, as specified in the SOCOG Act, to 'organise and stage the Games of the XXVII Olympiad in Sydney in the year 2000'; and
- the long-term objectives of Government and its agencies to foster the development of New South Wales and maximise the opportunities arising from the Olympics.

Organisational Structure

The organisation structure to be established is shown at Table 10.3.

The structure satisfies the criteria noted above in that:

- the Premier maintains control and responsibility. The OOC is the vehicle through which the Premier will exercise his control and co-ordination responsibilities;
- SOCOG has clear responsibility for staging the Olympics;
- agencies have clear lines of accountability to their Ministers for their regular operations;

- there are specific agreements between Agencies and the Premier, through the OOC, to perform particular Olympic tasks; and
- there are specific agreements between Agencies and the OCA or other appropriate construction entities to perform particular Olympic tasks.

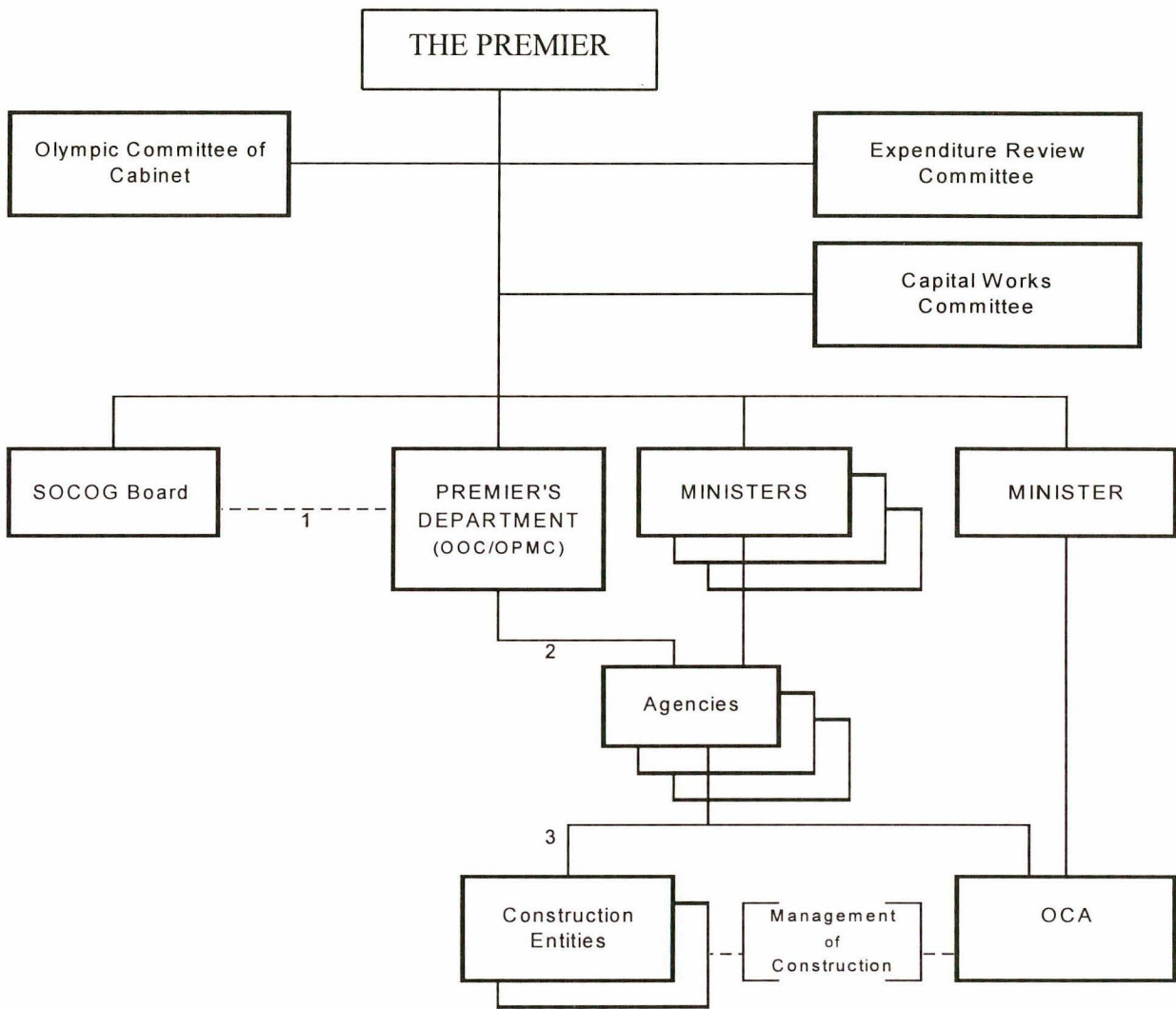
Roles and Responsibilities

Olympic Committee of Cabinet

The Committee is a sub-committee of Cabinet. Its terms of reference are to:

- review planning to date in each portfolio in relation to planning for the Olympics with a view to identifying any deficiencies;
- monitor the forward plans of relevant Government agencies to ensure that the necessary infrastructure (roads, public transport, public utilities etc) required for the Olympics is delivered;
- prepare a strategic plan for each portfolio's contribution to the staging of the Olympics, including a program of possible announcements;
- provide advice, on request, to the Premier and Cabinet on any Olympic-related issues to be considered by Cabinet or the Capital Works Committee;
- develop an overall strategic plan which ensures a co-ordinated Government approach to the staging of the Olympics;
- provide advice to the Premier, at his request, regarding information furnished by SOCOG for the purpose of administering the SOCOG Act;
- provide advice to the Premier and Cabinet on critical issues including relocation of the RAS, environmental aspects and other significant issues; and
- provide ideas and advice to the Premier on innovative ways for involving the private sector in the development associated with the Olympics.

Organisational Structure



Notes:

1. Reporting on progress and budget. Liaison, agreement of minimum and acceptable Olympic requirements. Administration of Head Agreement between SOCOG and the Premier.
2. Contract or agreement between the Premier and Agencies for minimum Olympic requirements.
3. Contract or agreement between Agencies and construction entities for provision of facilities.

**Expenditure
Review
Committee (ERC)**

The Committee is a sub-committee of Cabinet and is chaired by the Premier. The Committee:

- determines the budget and financial strategies for the State;
- sets allocations for Budget Sector Agencies in accordance with the above strategies and monitors compliance; and
- determines and monitors Olympic recurrent expenditure requirements.

In between ERC meetings, the Premier, with the concurrence of the Treasurer, controls Olympic recurrent expenditure.

**Capital Works
Committee
(CWC)**

The Committee:

- reviews capital works proposals submitted by Government Agencies;
- sets allocations having regard to strategies determined by the Expenditure Review Committee;
- monitors expenditures against allocations; and
- determines and monitors Olympic capital expenditure requirements.

In between CWC meetings, the Premier, with the concurrence of the Treasurer, controls Olympic recurrent expenditure.

**Sydney
Organising)
Committee for the
Olympic Games
(SOCOG)**

The Committee is a Statutory Authority responsible to the Premier for:

- the successful organisation and staging of the Olympics;
- the management and financial control of all SOCOG income and works and functions funded by SOCOG;
- entering into an agreement with the Government, which would be administered by OOC, for the provision of facilities and venues for the Olympics, funding advances to SOCOG and other relevant issues;
- financial controls exercised by the Premier, with the concurrence of the Treasurer; and
- preparing the Olympic component of facility briefs and monitor compliance of facilities procurement with briefs.

The Committee is a member of OPMC.

**Olympic Projects
Management
Committee
(OPMC)**

OPMC is (a):

- committee of officials chaired by Premier's Department (Director-General) reporting to the Premier;
- committee comprising representatives of the Premier's Dept, The Cabinet Office, Treasury, SOCOG, Public Works, Property Services Group, HBDC, Dept. of Sport, recreation and Racing, Dept. of Planning, Dept. of Transport and other Agencies relevant to the Olympics;
- forum for co-ordinating Agencies, Olympic activities and requirements including those funded by Olympic revenue and by Government;
- forum for matching the long-term requirements of Sydney and the Government with the requirements for the Olympics, including suitability for Olympic use;
- forum for co-ordination and management of the budgets, cashflows etc related to the Olympics;
- responsible for informing respective Ministers of issues and developments including all proposals for private sector participation; and
- supported administratively by the Premier's Department.

**Office of Olympic
Co-Ordination
(OOC)**

OOC is an office within Premier's Department reporting to the Premier and responsible for co-ordination of Agencies associated with the Olympics. OOC is responsible to, and on behalf of, the Premier for:

- administration of the head agreements between SOCOG and Government, day to day liaison and negotiation with the SOCOG, and ensuring Olympic requirements are satisfied by both SOCOG and the Government;
- monitoring and reporting on all works and functions associated with the preparation for and hosting of the Olympics and maintaining close liaison with Government Agencies and the OCA;
- liaison with Treasury to co-ordinate and manage the income and expenditure budgets, programs, cash flows and other financial aspects of the Olympics;
- liaison with Treasury to establish and manage a special account to receive, invest and distribute Olympic funds including cash advances to the SOCOG;

- reporting, in conjunction with Treasury, to the ERC, the Premier and the Treasurer on overall expenditure associated with the Olympics;
- obtaining endorsement of the facility briefs, documentation, works etc from SOCOG;
- co-ordination of all Agency proposals on Olympic matters, including those involving the private sector;
- provision of policy advice to the Premier; and
- provision of support on Olympic matters, as required, to the Olympic Committee of Cabinet.

OOC is a member of, and provider of support to, the OPMC.

Government Agencies

Government Agencies relevant to the Olympics include those representing the precinct owners, managers and users of facilities provided for the Olympics.

Government agencies are responsible for:

- liaison with the OOC and OPMC to match the long term requirements of Sydney and the Government with the requirements of the Olympics and ensuring suitability for Olympic use;
- preparing co-ordinated Olympic and non-Olympic facility briefs and associated documentation within the budgets and program nominated by OOC;
- obtaining endorsement of Olympic aspects of briefs and document all scope changes from OOC, representing the Premier, and other appropriate agencies prior to issue;
- the procurement of facilities within the agreed briefs, budgets and program;
- reporting to their respective Ministers and, through their Ministers, to the Capital Works Committee of Cabinet;
- engaging, where appropriate, the OCA to manage construction of relevant works;
- reporting to OOC on Olympic related issues; and
- actively participating as members of OPMC.

**Olympic
Construction
Authority (OCA)**

OCA was constituted as a construction unit within Public Works. OCA is:

- the organisation engaged by the relevant Client Agencies to manage construction of nominated Olympic facilities appropriate to be managed by OCA;
- responsible for the management of these projects within the briefs, associated documentation, budgets and programs nominated by the Client Agencies;
- responsible to the Minister for Public Works and, through the Minister, report to the Capital Works Committee of Cabinet;
- to report to relevant Client Agencies; and
- to participate as an active member of OPMC.

**Private Sector
Involvement**

Private sector involvement is instrumental to the success of the Olympic Project. Every opportunity should be taken by Agencies to canvass and explore private sector involvement.

OOC is responsible for ensuring Agencies are pro-active in this regard. Where appropriate, the Premier's Department, through the OOC, will take the initiative in approaching the private sector.

OOC is also responsible for keeping the Olympic Committee of Cabinet informed of all initiatives involving the private sector.

The Olympic Committee of Cabinet will be responsible for addressing policy issues relating to private sector initiatives spanning agency boundaries and will provide ideas and advice to the Premier on innovative ways for involving the private sector in the development associated with the Olympics.

Appendix 6: Reconciliation Between Figures Presented by Dr Dale Cooper and those Appearing within Table 1.1

Costs of Staging the Olympics:

	Audit Office \$Am	Dr Dale Cooper \$Am	Variation \$Am	Note
Operating Costs				
<i>SOCOG</i>				
Cost to Stage the Olympics (Bid Estimates)	1372.3	1493.7	(121.4)	1
<i>OOC</i>				
Office of Olympic Co-ordination	16.1	--	16.1	2
Total Operating Costs	1388.4	1493.7	(105.3)	
Capital Costs				
<i>Client Agencies of Government</i>				
Construction of Sporting Facilities	560.5	560.5	--	
<i>HBDC</i>				
Capital Budget	--	750.5	(750.5)	3
Construction of Athletics and Aquatic Centres	214.5	--	(214.5)	3
<i>Private Sector</i>				
Construction of Sporting Facilities and Venues	852.0	859.4	(7.4)	4
Net Capital Costs	1627.0	2170.4	(543.4)	
Total Estimated Cost of the Olympics	3015.4	3664.1	(648.7)	

To be Funded by:

	Audit Office \$Am	Dr Dale Cooper \$Am	Variation \$Am	Note
<i>SOCOG</i>				
Revenue from Staging the Olympics (Bid Estimates)	1393.3	1515.4	(122.1)	1
<i>less</i>				
Surplus from Staging the Olympics (Bid Estimates)	21.0	21.7	(0.7)	
Net Revenues from Staging the Olympics	1372.3	1493.7	(121.4)	
Construction Reimbursement from SOCOG	180.9	180.9	--	
Commonwealth Government	135.8	163.0	(27.2)	5
Proceeds from the Sale of the RAS site at Moore Park	74.5	74.5	--	
Interest	49.2	49.2	--	
Rental Facility Fee from SOCOG	50.8	50.8	--	
TAB Race Days	--	26.6	(26.6)	6
	491.2	545.0	(53.8)	
<i>Private Sector</i>	852.0	859.4	(7.4)	4
	2715.5	2898.1	(182.6)	
Costs to be met from NSW Government Revenue Sources	299.9	766.0	(466.1)	7

Notes

1. The variances in Operating Costs and Revenue offset each other (with allowance for rounding). This is due to SOBL netting certain receipts and payment items for Bid presentation purposes.

Specific items affected include Media, Local Sponsorship, Australian Olympic Team Contribution, Events, Ceremonies and Programs and Catering.

2. Dr Dale Cooper's report, Olympic Games Financial Risk Analysis, did not include estimates for the costs of OOC.
3. In his report, Dr Dale Cooper included the total cost of developing Homebush Bay, \$A750.5m, (after an adjustment of \$A74m for certain costs associated with the construction of the RAS Sports Halls which have been included in the capital costs to be met by the client agencies of Government). The Audit Office examined the Homebush Bay Masterplan and concluded that only those costs associated with the construction of the International Athletics and Aquatic Centres (and supporting infrastructure) should be regarded as Olympic related expenditure and therefore included as a cost to stage Sydney Olympics 2000.
4. A variation of \$A7m exists in respect to the costs to be incurred by the private sector. This variation is comprised of:

	Audit Office	Dr Dale Cooper	Variation
	\$Am	\$Am	\$Am
Media Villages	200.0	199.0	1.0
Olympic Stadium	15.0	30.0	(15.0)
Equestrian Centre	8.0	--	8.0
Rounding	--	1.0	(1.0)
Total	223.0	230.0	(7.0)

Olympic Stadium

SOBL estimated the cost to construct the Olympic Stadium as \$A274m. Of this amount \$A244m was to be met by client agencies of Government and \$A30m was to be contributed by the private sector. The source of the private sector funds was to be derived from the lease of corporate boxes at the Olympic Stadium. It was viewed that the corporate boxes would be leased for periods which would extend past the Olympics but would include the period of the Games.

A decision was made by SOBL that half of the \$A30m would be directly attributed to the staging of the Games at the Stadium and as such should be treated as income to SOCOG. These funds are to be used to construct the Olympic Stadium and have been included in the capital cost of the Stadium to be incurred by client agencies of Government.

Equestrian Centre

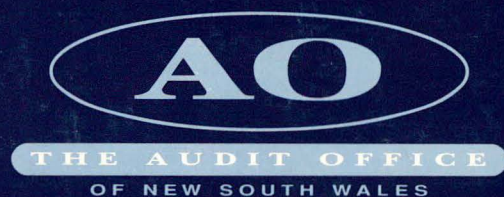
The construction costs of the Equestrian Centre were not available at the time of preparation of Dr Cooper's report.

5. Dr Cooper's report includes the total of Government Grants, \$A163m (in 1992 dollar terms), which are to be applied towards the cost of constructing sporting facilities (to be constructed by client agencies of Government). The Government Grants comprise Commonwealth Government \$A135.8m, and NSW Government \$A27.2m (both in 1992 dollar terms). For the purposes of Table 1.1, the Audit Office has identified separately the Commonwealth Government Grant with the NSW Government Grant component being included within the "Costs to be met by NSW Government Revenue Sources".
6. Dr Cooper's estimate included an amount of \$A26.6m as proceeds from TAB race days. The NSW Government has approved the staging of up to six Sunday race meeting per year to be held between 1994 and the year 2000. Proceeds from these race meetings are to be credited to Consolidated Fund. Notwithstanding that a decision on allocation of these funds will be made in the future, the major recipient will be the Paralympics. Given that the Government has not made a decision on the appropriation of these funds, an estimate from this source has been excluded by the Audit Office.
7. The Audit Office estimate of the "Cost to be met by NSW Government Revenue Sources", \$A299.9m, comprises: estimated costs of OOC, \$A16.1m; estimated costs to construct the International Athletics and Aquatic Centres, \$A214.5m; NSW Government Grant, \$A27.2m; and the estimated deficit on capital works to be undertaken by the client agencies of Government, \$A42.1m. (All figures are in 1992 dollar terms).

Dr Cooper's report did not provide a statement as to the estimated costs to be met by the NSW Government. The financial information contained in his report has been drafted in the format of the preceding table for comparative and reconciliation purposes only. The figure for "Costs to be met by NSW Revenue Sources", under the column for Dr Cooper, \$A766.0m, comprises: the net cost of redeveloping Homebush Bay, \$A750.5m and the estimated deficit on capital works to be undertaken by the client agencies of Government, \$A15.5m.

Published Performance Audit Reports

Title		Date Tabled in Parliament
Department of Housing	<i>Public Housing Construction: Selected Management Matters</i>	5 December 1991
Disciplined Services	<i>Training and Development for the State's Disciplined Services: Stream 1 Training Facilities</i>	24 September 1992
Rental and Management Aspects of Public Servant Housing		28 September 1992
NSW Police Service	<i>Air Travel Arrangements</i>	8 December 1992
Fraud Control Strategies		15 June 1993
HomeFund Program		17 September 1993
State Rail Authority of NSW: Countrylink	<i>A review of Costs, Fare Levels, Concession Fares and CSO Arrangements</i>	10 December 1993
Disciplined Services	<i>Stream 2 Skills Maintenance Training</i>	13 December 1993
Statutory Investments and Business Enterprises		31 August 1994
Aboriginal Land Claims		31 August 1994
Children's Services	<i>Preschool and Long Day Care</i>	10 October 1994
Sydney Olympics 2000	<i>Review of Estimates</i>	18 November 1994



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