

Performance Audit Report

**The Sydney 2000 Olympic
and
Paralympic Games**

Review of Estimates

State Library of New South Wales cataloguing-in publication data

New South Wales. Audit Office.

Performance audit report : The Sydney 2000 Olympic and Paralympic Games : Review of Estimates / [The Audit Office of New South Wales]

0731389166

1. Games (27th : 2000 : Sydney, N.S.W.) - Economic aspects - Auditing. 2. Paralympics (11th : 2000 : Sydney, N.S.W.) - Economic aspects - Auditing. 3. Sydney Organising Committee for the Olympic Games - Auditing. I. The Sydney 2000 Olympic and Paralympic Games : Review of Estimates.

796.48

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Preface

In the usual course of events, this Report would have been issued well before 1999. It was in 1994 that the then Government agreed to present annually audited estimates of the costs of the Sydney 2000 Games. In the event, the first aggregated estimates were provided in June 1998 (and were modified some months thereafter) and this is the report of the audit of those estimates.

One of the issues which has provided a backdrop to this audit is the unnecessary secrecy which has been associated with the preparations for the Sydney 2000 Games.

A number of documents central to the understanding of the State's obligations - such as the Host City Contract and the Endorsement Contract and its amendments - have not been publicly released. Some of these documents have been exempted from the open information provisions of the *Freedom of Information Act 1989*. In other countries, such documents have routinely been made available to the public.

Other documents which would help the public to understand the Government's use of public moneys have not been provided to the public. Indeed they have been withheld in ways which are arguably inconsistent with that Act.

In responding to the draft of this report, the government agencies most closely associated with the Games criticised the level of detail of revenue and expense estimates included in this report. That detail was said to involve commercially sensitive information because, if published, it would require government agencies to answer a large number of queries from the public. It is true that accountability has costs. It is also true that avoiding accountability has potentially much larger costs.

We have recently seen the President of the Australian Olympic Committee comment publicly on the key provisions in the (hitherto secret) Endorsement Contract between the State and that Committee. This action beneficially allowed the public a better understanding of the State's commitments to the Committee. The President also undertook to consider the public release of that contract and its amendments. Although the substance of those arrangements is already publicly known, my view is that such a release would be of public benefit.

It is laudable to see a private body disclosing information in its possession relevant to government activities. But it does suggest that the Government could itself have decided that the public is entitled to see what it is doing in its dealings for the Games.

Executive Summary

1. Executive Summary

The Games

On 23 September, 1993, the International Olympic Committee (**IOC**) awarded the City of Sydney the right to host the Games of the XXVII Olympiad in the year 2000.

Following Sydney's successful bid the International Paralympic Committee (**IPC**) awarded Sydney the right to host the XI Paralympic Games.

The Olympic Games will be held from 15 September to 1 October 2000. The Paralympic Games will be held from 18 to 29 October 2000.

The Host City Contract was signed on 23 September 1993 between the IOC, the Australian Olympic Committee (**AOC**) and the City of Sydney. The Games also gives rise to financial commitments by the Government of New South Wales in that it:

- is responsible for the delivery of the Games and
- has given a guarantee to underwrite the cost thereof.

In this report a reference to the Games is generally meant to include the Paralympics except where indicated otherwise. A reference to the Government refers to the Government of New South Wales unless otherwise indicated.

The Auditor-General's Report to Parliament 1994

The Auditor General's Report to Parliament on *Sydney Olympics 2000: Review of Estimates* (tabled in the Legislative Assembly on 18 November 1994) recommended, inter alia, the publication of annual estimates until the year 2000 of operating and capital costs and that those estimates be audited on an annual basis. This was accepted by the then Government.

Since the Bid Estimates were presented to the IOC in 1993, no consolidated estimate of costs and revenues has been released by the Government until 1998 when "whole of government" costs were included in the State Budget papers of 1998-99.

This estimate of the costs to host the Games was not subject to independent annual audit as accepted by the former Government.

The estimates of Sydney Organising Committee for the Olympic Games (**SOCOG**) have been reviewed by SOCOG's internal auditors, Arthur Andersen, and officers of The Treasury, as have the estimates of the Olympic Co-Ordination Authority (**OCA**).

These reviews conducted on behalf of management, while identifying some risks, tend to confirm the reasonableness of the approach to the compilation of the estimates rather than the reliability of the estimates.

The Audit

In this audit, The Audit Office has reviewed the processes used in the preparation of the estimates (of costs and revenues) to host the Games. Although the audit did not undertake an assessment of all risks associated with the Games, the report does comment on certain risks to the success of the Games.

The estimates reviewed in this report are those of SOCOG, Sydney Paralympic Organising Committee (**SPOC**), OCA, the Olympic Roads and Traffic Authority (**ORTA**) and service-providing-agencies of the Government.

These estimates, when consolidated, form what is described in this report as the **Games Budget**. The Games Budget as such was included in the State Budget papers of 1998-99 for the first time.

The scope of the audit did not extend to assessing the benefits to be derived from increased economic activity as a direct result of hosting the Games. Studies undertaken do indicate that the economic benefits will be substantial. Similarly, the Games will engender opportunity costs - such as the foregone benefit from further improving public health facilities. These too fall outside of the scope of the audit.

Audit Opinion

The Games Budget

The OCA has made a concerted and commendable effort in preparing the Games Budget within the definition of expenditure for the Games approved by the Government. OCA has also effectively used the definition of cost to control claims made by government agencies against the estimates to host the Games.

However, because the Games Budget was prepared in accordance with that definition, the Games Budget arguably does not capture the overall expenditure associated with the Games, as required by the Olympic Co-Ordination Authority Act. Accordingly, the taxpayers of NSW do not have a complete picture of the costs for hosting the Games.

Costs

The definition of costs used by the Government:

- accepts only those direct costs which have an additional cash effect on the budgets of relevant agencies. Thus, the base salary cost of permanent employees such as police officers involved in the Games is not an approved cost because the cost is not additional to the salaries that would have been paid in the absence of the Games. The base salary cost of police officers on Games duty, for example, excluded from the Games Budget is in the order of \$40m
- excludes some costs which:
 - ⇒ may crystallize after the period of the Games. For example, there is currently the likelihood of redundancy payments to reduce permanent staff numbers of the SRA taken on for the Games. These have not been allowed as costs of the Games because of the difficulty of apportioning games and non-games components
 - ⇒ are yet to be made. For example, any decision to close down the judicial courts during the period of the Games will have costs which are not reflected.

Nor are a number of risks which the Government has accepted - to the extent they exceed the unallocated remnant of the contingency funds - reflected in the Games Budget.

For example, by means of the 1991 Endorsement Contract the Government indemnified the AOC and the Organising Committee for the Olympic Games (SOCOG's predecessor) against any liability that they may incur in connection with the Games.

The contract was amended in 1993, following the signing of the Host City Contract and the enactment of the SOCOG Act, to provide for the following:

- the right of AOC to object to the appointment, and the need for AOC to consent for removal, of directors of SOCOG by or on the recommendation of the Government
- the right of AOC to object to the appointment of senior staff of SOCOG
- the extension of the indemnity to the AOC to include actions of the President of the AOC pursuant to the SOCOG Act.

Revenues In the Games Budget the Government has included as revenues \$602m which the Government's modelling indicates will be the indirect additions to its revenue caused by the Games. Limiting the costs to direct costs but allowing revenues to reflect indirect receipts mingles incompatible concepts. Accordingly, The Audit Office excluded that amount from its recalculation of the Games Budget.

Net Olympic Cost Not all of the adjustments described in the above paragraphs are measurable or have been measured. Based on current estimates, the results are expected to be:

- direct costs of \$5.9b
- direct revenues of \$3.6b
- net cost to the Government of \$2.3b.

In respect of the estimates it should be recognised that:

- while costs are easier to control than revenues, there is still a degree of uncertainty about particular costs (transport and security costs especially) which uncertainty might exceed the remaining unallocated contingency fund. Key agencies involved in their preparation advise that planning for the Games is ongoing and that estimates of costs and revenues are subject to change
- 38.3% of the revenue is yet to be secured from sponsorship, television rights and, above all, ticket sales. Of \$200m to be secured for broadcast rights, \$150m has been negotiated by way of Memoranda of Understanding

In view of these uncertainties it is considered that the estimates are optimistic (in that they constitute a challenge) and the ultimate actual revenue and expenditure will likely depart from these estimates even at this aggregate level.

Dividend to the Government The Audit Office also considers that the proposed payment of a "dividend" by SOCOG to the Government of \$30m out of projected profits is largely symbolic. Whilst the estimates of SOCOG gives the appearance of a surplus of \$30m, if those estimates were to include all costs attributable to SOCOG such as transport and security, it would operate at a loss. In other words, if SOCOG were to fund all appropriate costs, there would be no capacity for a dividend to be paid by SOCOG on current estimates.

Benefits On the other hand, the Government's estimates do not include as

benefits the legacy assets which will remain after the Games. Facilities such as the Athletic and Aquatic Centres will continue to provide benefits to users, as will the Olympic Stadium (which although privately owned for a period of time, was subsidised by a contribution from the Government).

OCA maintains that the completion of new venues and facilities (for the Games) has returned to Sydney major sporting events from other regional cities, for example, the Rugby World Cup in 2003 and the Bledisloe Cup.

Some of these benefits would be reduced by future operating losses. And competing facilities owned or subsidised by the Government will also incur losses because of these legacy assets. These losses have also been excluded from the Government's estimates.

Comparison of the Bid Budget and the Games Budget *

Item/Agency	Consolidated Bid Budget \$m (a)	Bid Budget as Adjusted by The Audit Office \$m (b)	OCA Games Budget \$m (c)	Games Budget as Adjusted by The Audit Office \$m
Revenue				
SOCOG	1,933.4	1,933.4	2,331.5	2,697.0 (d & e)
SPOC	85.0	85.0	111.3	131.8 (d & e)
OCA	631.7	631.7	618.0	618.0
Other	--	--	160.8	160.8
	2,650.1	2,650.1	3,221.6	3,607.6
Costs				
SOCOG	1,907.7	1,907.6	2,301.5	2,667.0 (d & e)
SPOC	110.0	110.0	136.3	156.8 (d & e)
OCA	995.9	1,894.7	2,421.5	2,421.5
Other	--	--	614.8	671.3 (f)
	3,013.6	3,912.3	5,474.1 (g)	5,916.6 (g)
Net Cost to the Government	363.5	1,262.2	2,252.5	2,309.0
Olympic Induced Tax Revenue	--	--	602.0	--
Net Contribution By Government	--	--	1,650.5	2,309.0

* All figures are recorded in 1998 dollars except for SOCOG which is in nominal dollars.

Notes:

- The bid budget is a consolidation of the budgets provided to IOC and IPC in 1993 and adjusted to 1998 dollars.
- The bid budget is adjusted by The Audit Office to include OCA expenditure on capital projects that were excluded in the report by The Audit Office in 1994 but since have been included by Government as a games cost - see section 5.2 *The Consolidated Bid Budget*.
- The column is based on spreadsheets supporting the Net Contribution By Government included in OCA's *State of Play (Financial Report)* of June 1998 - see *Table 5.2* and supporting commentary.
- The OCA Games Budget of June 1998 is adjusted by The Audit Office to reflect 1998 SOCOG and SPOC budgets.
- In addition, the SOCOG budget revenue and expenditure has been increased by \$100m to take account of a payment to the AOC in the year 2000 that has been deducted from broadcast revenues (section 1.6 *SOCOG Act* refers).
- An adjustment of \$56.5m is made to the 'Other Costs' column to reflect the currently known costs of certain supporting government agency expenditure not included within the Games Budget - see *Table 5.9* and supporting notes.
- This amount assumes the full use of contingencies totalling \$199.6m (SOCOG \$121.1m; OCA \$68.5m; SPOC \$10m).

Audit Findings

The audit opinion is based on the following audit findings.

The audit found that the current processes have been based on:

- reasonable assumptions that have regard to strategic plans for the delivery of the Games, with the exception of security for which a plan has yet to be approved by the Government
- assessment of relevant costs and valuations except that the definition of direct costs approved by the Government and applied by OCA means that not all costs are included within the Games Budget
- compliance with the obligations of the Host City Contract in the case of SOCOG and the Host Contract in the case of SPOC
- assessments of risk except that certain risks have not been quantified
- compilation and review of estimates by suitably qualified people.

While The Audit Office considers that the process has been sound, concerns are held in regard to the definition of costs in preparing the Games Budget.

The Definition of Olympic Costs

In May 1997 the Government defined costs of the Games as directly related to, or incurred in meeting, the obligations of the Host City Contract.

The definition does provide a control over costs and any attempt by agencies to expand their resource base or scope of operations under the guise of activity of the Games.

In addition, the Government exercises a further control in that it has the final decision in regard to the levels of authorised expenditure to be incurred by agencies in support of the Games. That decision would necessarily have regard to the Government's broader budgetary strategy and judgements about the appropriate level of risk to be taken (in various areas such as security, policing, emergency services etc.) relative to costs.

The restrictive definition does not, however, allow for a true measurement of cost relating to the staging of the Games to be captured within the Games Budget. In other words, the total costs to host the Games are not recorded within the Games Budget.

Direct Costs

For example where direct costs involve salary costs, the term is sometimes limited to marginal costs such as overtime, penalty rates and the employment of temporary staff. Examples of direct costs not included within the Games Budget are:

- any costs of public servants or public service organisations which would have been incurred in the absence of the Games. Thus, the base salary paid to a police officer, for example, on duty during the Games is not regarded as a cost of the Games but overtime and penalty rates are so regarded
- costs which would normally be included within the estimates for construction of facilities, such as some land costs.

OCA requested government agencies to provide both full and marginal costs to be incurred in support of the Games. Estimates of full costs were received from certain agencies only and totalled \$44.8m. But, in accordance with the definition of costs, these costs were excluded from the Games Budget

Indirect Costs

In addition to the direct costs, there are a variety of indirect costs which have not been included within the Games Budget. These are costs, which although not specifically incurred for the Games, have been incurred prior to the Games and provide a benefit thereto. Examples are:

- costs which are indirectly related to the Games and provide a long term benefit or legacy to the community. For example capital works such as the rail link (the new Southern Railway from Kingsford Smith Airport to the city) which are now required “by not for the Games” and are part of long term infrastructure planning
- any cost associated with the acceleration of capital expenditure on equipment and infrastructure which is useful or important for the Games, for example, the Eastern Distributor and the Homebush Bay and Centenary Drive flyovers
- the provision of transport for the Royal Easter Show even though its use as a test event for the Games increases the cost to the transport agencies
- the impact of new sporting facilities on existing facilities in terms of future usage and revenue foregone.

Discretionary Costs Agencies may also consider that there is a need for them to incur expenditure in the provision of facilities or services in support of the Games beyond those which have been recognised by OCA as related to the Games. OCA considers these expenditures are discretionary and, in most instances, relate to long-held desires.

Expenditure which has not been approved (as related to the Games) but which may be undertaken by agencies (as discretionary expenditure) include for example, responses to:

- the intensive use of park lands adjoining Sydney Harbour
- support for volunteers by government agencies
- extra demands on emergency services caused by the significant number of visitors to Sydney.

Urban Domain An allocation of \$20m has been included in the Games Budget to meet the anticipated demand for services outside venues and precincts. Its allocation is not yet finalised.

Services which may be called upon are those of the police, ambulance, fire brigades and local government. Also to be funded from the Urban Domain budget is refuse collection, traffic diversion and possible compensation to shop keepers for disruption caused by the Games. Depending on the demand for services there is a concern as to whether the existing levels of funding will be sufficient to meet all anticipated demands.

Risks In addition to direct and indirect costs referred to above, the hosting of the Games poses many risks. Some of these risks have been identified and addressed while others are under consideration. A number of these risks have not been disclosed within the Games Budget, such as:

- costs in regard to the Government's guarantee to underwrite the costs of staging the Games. The risk that the Games will incur a loss has not been assessed and the potential cost of the guarantee has not been quantified
- revenues and expenditures of SOCOG will not be achieved in line with budget and it will be necessary for the Government to meet the shortfall in terms of its guarantee to underwrite the Games
- the capacity, efficiency and trouble free operation of rail and bus services presents a major challenge to transport planners

- the Games may not be free of security problems
- the Government's 1991 written guarantee to indemnify AOC (and subsequently in 1993 its President) and the Organising Committee for the Games (SOCOG's predecessor) against any liability that they may incur in connection with the Games.

Revenue

In preparing the Games Budget, OCA included \$602m (estimated by The Treasury) in its revenue estimates being the estimate of indirect net benefits to the State from games related taxation revenues.

The Audit Office has not accepted the Government's inclusion of indirect revenues, because the Government excluded many indirect costs. Consistent with that approach, The Audit Office excluded that revenue estimate from the table it prepared for this audit.

There are also risks, especially to revenues, arising from matters that are outside the control of the Government and its agencies. Some of these risks have been insured against but many have not.

The withdrawal of the US team, for example, would have significant adverse revenue implications. Although most, if not all, risks are unlikely to eventuate in a way to affect materially the estimates, there is a residual risk of material changes to the estimates.

SOCOG Revenue

Of SOCOG's estimated revenue of \$2.5b, 38.3% remains to be secured as indicated below. While no revenue has yet been derived from ticket sales (tickets are to go on sale in mid 1999) the ticketing revenue program has achieved \$73.1m to date from the sale of Stadium Gold (an arrangement which provide rights to seats in the Olympic Stadium).

SOCOG Revenue	\$m	Estimated Revenue yet to be Secured \$m	% of Total yet to be Secured
Sponsorship	873.7	236.0	27.0
Ticket Revenue	600.9	527.8	87.8
Television Rights	1,032.2	196.0	19.0
Total Revenue	2,506.8	959.8	38.3

In part because costs are easier to control than revenues, estimated costs are likely to be more accurately forecast. This appears to apply to the estimates for the Games.

The Bid Estimates included a dividend from SOCOG to the Government out of a possible financial surplus from the Games. The surplus is currently budgeted to be \$30m.

Since the Bid Estimates were submitted to the IOC in 1993, SOCOG's budget has increased, in approximate terms, by \$760m to \$2.7b. During that time many of the underlying budget assumptions have been extensively modified.

To meet the commitment to the Government for the payment of dividend out of possible profit for hosting and organising the Games, the budget of SOCOG needs to remain approximately in balance. This has been achieved to date by budget revisions that have substantially increased revenue in order to compensate for planned, increased, expenditure.

In view of the comments above relating to the significant financial support to be given by the Government in the delivery of the Games, the proposed 'dividend' is largely symbolic. In other words, if this cost shifting did not occur and SOCOG were to fund all appropriate costs, SOCOG's estimates would indicate a loss and there would be no capacity for a SOCOG dividend.

Increased Estimates The main reasons for the increase in costs have been:

- the bid was primarily concerned with a successful bid outcome rather than with a detailed planning for the delivery of the Games. In this sense the assumptions within the Bid Estimates, when measured against current understanding and knowledge, were superficial
- an improved understanding of the task. Agencies concerned with planning for the Games have now a greater appreciation of the complexity and extent of the task
- estimates have witnessed several changes to assumptions. The substantial increase in the transport estimate, from that included within the Bid Estimates for example, has come about as a result of changed circumstances and assumptions which have expanded the role and costs to Government
- attention was not given to "whole of government" costs, particularly those of supporting government agencies, until 1997
- the number of sports to be contested and venues has

increased

- the requirements and configuration of venues has changed
- experience of the Atlanta Games has resulted in the establishment of new organisations such as the Olympic Roads and Traffic Authority to co-ordinate and plan the delivery of transport
- the recognition of the proper financial accounting treatment required with respect to VIK revenues and expenditures.

At this stage, and noting the reservations expressed earlier, the current estimates of aggregate costs and revenues represent a reasonable forecast of the actual totals and the audit has not seen evidence to suggest that the estimates of costs and revenues of the Games are unreliable estimates. But, for reasons also outlined above, the actual costs and revenues of the Games are unlikely to equal the Government's estimates at the detailed level.

The most sensitive figure is the estimated net cost. Because the net cost is a residual of two larger estimates, gross costs and revenues, unexpected movements in those will have an amplified effect on the net or residual figure.

Other Issues

Memoranda of Understanding

In certain cases the planning of activities, the determination of responsibilities and the assessment of costs are yet to finalised. In no cases have Memoranda of Understanding and Service Level Agreements been signed between SOCOG and other government bodies but the memorandum for transport is expected to be signed shortly.

Core Services

While special arrangements have been made to manage the effects of the Games on the delivery of normal services, the Games can reasonably be expected to cause some disruption to the delivery of a range of services provided by the Government. (As mentioned above, for example, consideration is being given to the closure of many of the judicial courts during the period of the Games.)

Transport Subsidies	<p>A person wishing to travel to Sydney from Scone or Bathurst will find it cheaper to buy a ticket to a games event which includes transport-and not attend the Games-than to buy only a rail ticket. It is acknowledged that any loss of revenue from this source would likely not be material.</p>
Security	<p>The current estimate of costs for security is \$177.4m. Of this sum SOCOG and SPOC are to contribute \$38m, the remainder is to be met by the Government. The estimate is susceptible to substantial change because a strategic plan for security has yet to be approved by the Government and costed and site risk assessments have yet to be completed.</p>
Cash Flow	<p>Approximately 62% of SOCOG's cash receipts and expenditures are to be paid or received in the fiscal years 1999-00 and 2000-01, with most business concluded by December 2000. Of total broadcast rights revenue of \$1b, \$492m or 49% will be received between September and October 2000.</p> <p>The timing of receipts has presented a cash flow difficulty for SOCOG. SOCOG has sought to address this issue by arranging an overdraft facility of \$150m with a major bank.</p>
Sponsorship	<p>As at 30 June 1998 approximately 27% (\$245m) of sponsorship remained to be secured (that is signed up or finalised).</p> <p>This level of sponsorship outstanding presents a budgetary risk for SOCOG. In recognition of this, \$30m has been allocated in the contingency reserve for non-achievement of the target. The funding of any gap beyond this amount would require offsetting expenditure savings.</p>
Ticketing	<p>Revenue from the sale of tickets is expected to reach \$600.9m or 23% of total revenue of SOCOG. A major risk for SOCOG is that the ticketing model assumptions are not realised and sales will be below those forecast.</p>
Contingencies	<p>Unallocated contingencies in SOCOG's budget is \$121.1m. The contingency against remaining revenue to be earned and expenditure to be committed is 6.8% and 7.5% respectively.</p>

Recommendations

It is recommended that the Government:

- report to the Parliament annually- in mid 1999 and 2000- on the estimates of revenue and expenditure within the Games Budget
- report to the Parliament within two years of the completion of the Games on actual costs and revenues of the Games
- consider whether it wishes the above reports to be audited by the Auditor-General
- prepare a comprehensive Games Budget which includes all direct costs on a full cost rather than marginal cost basis and direct revenue in connection with hosting the Games.

Acknowledgment

The Audit Office wishes to acknowledge the assistance provided during the audit by those organisations listed within Appendix 11.8.

Particular mention is made of the assistance provided by representatives of the Olympic Co-Ordination Authority, the Sydney Organising Committee for the Olympic Games, the Olympic Roads and Traffic Authority and The Treasury.

Response from the Olympic Co-Ordination Authority

I refer to the above Audit Report provided to this Authority for comment on 16 December, 1998. The following comments in respect of the Audit Findings and Recommendations contained in the Executive Summary are relevant. While this Authority as previously advised, does not seek any changes to the report's Executive Summary, nonetheless this should not be construed as agreeing with findings contained in the report. It is requested, however, that the comments of this Authority be included in the final published report as follows:

AUDIT FINDINGS

"The audit found that the current processes have been based on:

- *Reasonable assumptions that have regard to strategic plans for the delivery of the Games, with the exception of security for which a plan has yet to be approved by the Government."*

Authority Comment: It should be noted that security cost estimates are based on detailed operational plans and risk based cost estimates.

- *"assessment of relevant costs and valuations except that the definition of direct costs approved by the Government and applied by OCA means that not all costs are included within the Games Budget."*

Authority Comment: Strongly disagree. OCA does not agree that fixed costs already being incurred by the State, such as the salary component of full time Police allocated to the Games can be construed as an extra cost to the State of the Year 2000 Games. OCA's methodology has recognised and captured any additional staffing costs in the form of salary of extra or new positions necessitated by Olympic activity, accommodation, overtime or provisions for staff engaged on Year 2000 Games activity. It is also inappropriate to include in the Olympic Budget the cost of long term infrastructure initiatives, such as the city airport rail link, which would have been undertaken irrespective of Sydney's successful Bid for the Year 2000 Games. Nor does OCA consider the costs incurred by Local Government in discretionary beautification programs to be an Olympic Budget issue. Discretionary programs initiated by Local Government may just as easily be allocated as costs of the new millennium or centenary of Federation celebrations.

OCA does consider exclusions by Audit of estimated increased cash flows to the State Budget as a result of increased economic activity attributable to the 2000 Games to be a distortion of the financial impact of the Games on the State. Audit's exclusion of these estimated cash inflows (\$602m) represents 92% of the discrepancy between Audit's estimation of the net cost to Government (\$2,309.0m) and that of OCA's (\$1,650.5m).

- *"compliance with the obligations of the Host City Contract in the case of SOCOG and the Host Contract in the case of SPOC"*

Authority Comment: Agreed.

- *"assessments of risk except that certain risks have not been quantified."*

Authority Comment: Agreed, however, it should be noted that it is not feasible to quantify and include all risks associated with the Games. Some risks are extremely remote. OCA will, when financial risks appear likely to be realised, update estimated costs on an ongoing basis.

- *"compilation and review of estimates by suitably qualified people."*

Authority Comment: Agreed.

AUDIT RECOMMENDATIONS

"It is recommended that the Government:

- *report to the Parliament annually - in mid 1999 and 2000 - on the estimates of revenue and expenditure within the Games Budget".*

Authority Comment: OCA, just as it has done from 1996 to 1998 at the time of preparation of the State Budget, will continue to update and report on the known financial estimates of Olympic costs and the net financial impact of the NSW Government's contribution to the staging of the 2000 Olympic and Paralympic Games;

- *"report to the Parliament within two years of the completion of the Games on actual costs and revenues of the Games".*

Authority Comment: OCA will act in accordance with its

statutory function to report to the Government on the overall expenditure associated with the Olympic Games, on an annual basis beyond the Year 2000 as expenditure and revenue impacts are released or recognised;

- *"consider whether it wishes the above reports to be audited by the Auditor-General"*

Authority Comment: OCA will make such estimates available for Audit; and

- *"prepare a comprehensive Olympic Budget which includes all direct costs on a full cost rather than marginal cost basis and direct revenue in connection with hosting the Olympics".*

Authority Comment: The focus of OCA's financial estimates and financial reporting will continue to reflect the net estimated cash inflows and outflows impacting on the State's budget. OCA's primary objective at this point in time is to focus on and recognise, report and manage the impacts of the Year 2000 Games on the State's financial position and in collaboration with Treasury control the associated risks.

BID ESTIMATES

OCA notes that although the Audit has identified substantial increases in certain items relative to amounts included in the original Bid estimates, Audit's findings acknowledge the limitations and simplicity of the Bid estimates when compared with the more detailed and strategic and operational planning undertaken over the last two years.

Signed

David Richmond

Director-General

Date 8 January 1999

1. Introduction

1.1 Introduction

This section of the report:

- outlines various contracts and related documents relevant to hosting the Games
- indicates the financial obligations that are imposed on the Government by the contracts
- comments on the influence of other parties to the contracts.

1.2 Endorsement Contract

The endorsement of a National Olympic Committee (NOC) is required by the Olympic Charter in support of a city's bid for the Games.

The contract for the endorsement ("the Endorsement Contract") of the Australian Olympic Committee for Sydney's candidature for the Games was signed by the President of the AOC, the Mayor of Sydney and the Premier of New South Wales on 1 May 1991.

The Endorsement Contract contains conditions that the City and the State accepted in order to gain AOC's endorsement and involvement in the candidature for the Games. The AOC is to do all acts and things reasonably necessary and appropriate to assist the bid and the organisation of the Games.

Conditions included in the Endorsement Contract are:

- the commencement of construction by the State of the Sydney International Aquatic and Athletics Centres at Homebush during the candidature period
- payment of \$60m (1992 dollars) to the AOC for their involvement in the staging of the Games
- construction or upgrading of venues and facilities referred to in the candidature (the olympic village, media centre, etc)
- the liability of the State and the City for actions, statements representations and or omissions by the organising committee
- the underwriting by the Government of any shortfall between revenue and expenditure for the hosting of the Games
- the State and the City jointly and severally indemnifying the AOC and organising committee from and against liabilities, including financial liabilities, suits, claims, etc.

Advice provided to The Audit Office is that the Endorsement Contract has been amended three times. The amendment of 23 December 1993, following the signing of the Host City Contract and the enactment of *Sydney Organising Committee for the Olympic Games Act 1993*, was most significant.

Amendments to the endorsement contract include:

- the right of AOC to object to the appointment or removal of directors by or on the recommendation of the Government
- the right of AOC to object to the appointment of senior staff of SOCOG
- the basis of AOC's objection to be on grounds of disrespect for the Olympic Charter, the IOC or AOC
- the extension of the indemnity to include actions of the President AOC pursuant to the SOCOG Act.

Other amendments have been made to the *Sydney Organising Committee for the Olympic Games Act 1993* in regard to the arrangements governing the AOC and the Government.

1.3 The Olympic Charter

In general terms the Olympic Charter governs the organisation and running of the Games.

As part of its Candidature to host the Games, the City of Sydney and the AOC had to provide an undertaking to host the Games 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 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 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 Games.

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.

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

1.4 The Candidature File

The Bid Estimates were developed by the former Sydney Olympics 2000 Bid Limited (SOBL) and submitted to the IOC as part of Sydney's Candidature File on 1 February 1993. (This company was not seen as being controlled by the Government and its financial statements were not audited by the Auditor-General.)

The Candidature File, an integral part of the bid documents, contained details of Sydney's plans and budget for the Games. Also included within the file was a letter from the Premier of New South Wales to the President of the IOC which commits the Government to make:

... every effort to facilitate the fulfilment of those commitments [in the Candidature File and Host City Contract] and to ensure that Sydney hosts a memorable and totally successful Games, the cost of which the State of New South Wales has formally agreed to underwrite.

The Bid Estimates and Candidature File are integral to the Host City Contract which was signed on 23 September 1993.

1.5 The Host City Contract

The contract sets out the terms and conditions for the delivery of the Games by the Host City (Sydney). It is the Host City Contract, in conjunction with the Candidature File, which give rise to the financial implications for the Government of hosting the Games.

The contract was signed on 23 September 1993. Signatories to the contract were the IOC, AOC and the City of Sydney. (Since that time SOCOG has become a signatory.)

The Host City Contract defines the rights and obligations of the IOC, the City of Sydney, the AOC and the Organising Committee for the Olympic Games (OCOG), now SOCOG. Amongst other things the contract outlines the obligations regarding sponsorship, marketing, television and broadcasting rights.

In the body of the Host City Contract reference is made to two other significant documents, the Olympic Charter, and the Candidature File.

In effect the State has assumed the rights and obligations of the Host City Contract.

1.6 SOCOG Act

SOCOG was established in 1994 under the Sydney Organising Committee for the Olympic Games Act 1993.

Section 11 of the SOCOG Act includes the Olympic Charter, the Host City Contract and the Endorsement Contract as matters to be taken into account by SOCOG.

In September 1996, amendments were effected to the SOCOG Act whereby the Minister for the Olympics was appointed as President of SOCOG and the Shadow Minister for the Olympics appointed to the SOCOG Board.

Under the SOCOG Act of 1993 and prior to amendment, any surplus arising from the Games was to be distributed between the IOC, 10 per cent, and the Australian Olympic Committee (AOC), 90 per cent. In addition, the Board of SOCOG could neither approve nor amend the SOCOG budget without the approval of the President of the AOC.

During 1996 amendments to the legislation were negotiated and proclaimed in December of that year. The amendments removed:

- the veto power of the AOC over the budget of SOCOG
- the AOC entitlement of 90 per cent to any operating surplus generated by SOCOG.

In return, guaranteed payments of \$5m and \$70m (1992 dollars or \$100m in nominal dollars) will be made respectively to the AOC and the Australian Olympic Foundation (AOF) in October 2000 from broadcast revenues to be paid to SOCOG. The amount of \$100m has not been recorded separately in the estimates of SOCOG (because it has been netted from broadcast revenues as referred to above) but is included in the adjusted Games Budget prepared by The Audit Office.

In 1997 a further amendment provided that the IOC was to relinquish its entitlement of 10% of the SOCOG surplus in return for \$11.1m to be paid in October 2000. The amount is included in the estimates of SOCOG.

As a consequence the Government will be entitled to 100% of any surplus achieved by SOCOG. According to the 1998 estimates of SOCOG this surplus is projected to be \$30m.

1.7 Australian Olympic Committee

As evidenced in the Olympic Charter, the Host City Contract and the Endorsement Contract the AOC has significant influence over the holding of the Games and the parties to the organisation of the Games.

Known payments to the AOC included in SOCOG's budget (either separately or netted against revenue) are:

- \$100m (nominal dollars or \$60m in 1992 dollars) relating to amendments in 1996 to the SOCOG Act
- \$75m (nominal dollars) in relation to a joint marketing agreement with SOCOG in which AOC forgoes local sponsorship rights
- \$12m (nominal dollars) in relation to a marketing joint venture with SOCOG and rights to the Olympic Club.

The AOC has a significant role in the functioning of the Sports Commission which is an integral part of SOCOG's delivery of the Games.

**The Sports
Commission**

The Sports Commission is one of three commissions created by the SOCOG Board pursuant to sections 33 (Delegation) and Part 5 (Commissions and sub-committees) of the SOCOG Act. The other Commissions are the Sydney Olympic Broadcasting Organisation (SOBO) and the Cultural Commission. The Commissions pursue functions outlined in the Host City Contract and the SOCOG Act.

The Sports Commission was created by the SOCOG Board in June 1996. The establishment of the Commission was ratified in December 1996 by way of a variation deed to the Host City Contract which was executed by the IOC, the AOC, the Council of the City of Sydney, the Minister for the Olympics and SOCOG.

Decisions of the Sports Commission are provided to Board meetings for information purposes not ratification. The Commission has the ability to establish and implement sports policy consistent with the commitments of SOCOG.

Sports Commission decisions are administered through SOCOG's Sport Division whose budget allocations are approved by the SOCOG Board. The Sports Division total budget is currently \$166m and includes responsibilities relating to sports competition, IOC relations, and athlete travel.

The establishment and functions of the Sports Commission and the other Commissions are reflected in the general organisational plan updates submitted to the IOC for approval.

In accordance with the SOCOG Board decision, the Sports Commission's functions cannot be altered, nor the Commission be abolished, unless the decision is supported by both the Presidents of SOCOG and AOC.

1.8 The Paralympic Games

The Paralympic Games are controlled by separate governing and hosting bodies to those for the Olympic Games. Since the Seoul Games of 1988, the Paralympic Games have been held within the same general time period and in the same Host City as the Olympic Games.

The International Paralympic Committee awarded Sydney the right to host the Paralympic Games soon after the successful for the Games. The Paralympic Games will be staged between 18 to 29 October 2000 approximately 20 days after the Olympic Games. The opening ceremony of the Paralympic Games is seventeen days after the closing of the Olympic Games.

The Sydney Paralympic Organising Committee Limited (SPOC) was established in January 1995 as a company limited by guarantee. Its revenues and costs are separate to those of SOCOG.

The New South Wales and Commonwealth Governments have agreed to provide a contribution of US\$17m each (AU\$25m each in nominal dollars) to meet the costs of hosting the Paralympic Games. These contributions are in addition to the US\$10.5m (AU\$18m in nominal dollars) contribution from SOCOG to the Paralympics included within the Bid Estimates.

SPOC has entered a Host City Contract with the IPC, which outlines many of SPOC's obligations in hosting the Paralympic Games. These obligations are outlined in the IPC Paralympic Games Handbook, to which SPOC is bound.

2. About the Audit

2.1 Audit Objectives

The objectives of the audit are to:

- assess the effectiveness of the processes relating to the preparation of the Games Budget for the Sydney 2000 Olympic and Paralympic Games, specifically those relating to the costs and risks to the State of NSW; and
- form an opinion on the reasonableness of the processes and the resulting Games Budget released on 2 June 1998.

2.2 Scope

The scope of the audit extended to :

- the financial estimates of OCA, SOCOG, SPOC, ORTA and the Government's service-providing agencies
- the process of compiling the estimates (coordinated by OCA) resulting in the Games Budget
- reliance on any internal or external reviews of the estimates by internal auditors/private accounting firms, or other experts.

2.3 Audit Criteria

The criteria include whether the Games Budget (and its components) is :

- based on reasonable assumptions that have been consistently applied
- complete to the extent that all significant Games funding and obligations are included
- recorded at an appropriate value in the right period
- consistent with the requirements of legislation, strategic plans and agreements such as the Host City Contract
- inclusive of allocations for contingencies or material risks
- subject to appropriate review and adequate disclosure.

2.4 Approach

The audit approach involved accessing:

- estimates and related working papers, and supporting strategic reports
- compilers and reviewers of estimates within agencies and committees
- reports of advisers such as Ernst & Young, The Treasury and the Premier's Department
- reviewers of estimates such as Arthur Andersen (as internal auditors to SOCOG), Ernst & Young, The Treasury
- Audit Office financial statement auditors of OCA, SOCOG, SPOC, ORTA and supporting agencies.

2.5 Reliance

Wherever possible reliance was placed on reviews undertaken by organisations such as Arthur Andersen, Ernst & Young and The Treasury. Comment on the work of Arthur Andersen and The Treasury is included later in this report.

2.6 Review of Supporting Agencies' Budgets

Other agencies of the Government (other than key agencies for example OCA and SOCOG) are required to assist and support in the delivery of the Games.

The Games Budget includes estimated costs of \$454.2m over 1997/98 to 2000/01 by these agencies in providing that support.

A review was undertaken at the agency level of the process and practice of the compilation of estimates of revenue and expenditure of agencies in support of the Games. Agencies reviewed were selected on the basis of materiality and risk.

2.7 Limitations to the Scope of the Audit

The primary focus of the audit is identified within the audit criteria.

The audit did not examine the adequacy of the arrangements covering such matters as transport, security or planning generally for the Games. The report does identify certain risks relevant to planning.

2.8 Cost of the Audit

Item	\$
Direct Salary Costs and Overheads	325,900
Value of Unpaid Overtime	64,000
Printing (estimate)	9,000
Other costs	3,150
Total	\$402,050

3. Defining Costs

3.1 Introduction

The success of the Games depends upon a broad range of activities being undertaken by a variety of public and private organisations. The cost of many of these activities will be borne by the Government which is underwriting the hosting of the Games.

In order that the financial exposure of the State be controlled the Government has:

- charged OCA to co-ordinate, monitor and report on the overall expenditure associated with the Games.
- approved a relatively tight definition of costs
- provided that expenditure by budget agencies requires Cabinet approval to be recognised as a cost of the Games.

This section of the report provides an overview of:

- the definition of costs to host the Games as approved by the Government and
- the application of that definition in terms of the treatment of costs (as either games or non-games) in the compilation of the Games Budget.

3.2 The Cabinet Definition

The definition of costs of the Games was proposed to provide direction and consistency for the compilation of the Games Budget. The principal application of the definition has been to the assessment of agency costs in support of the Games.

The definition provides a control over costs and any attempt by agencies to expand their resource base or scope of operations under the guise of activity for the Games.

Obligations of the Host City Contract

For these purposes, the Government in May 1997 defined costs to host the Games as expenditures directly related to or incurred in meeting the obligations/conditions of the Host City Contract.

Costs of non-games agencies indirectly related to the Games, although providing some benefit to the event but which also provide a long term benefit or legacy to the community are expressly excluded.

Operating and Capital Costs

There are two main types of expenditure included in the Games Budget by OCA:

- *operating program costs* to host the Olympic and Paralympic Games and
- *capital costs* relating to infrastructure and venues required for the Games.

The approved definition provides for the Games Budget to include:

- the revenues and expenditures of SOCOG and SPOC. The costs of organising and hosting their respective events and Families are to be funded through sponsorship (including value-in kind) and the sale of television rights, tickets and merchandise
- the revenue and expenditure of OCA and other government agencies which specifically relates to the following Host City Contract commitments:
 - ◇ transportation
 - ◇ medical services
 - ◇ cultural programs
 - ◇ modification to existing venues
 - ◇ construction of new venues
 - ◇ security
 - ◇ accommodation
 - ◇ environmental commitments
 - ◇ infrastructure development
 - ◇ pre-Games services and facilities for athletes.

Marginal Costs and Revenues

For the purposes of obtaining costs of the Games from supporting government agencies, OCA added further conditions to implement the Cabinet decision.

Only the marginal expenditures and revenues associated with providing the additional resources including overtime, the full cost of temporary increases to staff establishments for backfilling, hire or lease of specific new equipment etc. required to deliver these specific related services will meet the definitional requirements to be eligible for inclusion in the Games Budget.

According to OCA:

...it must be appreciated that there is a dual objective in the concept of defining an olympic cost:

i) the definition provides a mechanism to restrict ambit claims of institutions and ensures that agencies consider their overall priorities and especially their statutory responsibilities prior to funding non-essential olympic related activity

ii) it provides a base for government to quantify additional funding required to meet its olympic commitments. This can be utilised as a parameter to easily identify olympic related expenditure and report it to the public.

Government Approval

In addition to the above criteria, the definition provides that an item for a budget agency will only be formally classified as a cost of the Games once it has been reviewed by OCA and The Treasury and approved by the Olympic Committee of Cabinet.

3.3 The Implications of the Definition

SOCOG and SPOC

The activities and associated costs and revenues of SOCOG and SPOC are direct costs of the Games. SOCOG is expected to pay a net dividend of \$30m to the Government which in turn will pay SPOC \$25m in support of the Paralympics.

OCA

Although the Cabinet definition expressly excludes costs indirectly related to the Games which create some long-term benefit or legacy by supporting government agencies, all OCA activities and costs are considered directly related to the Games. The activities of OCA represents a net cost to the Government of \$1.8b.

Other Agencies

Under the definition, the net marginal costs of activities undertaken by other agencies to meet the obligations of the Host City Contract, as accepted by Cabinet, are regarded as costs of the Games. To date expenditure of \$454.2m by other agencies has been approved in the Games Budget. (sections 5.8 *Other Government Agencies*, 6 *Transport*, 7 *Security* and 8 *Other Agency Costs* refer).

The treatment of costs (of activities) as direct costs of the Games is determined by the relationship and or proximity of the activity to events or venues or to the Olympic and Paralympic Family.

In planning for the Games and deciding the basis of cost sharing, SOCOG and OCA have characterised the environment of the Games as consisting of three areas: venues; the Common Domain; and the Urban Domain.

SOCOG is the lead agency responsible for the operational planning in regard to venues and the Common Domain, the latter being areas such as Olympic Boulevard and Olympic Plaza that are between venues and marked by a secure perimeter.

Urban Domain

OCA is the lead agency responsible for:

- co-ordinating the construction of venues and infrastructure within the Common Domain and
- planning for the Urban Domain and the Sydney-wide impact of the Games.

The boundaries of the Urban Domain are however, not precise. It comprises four precincts: Sydney Central - Darling Harbour; Sydney East; Sydney Olympic Park and Sydney West. It has been described generally as the area where crowds are expected to congregate. It also encompasses the transport system which spectators will use to travel to events.

The approved agency expenditure relates to services provided to venues and the Common Domain and limited activities within the Urban Domain, most notably the transportation of spectators. At this stage the costs associated with the provision of other services to the Urban Domain has not been approved as expenditure of the Games, although OCA advises that it may defray some agency costs from the \$20m provision for temporary facilities within the city precinct.

Collection of Costs

Notwithstanding these definitional issues, when OCA began the coordination of the Games Budget in 1997 it requested agencies to provide costs, for the years 1996/97 to 2000/01, dissected into:

- *total economic resources*: that is the full financial costs of all resources applied to fulfil proposed Memoranda of Understanding between agencies and those agencies involved in the preparation for the Games (for example, the salary plus oncost of staff who are required to deliver programs comprising the Games)
- *marginal costs*.

However, in the review currently being undertaken for the 1999/2000 budget process OCA is only seeking information on agencies' marginal costs of the Games.

3.4 Exclusions

The Games Budget does not include:

- expenditure which agencies may incur except for the additional cash outlay (marginal cost) associated with activities required to meet the direct obligations of the Host City Contract
- the full cost of resources applied to the Games.

The Effect of the Definition

Activities which have not been approved as related to the Games under the definition include:

- infrastructure projects initiated to meet the long term need of the State are not (except for those undertaken by OCA) a cost of the Games merely because they will be completed prior to the Games (refer section 6 *Transport*)
- any cost associated with the acceleration (bringing forward) of non-games capital works to ensure their completion by 2000
- duties associated with the Games undertaken by permanent public servants such as police officers, train drivers and strategic planners, for which a normal salary or wage is received. Salary costs are only included in the Games Budget to the extent that they represent an additional cash outlay
- the augmentation of normal services where those services are not required under the Host City Contract. For example the deployment of additional emergency services in a crowded and festive city or the support of journalists not accredited to SOCOG (refer sections 7 *Security* and 8 *Other Agency Costs*). Such activities are considered to be discretionary, and as such will need to be funded, if proceeded with, by the agency itself unless provision is made from the Urban Domain funds.

The difference between the marginal cost and the full cost of providing non-discretionary services for the Games was provided to OCA by a limited number of agencies as identified in the table following.

In accordance with the Government's definition of costs of the

Games these costs are not included within the Games Budget.

Table 3.1 Costs of Agencies Not Included in Games Budget

Agency	Full Cost Not Included in Games Budget \$m
NSW Police Service	40.3
RTA	2.3
NSW Fire Brigades	0.2
Waterways Authority	1.4
NP&WS	0.4
FMA	0.2
Total	44.8

Conclusion

The Government approves activities and related expenditures associated with the hosting of the Games. In doing so, it is for the Government to determine the balance between funding and an acceptable level of risk.

The definition of expenditure and its application by OCA means that the Government announced costs to host the Games do not include all costs of agencies providing support to the delivery of the Games.

4. The Budget Process

4.1 Introduction

This section of the report:

- outlines the accountabilities for financial performance in the delivery of the Games
- reviews the processes of several government agencies in the development of the estimates of revenues and expenditure to host the Games
- identifies responsibilities and controls over those processes
- discusses the approved definition of costs of the Games applied in the preparation of budgets.

The processes for the preparation of the estimates have been comprehensive and have been undertaken in an environment which has changed substantially since the City of Sydney was awarded the right to host the Games.

Basis of the Games Budgets

The financial arrangements for the Games have their basis in the:

- Endorsement Contract
- Candidature Files
- Host City Contracts
- SOCOG and OCA Acts
- SPOC Memorandum and Articles of Association
- the strategic plans of supporting government agencies.

The significant implications for the Games budgets are that:

- the Bid Books in the Candidature Files contained both organising committees' Games budgets and capital budgets
- the Government assumed responsibility for underwriting the organising committees' hosting of the Games and the construction of venues and facilities
- OCA became responsible for the co-ordinating, monitoring and reporting on overall expenditure of the Games.

The Budgets

The budgets referred to in this section of the report are those which, when consolidated, form the Games Budget.

The first “whole of government” Games Budget was included in the 1998-99 State Budget Papers and comprised :

- SOCOG budget (100% Games)
- SPOC budget (100% Paralympic)
- OCA budget (100% Games¹)
- ORTA budget (approximately 60% Games²)
- specific funding for government agencies supporting the Games (Police Service, SRA, Department of Health, etc).

The State Budget Papers of 1998-99 using The Treasury figures identified a net cost to the Government to host the Games of \$1.3b. The Budget Papers included limited discussion of the initial Games Budget.

OCA’s *State of Play (Financial Report)* of June 1998 included commentary on the Government’s contribution to host the Games.

The document contains little discussion of the budgets of SOCOG and SPOC and discloses less than the Budget Papers on items eliminated in the consolidation of the Games Budget. In addition, the component budgets are not prepared at a coinciding balance date. The level of disclosure in OCA reporting of overall expenditure could be increased in future years.

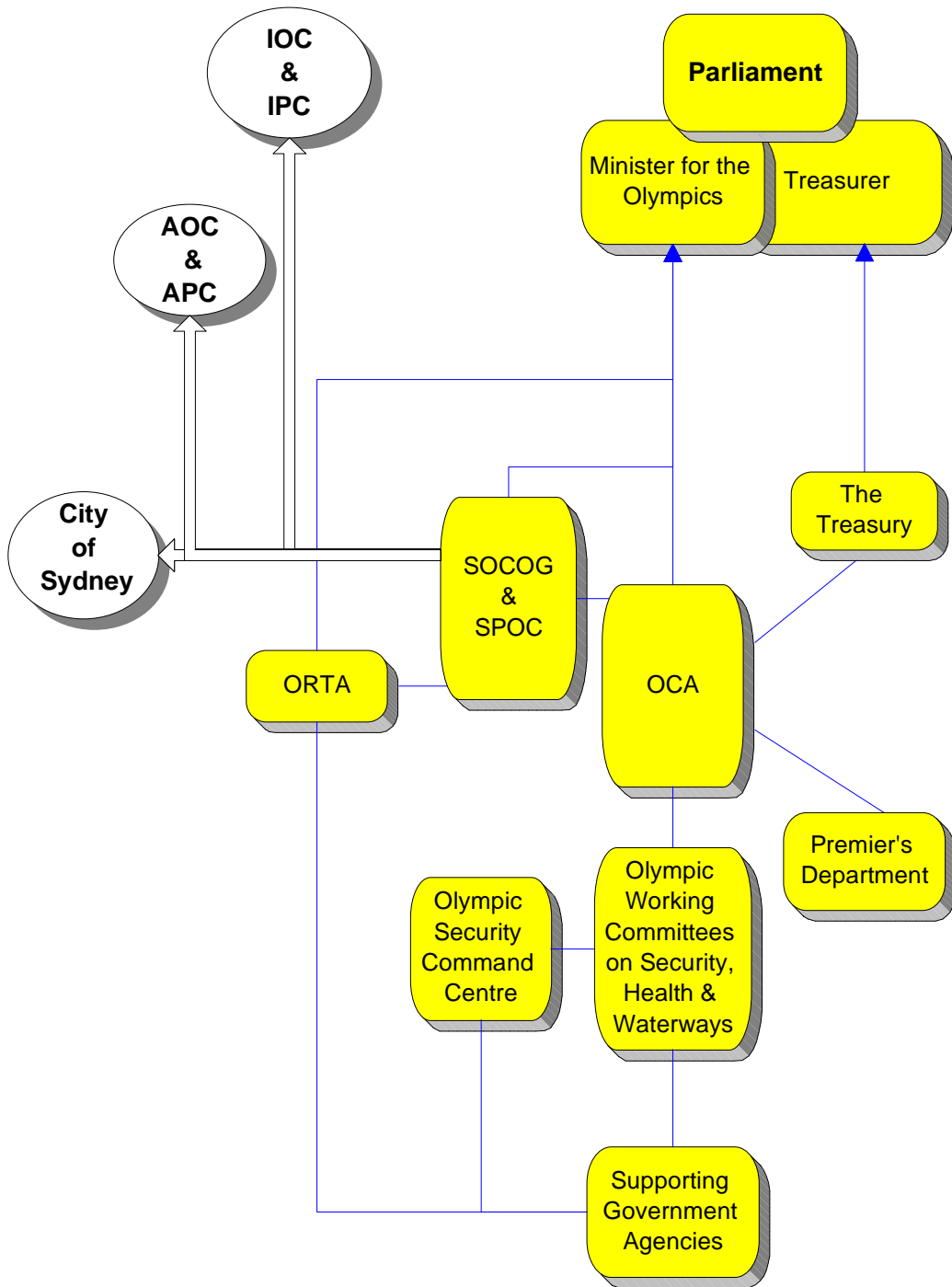
4.2 Accountability Framework

The following diagram depicts the key players of the Government responsible for the Games in terms of both operational and financial performance.

¹ Note: The Treasury excludes the RAS relocation costs as an olympic cost.

² The remainder of ORTA’s budget relates to the planning and management of Royal Easter Show transport. This proportion will reduce significantly in 1999-00 and 2000-01 as olympic transport activity increases.

Figure 4.1: The Accountability Framework



4.3 Government Accountability

The Government The Government through its underwriting of SOCOG is ultimately responsible for the financial outcome of the Games. The Government is accountable to Parliament for that responsibility.

The Minister for the Olympics The SOCOG and SPOC budgets are approved by the Minister for the Olympics with the concurrence of the Treasurer. The capital budget of OCA and the costs of agencies in support of the Games are approved, ultimately by Parliament, within the context of the annual State Budget cycle.

The Treasurer and the Minister for the Olympics are responsible for reviewing and controlling the Games Budget.

4.4 Organisational Responsibilities

The hosting of the Games and the construction of related facilities is achieved by various entities created specifically for the purpose, that is SOCOG, SPOC, OCA and ORTA. Other agencies provide supporting services.

Those organisations which are integral to the budget process are identified below while the arrangements which support the process are discussed later in this section of the report.

SOCOG and SPOC SOCOG and SPOC are responsible for organising the Olympic and Paralympic Games and hosting their respective families. These functions are funded primarily through significant revenues from sponsors (including value-in kind goods and services), and the sale of television rights and tickets, among other items.

SOCOG for example has specific responsibilities to the IOC and the Minister for the Olympics.

OCA OCA is responsible for the construction of facilities and infrastructure, the long term use of venues, liaison with SOCOG on behalf of the Government, co-ordination of supporting government activities and oversight of the Games Budget. The budgets of OCA and the supporting government agencies are funded in the main by government appropriations.

OCA has a pivotal role in terms of costs because it acts as the co-ordinator and controller of costs of agencies (supporting the Games) and other costs which comprise the Games Budget.

Under section 11 of the OCA Act, OCA is required to liaise with The Treasury on the co-ordination and management of capital expenditure for the Games and report to the Government on overall expenditure for the Games.

ORTA

ORTA is responsible for the planning and co-ordination of transport for the Games. ORTA's funds are sourced from purchasers of transport services, including SOCOG and sponsors, and from parliamentary appropriations.

**Government
Agencies**

Individual agencies supporting the Games are responsible for the preparation and content of estimates of expenditure (and budget management) as required by OCA.

4.5 SOCOG and SPOC

Revisions

The first major revision of the SOCOG and SPOC budget (since the Bid Estimates were prepared in 1992) occurred from September 1996 to March 1997.

The SOCOG and SPOC Boards and the Minister for the Olympics approved the revised budgets with the concurrence of the Treasurer.

Both SOCOG and SPOC conducted a second comprehensive review, that was concluded in April 1998, which involved five cycles of outputs and reviews. Included in the cycles were:

- input from program managers, divisional managers and other operational staff on expenditure and revenue proposals
- review by resources committees comprising senior managers and the SOCOG Executive Committee (comprising the CEO of SOCOG & Group General Managers)
- the development of expenditure saving targets (notably in relation to personnel and procurement) and revision of the ticketing policy
- review by Board Committees (for example, Finance, Human Resources, Marketing), the Board itself and external parties including IOC, AOC, OCA (in relation to venues and overlay), SOCOG advisory committees (sport, media & culture) and The Treasury.

The Treasurer consented to the new SOCOG budget on 19 August 1998 and the Minister for the Olympics approved the

budget on 24 September 1998. The approval was subject to conditions including:

- enhanced quarterly reporting to the Minister and The Treasury, particularly in terms of cash flow and revenue trends
- 50% of savings or increased revenue to be held by SOCOG in a contingency item
- approval by the Treasurer of expenditure from SOCOG's contingency for new contingencies or where any proposed expenditure will exceed the amount provided
- advice to the Minister for the Olympics of any material adverse implications for the Government as underwriter of SOCOG's budget.

The Monthly Report to the Finance Committee and Board of SOCOG provides a detailed analysis of progress against key budget indicators such as expenditure and savings trends and the level of secured sponsorships.

To meet the deliverables required of SOCOG by the Host City Contract, SOCOG developed Concepts of Operations for certain key inter-governmental activities of transport, security and health. The concepts set out the objectives and responsibilities of lead agencies in the delivery of services on behalf of SOCOG.

Based on the Concept of Operations, OCA requested lead agencies (the Police Service, NSW Health, the Ministry for Forests and Marine Administration and ORTA) to prepare a Strategic Plan and a Statement of Resource Requirements and Budgets (SRRB). These two documents form the basis of Memoranda of Understanding (MOU) between the agencies, OCA and SOCOG.

**Reviews by
Arthur Anderson**

Arthur Andersen's, as internal auditors, reviewed the estimates of SOCOG in 1997 in terms of the processes employed in the development of the budgets.

The report of Arthur Andersen concluded that:

*Exhaustive efforts have been made by the planners and program staff in creating as accurate a budget as possible ...
.... Continued reworking by the planners is unlikely to make the budget any more accurate unless some of the underlying uncertainties can be removed.*

The uncertainties commented upon by the consultants included key venues not yet completed and a significant number of contracts not yet finalised.

The Treasury

The reviews by The Treasury officers of the 1997 and 1998 SOCOG budgets found that:

the assumptions used and the processes undertaken by SOCOG officers in formulating the budget are sound.

Overall, The Treasury has identified minimal risk on the revenue side due to the high percentage of contractual commitments and has highlighted expenditure items such as technology and venue fit-out as being most at risk.

4.6 OCA

Prior to the creation of OCA various budgets had been prepared over a period of five years by a range of agencies, including :

- Office of Olympic Co-ordination (formerly part of Premier's Department)
- Olympic Construction Authority (formerly a unit of the Department of Public Works and Services)
- Homebush Bay Development Corporation
- Olympic Facilities Unit (formerly part of Department of Sport, Recreation and Training) and
- part of the Department of Planning (formerly responsible for the equestrian project).

From June 1995 OCA's priorities were to simplify the planning structure, unify the construction delivery approach and review budgets and timetables.

Its activities included:

- finalising the masterplan for Homebush Bay
- confirming a rail strategy for the precinct for the Games
- facilitating construction of the relocated Showground
- organising private sector involvement in the stadium and village projects.

OCA set up a Budget Review Task Force in July 1995 to review comprehensively each project in terms of its capital budget. This review included consultation with SOCOG, international sporting federations, possible private sector participants and independent cost planning consultants.

In 1996 OCA announced a significant revision to the capital budget due to:

- changes in the scope of work following the review of requirements of sporting venues, the showground, roads, site works and landscaping
- changed assumptions from that which applied in 1992
- changes in methods of funding and developing a number of facilities, including the stadium and multi-use area (the MUA superseded the proposed colosseum mentioned in the bid)
- more detailed analysis of issues affecting Homebush Bay such as transport, environment and urban design
- a desire to improve the quality of the legacy value of facilities
- the addition of new sports and venues.

To enable OCA effectively to co-ordinate, monitor and report on aspects involving government agencies, a number of committees were established which report to the Director-General of OCA. These are:

- Olympic Transport Working Committee (later to become ORTA)
- Olympic Health & Medical Working Committee
- Olympic Security Working Committee
- Environment Advisory Panel
- Access Advisory Panel
- Social Impacts Advisory Panel.

The preparation of budgets for government agencies supporting the Games was initiated and co-ordinated by OCA during 1997-98. These budgets were included with those of SOCOG, SPOC, ORTA, and OCA to produce the first “whole of government” Games Budget which was included in the June 1998 State Budget papers and OCA’s *State of Play* publication, also of June 1998.

4.7 ORTA

ORTA’s strategic plan and estimates of expenditure were prepared in accordance with the requirements of OCA. ORTA, in undertaking that process, consulted with its operational managers and OCA, the Department of Transport (DoT), the State Rail Authority (SRA), the Roads and Traffic Authority (RTA), the State Transit Authority (STA) and the Bus and Coach Association.

The strategic plan and estimates were prepared on the basis of existing operational knowledge of Sydney’s transportation systems and the experience of the arrangements in other Host Cities with particular reference to Atlanta.

Reviews by Arthur Andersen and OCA

The estimates and assumptions used by ORTA were reviewed by OCA and by consultants, Arthur Andersen.

4.8 Government Agencies

OCA co-ordinated the identification, calculation, review and reporting of the costs of government agencies providing support for the Games.

The costs of agencies, when combined with the estimated costs of SOCOG, SPOC and ORTA, provide the “whole of government” costs to host the Games. The process used in estimating the costs of agencies is outlined below.

Strategic Plans and Estimates Of Costs

Strategic plans and estimates of costs are designed to be prepared by agencies with input from the operational managers. In most instances the preparation:

- was undertaken by designated liaison officers in conjunction with finance departments within agencies
- relied on existing operational knowledge relating to special events such as the Bicentennial celebrations and new year eves and
- had regard to the arrangements for other Games especially

Atlanta.

A Commonality of Approach

In developing the estimates the review processes undertaken within agencies have common features. These include:

- direction by finance officers
- detailed consultation with program areas
- supplementary assessment by specialists in the particular field
- management reassessment of initial revisions
- on-going executive and board assessment and approval
- referral to a higher review, for example, OCA, Minister for the Olympics, The Treasury
- approval by Cabinet.

The estimates were reviewed by agency executives for reasonableness and completeness and submitted subsequently to OCA.

Review by Arthur Andersen and OCA

The estimates and underlying assumptions were reviewed by OCA during late 1997 and early 1998 with the assistance of consultants, Arthur Andersen. The review by OCA was directed towards:

- identifying resources required to meet deliverables/outputs identified in strategic plans for the Games
- identifying all options available to acquire and deploy the necessary resources
- minimising the cost to the Government
- ensuring that the programs contained in the estimates meet the definition of cost approved by Cabinet.

The review by Arthur Andersen provided a series of recommendations in regard to appropriate levels of funding and outstanding issues. A particular risk raised in the report of Arthur Andersen was the need to resolve potential funding gaps between SOCOG's expectations and the cost of services by the Government.

The budgets were later approved by the sub-committee of Cabinet and budget committee of Cabinet.

**Treasurer's
Olympic Reserve
Fund**

To regulate the payment of funds to agencies, a Treasurer's Olympic Reserve Fund was established following the 1997-98 State Budget. The reserve holds the balance of approved budgets for agencies for the Games. Funds are released from the reserve and transferred to agencies following review by OCA, The Treasury and Premier's Department.

In addition, to OCA's co-ordination of the Games Budget, OCA has responsibilities for the development of MOUs between purchasers and providers.

The Treasury, OCA and Premier's Department review payments to supporting government agencies from the Treasurer's Olympic Reserve Fund during the financial year.

MOU

Following the review process for the 1998-99 State Budget, Memoranda of Understandings (MOU) were drafted between the lead agencies, OCA and SOCOG. The MOU are intended to 'lock-in' the budgets of agencies and the requirements of SOCOG and SPOC.

OCA anticipates that the first of the MOU, transport, will be ratified in February 1999.

Conclusion

Financial planning for the Games has been undertaken in an environment of change, for example:

- SOCOG has progressed from an organisation whose focus was one of planning to one of organising the delivery of the Games
- agencies concerned with planning have a greater appreciation of the complexity and extent of the task in the delivery of the Games
- the requirements and configuration of venues have been altered
- new delivery organisations have been established such as ORTA and the Olympic Security Working Committee
- attention to "whole of government" costs, particularly those of government agencies, did not occur until mid 1997 because OCA was heavily involved in the planning and implementation of the construction program

- the definition of what is a cost of the Games (that is direct costs versus indirect costs) has been developed and implemented.

These changes have necessitated a reassessment of various assumptions the result of which has been an escalation of costs.

Notwithstanding, the preparation of the Games Budget has followed due process and has been comprehensive. Financial planning has been undertaken in an organised way, supported by periodical reviews of estimates including reviews by private consultants, The Treasury and the IOC.

In certain instances the planning of activities, the determination of responsibilities and costs are yet to be finalised and incorporated in Memoranda of Understanding & Service Level Agreements.

5. The Games Budget

5.1 Introduction

This section of the report provides commentary on:

- the Consolidated Bid Budget
- the 1998 Games Budget
- The Treasury's analysis of the impact of the Games on the Government's budget result
- the growth in the component budgets of:
 - ◊ SOCOG
 - ◊ SPOC
 - ◊ OCA
 - ◊ the supporting government agencies (including ORTA).

Unless otherwise indicated all budgets, other than those of SOCOG, are recorded in 1998 dollars. The budget of SOCOG is recorded in nominal dollars which represents the value of an amount in the year that the transaction is brought to account.

5.2 The Consolidated Bid Budget

The Consolidated Bid Budget prepared by The Audit Office and provided in the Table below comprises those budgets submitted to the IOC and IPC in 1993 and adjusted to 1998 dollars.

The estimates provided to the IOC (for SOCOG) and IPC (for SPOC) were the Bid Estimates for the organising committees. A government sponsored capital budget was also provided to the IOC.

At the time the capital budget was submitted to the IOC some capital works were excluded as they were in the capital program for the Homebush Bay Development Corporation (HBDC)³. These costs have been subsequently treated as costs of the Games by the Government and are included in the 1998 consolidated budget. For comparison purposes these have been included in "Bid Budget as Adjusted by The Audit Office" column in the following Table. (For detail of the adjustments to the initial capital budget see Table 5.7.)

³ This included the development of the RAS, transport, infrastructure and remediation costs.

Aside from capital contributions and a grant of \$25m to SPOC by the Government, the Consolidated Bid Budget does not include any other significant government funds. Payments for the use of facilities and services by SOCOG and SPOC for the Olympic 'families' and spectator user-pays arrangements were designed to limit costs to the Government.

Table 5.1 The Consolidated Bid Budget

Item/Agency	Consolidated Bid Budget \$m	Bid Budget as Adjusted by The Audit Office \$m
Revenue		
SOCOG	1,933.4	1,933.4
SPOC	85.0	85.0
OCA	631.7	631.7
Other	--	--
	2,650.1	2,650.1
Costs		
SOCOG	1,907.6	1,907.6
SPOC	110.0	110.0
OCA	995.9	1,894.7 (a)
Other	--	--
	3,013.5	3,912.3
Net Cost to the Government	363.4	1,262.2
Olympic Induced Tax Revenue	NA	NA

Note: All figures are recorded in 1998 dollars except for SOCOG which is in nominal dollars.

(a) The increase of \$898.8m relates to the adjustments made to the OCA component of the Bid Budget and reflects the inclusion of items from the HBDC capital works program (*Table 5.7 'Comparison of the Bid Budget (1993) and the OCA Budget: Total Expenditure'* (\$1,894.7m-\$995.9m refers).

5.3 The 1998 Games Budget

The Games Budget presented in June 1998 by OCA and The Treasury consolidated the budgets of:

- SOCOG and SPOC which are funded through largely commercial arrangements
- the Government, comprising:
 - ◊ construction costs of providing venues, facilities and infrastructure (these costs also create both assets and liabilities for the future)
 - ◊ hosting costs (including the planning costs of OCA and ORTA and the supporting costs for the transport, security and health services).

The budgets were prepared with reference to the Government's definition of costs which requires that only direct marginal costs related to the hosting of the Games be included⁴ within the Games Budget.

The Games Budget was presented in two forms in:

- *NSW Budget Paper Number 2*
- OCA's *State of Play* (Financial Report).

OCA's Calculation OCA's estimation of the net cost to the Government of \$1,650.5m was included in the *State of Play (Attachment A)* and is reproduced within Appendix 11.9. Reference is made to the calculation in *Table 5.2 The 1998 Games Budget*.

The OCA and The Treasury calculations of the net cost to the Government include an estimated (by The Treasury) offset of \$602m for additional taxation revenues to the State resulting from increased economic activity due to the Games.

⁴ see page 2 of *State of Play (Financial Report)*, OCA, June 1998 and Chapter 3 *Defining Olympic Costs*

The Treasury Calculation

The Treasury calculation of the net cost to the Government is \$1.3b which is \$363m less than that presented by OCA. The difference is the net cost of construction of the new showground at Homebush Bay.

This expenditure was deemed to be not a cost of the Games by The Treasury. This is consistent with The Audit Office's earlier treatment of these costs in the report *Sydney Olympics 2000: Review of Estimates* (tabled in Parliament on 18 November 1994).

The Treasury estimate of the net cost is included within *Table 1.8 Net Budget Impact of the Sydney Olympic and Paralympic Games* of *Budget Paper Number 2* and is repeated in Appendix 11.10 to this report.

1994 Treatment

Appendix 11.12 provides a Games Budget adjusted for the 'non-games' capital items excluded as costs to host the Games in The Audit Office's 1994 Report.

The 1998 Games Budget

The Games Budget presented overleaf is based on Games Budget consolidation spreadsheets provided by OCA in October 1998 to The Audit Office.

Table 5.2 The 1998 Games Budget

Item/Agency	1998 Games Budget \$m	Games Budget as Adjusted by The Audit Office \$m	Difference \$m
Revenue			
SOCOG	2,331.5	2,697.0	365.5 (a)
SPOC	111.3	131.8	20.5 (a)
OCA	618.0	618.0	-
Other	160.8	160.8	-
	3,221.6	3,607.6	386.0
Costs			
SOCOG	2,301.5	2,667.0	365.5 (a)
SPOC	136.3	156.8	20.5 (a)
OCA	2,421.5	2,421.5	-
Other	614.8	671.3	56.5 (b)
	5,474.1	5,916.6	442.5
Net Cost to the Government	2,252.5	2,309.0	56.5
Olympic Induced Tax Revenue	602.0	-	602.0
Net Contribution by the Government	1,650.5	2,309.0	658.5

Notes: All figures are recorded in 1998 dollars except for SOCOG which is in nominal dollars.

(a) The 1998 Games Budget has been adjusted by The Audit Office to reflect the 1998 SOCOG and SPOC budgets in place of the 1997 budgets consolidated by OCA. In addition, the SOCOG budget revenue and expenditure has been increased by \$100m to take account of a payment to the AOC in the year 2000 that has been deducted from broadcast revenues (section 1.6 *SOCOG Act* refers).

(b) The adjustment of \$56.5m relates to inclusion of:

- an estimate of identified costs of supporting government agency expenditure not included within the Games Budget (\$44.8m) - section 3.4 *Exclusions* refers
- payments to the Department of Education and Training for TAFE Games related construction industry training and additional costs for the construction of the Village school totalling \$11.7m - see section 8.3 *Expenditure by Agencies*.

Table 5.3 below compares the Consolidated Bid Budget and 1998 Games Budget as adjusted by The Audit Office. Details of the significant variations are provided in the following sections on the components of the budget.

Table 5.3 Comparison of the Consolidated Bid Budget and the Games Budget (as adjusted by The Audit Office)

Organisation	Bid Budget as Adjusted by The Audit Office	Games Budget as Adjusted by The Audit Office	Difference	
	\$m	\$m	\$m	%
SOCOG (nominal \$)				
Expenditure	1,907.6	2,667.0	759.4	40%
Revenue	1,933.4	2,697.0	763.6	40%
Surplus to Government	25.8	30.0	4.2	16%
SPOC				
Expenditure	110.0	156.8	46.8	43%
Revenue	85.0	131.8	46.8	55%
Cost to Government	(25.0)	(25.0)	0.0	0%
OCA				
Expenditure	1,894.7	2,421.5	526.8	28%
Revenue	631.7	618.0	(13.7)	-3%
Cost to Government	(1,263.0)	(1,803.5)	(540.5)	43%
Other Agencies				
Expenditure		671.3	671.3	
Revenue		160.7	160.7	
Cost to Government	–	(510.6)	(510.6)	new
Total Cost to the Government	1,262.2	2,309.1	1,046.9	83%
Private Sector Capital Works	1,185.6	1,084.8	100.8	-9%

Sources: SOCOG and SPOC Budgets, Bid and 1998 Games Budget spreadsheets and The Audit Office report of 1994

Note: Amounts in 1998/99 dollars except for SOCOG which is nominal dollars

Contingency Reserves

The contingency reserves in the 1998 budgets for SOCOG, SPOC, and OCA are included on the assumption that they will be expended.

The contingencies comprise amounts that have been notionally allocated to programs or projects. For example, in the case of SOCOG the contingency comprises allocations for revenue and expenditure program items. This level of categorisation was referenced in the conditions imposed on the 1998 budget by the Treasurer and Minister for the Olympics.

The contingencies within the Games Budget comprise:

	\$
SOCOG	121.1m
SPOC	10.0m
OCA	68.5m
	<u>199.6m</u>

5.4 The Impact on the State's Budget

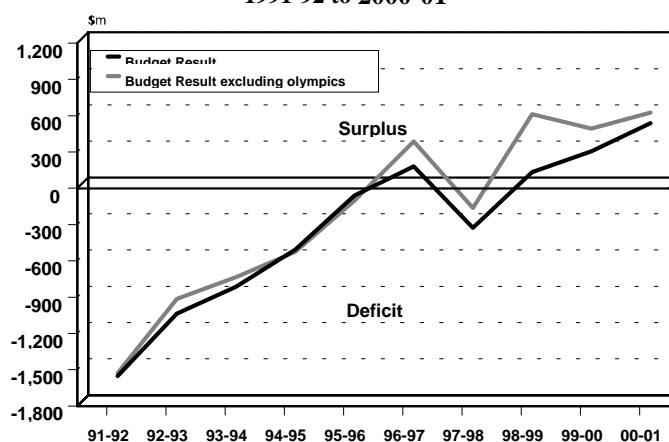
The Treasury's analysis of the impact of the Games on the budget result is provided in the 1998-99 Budget Paper 2⁵. A diagram which formed part of that analysis is reproduced below.

The analysis compares the trend in state budget outlays and revenues with changes in the budgetary position. In Figure 5.1 the impact is measured by excluding the outlays and revenues, or net cost of the Games,⁶ from the actual budget position.

⁵ pages 1-19 to 1-23 & Tables 1.8 and 1.9

⁶ as indicated above the net position includes an offset for additional State taxation revenues generated by olympic related activities

**Figure 5.1 Impact of The Games on Government Budget Result
1991-92 to 2000-01**



This analysis shows that, by virtue of its involvement in the Games, the Government has foregone other opportunities.

In the absence of the Games, and had the equivalent of the higher trend line been achieved, the State budget surplus position could have been used to retire state debt. For example, the 1998-99 result which was forecast to be \$45m in surplus would produce a surplus of \$522m had funds not been expended on the Games.

Using figures of The Treasury over the period 1991-92 to 2000-1, \$1.3 billion could have been applied to the provision of services and infrastructure other than for the Games, for example, hospitals, schools or roads. A further option would be the reduction in State taxes to the same amount.

5.5 SOCOG

Table 5.4: A Comparison: The Bid Estimates and SOCOG Reforecast Budget

1998 Program Structure	Bid Estimates \$m	1998 ^(a) Reforecast Budget \$m	Difference \$m	Adjustment ^(b) by The Audit Office \$m
Revenue:				
Sponsorship	622.1	873.7	251.6	
Ticket Sales	266.7	600.9	334.2	
Broadcast Rights	948.0	1,032.2	84.2	+100m
Consumer Products	96.6	65.2	(31.4)	
Other Revenue	-	25.0	25.0	
Total	1,933.4	2,597.0	663.6	
Expenditure:				
Games Support	222.8	543.3	320.5	
Precincts & Venues	392.6	526.7	134.1	
Sport	152.6	165.0	12.4	
Villages	158.0	180.6	22.6	
Games Services	126.3	175.0	48.7	
SOBO	211.1	195.6	(15.5)	
Commercial Group	36.0	111.6	75.6	
Marketing & Image	84.0	82.7	(1.3)	
Co-ordination	-	69.8	69.8	
Ceremonies	50.2	39.2	(11)	
Government & ATSI	-	7.8	7.8	
Command, Control & Communication	-	6.1	6.1	
AOC	60.0	75.0	15.0	+100m
SPOC	20.2	16.7	(3.5)	
Payments to Government	273.0	285.0	12.0	
IOC Payments	-	11.1	11.1	
Global Savings Target	-	(45.3)	(45.3)	
Contingencies	120.8	121.1	0.3	
Total	1,907.6	2,567.0	659.4	
Surplus Payable to the Government	25.8	30.0	4.2	

Notes: (a) The 1998 Reforecast Budget is at 30 June 1998 and is presented in the format provided by SOCOG to The Audit Office.

(b) The adjustment reinserts payments to AOC which were netted out of the budget. As compensation for amendments to the SOCOG Act in 1996 AOC are paid \$100m by the European Broadcast Union. These rights would have otherwise been received by SOCOG. See sections 1.6 & 1.7.

A more detailed version of SOCOG's budgets for the years 1993, 1997 and 1998 is included in Appendix 11.11.

Budget Surplus SOCOG has given a commitment to pay the Government \$30m should the Games result in a financial surplus of at least that amount. The commitment brings a discipline to the budgetary process and provides a transparent performance measure (as a result, inter alia, of amendments to the SOCOG Act in 1997 the Government is to receive 100% of any financial surplus from the Games).

The payment of the “dividend” is subject to many contingencies. Since the Bid Estimates were submitted to the IOC in 1993, SOCOG’s budget has increased, in approximate terms, by \$659.4m to \$2.6b. During that time many of the underlying budget assumptions have been extensively modified.

To meet the commitment to the Government the budget of SOCOG needs to remain approximately in balance. This has been achieved to date by budget revisions that have managed to make substantial adjustments to revenue in order to compensate for planned, increased, expenditure.

In addition, the Government has approved net expenditure by “other” agencies of \$454.1m that was not foreseen at the time the Bid Estimates were prepared. This amount supplements the “hosting” responsibilities of SOCOG and provides for Olympic Family security, spectator transport and control of Sydney Harbour sailing venues.

Timing of Receipts and Payments Approximately 62% of SOCOG’s cash receipts and expenditures are to be received or paid in the years 1999-00 and 2000-01.

This causes some difficulty to the cash flows of SOCOG. To assist in overcoming this situation, SOCOG has arranged a \$150m overdraft facility with a major bank.

Budget Comparisons SOCOG’s budgets from 1997 are recorded in nominal dollars. Prior to this SOCOG’s policy was to record revenues and expenditures in the dollars of the year of compilation.

SOCOG is not able to provide a reforecast of the Bid Estimates in nominal dollars for comparison with the current budget because of :

- changes to program structures and
- changes in accounting treatments.

For these reasons SOCOG advises that comparison of the current budget with the Bid Estimates “... is of little value to the analysis and could lead a reader to improper conclusions due to the high degree of aggregation of the Bid Budget compared with SOCOG’s current organisational structures.”

To enable a comparison of the 1998 SOCOG Revised Budget and the Bid Estimates, which are presented in 1992 dollars and nominal dollars, the Bid Estimates were reconfigured by The Audit Office (as shown in *Table 5.5: A Comparison: The Bid Estimates and SOCOG Reforecast Budget*) and have been confirmed by SOCOG as a reasonable representation.

The more significant changes in SOCOG’s budget are discussed below.

Revenue

Sponsorship

Sponsorship of \$873.7m is 34% of total revenue compared to 32% of total revenue in the Bid Estimates.

The most significant change in the sponsorship budget relates to the recording of value in kind (VIK). In 1996-97 the amount of sponsorship increased by approximately \$280m following the adoption of proper financial accounting treatment with respect to VIK. Sponsorship revenue changed by only \$18.5m between 1997 and 1998.

Sponsorship revenue flows are based on the payment schedules set out in contracts which most commonly provide for payment of 20% on signing a contract to be followed by equal annual instalments.

As at 30 June 1998 approximately 27% (\$245m) of gross sponsorship remained to be secured (that is signed up or finalised). This proportion relates to local sponsorship because The Olympic Program (TOP) international sponsorship has been secured or is to be signed in the near future.

TOP sponsorship relates to IOC’s international rights program and sponsors negotiate with the IOC. The IOC pass TOP moneys to SOCOG in accordance with the marketing arrangements of the Host City Contract. The equivalent of this for local sponsors is Team Millennium Olympic Partner (TMOP) which is initiated and managed by SOCOG.

The realisation of sponsorship outstanding presents a budgetary risk for SOCOG. In recognition of this, of the \$121.1m in contingency \$30m has been notionally allocated for non-achievement of the target. The funding of any gap beyond this amount would require offsetting expenditure savings or a reduction of the dividend or of the contingency.

Value in Kind (VIK) Under most of SOCOG's sponsorship arrangements, consideration can be paid by the sponsor in the form of goods and services in lieu of cash. These goods and services are referred to as value in kind (VIK). The types of VIK are as varied as SOCOG's sponsors and include insurance, telecommunications, transport, information technology, sports equipment and refreshments.

As at 30 June 1998 VIK was \$570m or 66% of total estimated sponsorship revenue and 22% of total revenue.

Compared to cash, VIK is less portable and requires a different management approach.

During the course of the 1998 budget review SOCOG has sought to improve control of the significant levels of VIK by allocating VIK to program managers and monitoring VIK centrally. Monitoring has identified some unallocated VIK that SOCOG is renegotiating with sponsors or is attempting to sell.

The valuation of VIK has been reviewed by SOCOG. As indicated above, in 1996-97 the recorded value of VIK increased by approximately \$280m. The most significant cause of this was the recording of local sponsorship VIK at 'full' commercial or market contestable amounts.

Ticketing As at 30 June 1998, revenue from the sale of tickets is expected to reach \$600.9m or 23% of total revenue of SOCOG compared to 14% of total revenue in the Bid Estimates.

The ticketing policy was approved by the IOC in August 1998.

The ticketing model classifies each day of competition by the sports held on that day on a session by session basis. The model considers the venue capacity, the timing of sessions, the number of seats required for the Olympic Family, the requirements of the broadcaster and the demand for each sport. The model does not assume that all sessions will be sold out.

Sponsors, NOCs, International Federations, the IOC and hotels

have been allocated rights to purchase tickets and, if exercised, sales from this source are expected to represent 43% of tickets sold.

Table 5.5 A Comparison of Ticketing Features

	Number of Tickets Available (a)	Average Ticket Price to Events (excluding Opening & Closing Ceremonies)	Ticket Price Range	Ticket Revenue nominal \$m
1993 Bid	7.1 m	\$40	\$280-\$11	\$266.7
1996-97	8.1 m	\$58	\$1,036-\$7	\$516.6
1998	9.6 m ^(a)	\$69 ^(b)	\$1,382-\$10	\$600.9

- Notes:
- (a) IOC rules require that a number of seats be provided for Olympic “Family” and the media. For the 1998 figure this requirement reduces the gross number of tickets available from 9.6 million to 8.1 million.
 - (b) This calculation will alter due to changes in venue seating capacities and seat zoning categories. It is currently based on the sale of up to 8.1m tickets.

The major reason for additional ticketing revenue is the increase in average ticket prices. Other factors affecting the increase are:

- comparison of ticket pricing against previous Games and other events in Australia
- reassessment of market demand, especially for premium events
- increases in venue seating capacity because of larger venues and capacity and reductions in the number of seats required for Olympic Family
- the creation of special ticket packages.
- the addition of sports.

A major risk for SOCOG is that the ticketing model assumptions are not realised and sales will be below those forecast.

In recognition of the risks involved with an aggressive sales target and the need to fund any shortfalls in ticketing sales, SOCOG has notionally set aside approximately \$30m (or 4% of ticketing revenue) in a contingency reserve.

Ticket prices include transport for spectators to and from venues on trains and designated bus services. Included as an offset to total ticketing revenue is an amount of \$47.5m, identified as a transport levy by SOCOG, which is to be paid to ORTA for the provision of non-Olympic Family transport. This is discussed further in section 6 *Transport*.

Broadcast Rights

SOCOG's receipts from broadcasting are estimated at \$1,032m or 40% of total revenue.

The IOC controls negotiations for broadcasting rights. SOCOG becomes involved with negotiations that have been initiated by IOC. Receipts are divided in the ratio of 60% SOCOG, 40% IOC, with revenue received by SOCOG direct from the broadcaster.

As at 30 June 1998 contracts have been signed for 81% of television revenue. The balance of the contracts, amounting to approximately \$200m, are in the final stages of completion.

\$213m in television receipts had been received as at 30 June 1998. Of total broadcast rights revenue, \$492m, or 48% will be received between September and October 2000. The final broadcast rights payment scheduled is to be received in October 2000.

SOCOG bears some risk in regard to television revenue. Contracts contain clauses for example that would reduce the financial obligations of broadcasters if certain events were to occur or not occur. Events contemplated in contracts include a reduction in the number of teams attending or changes to advertising rules in the broadcaster's country.

Expenditure

Precincts and Venues

The most significant variation in the budget for Precincts and Venues was in relation to the fit-out of venues to games standards which has increased by \$134.1m to \$526.7m since the Bid Estimates were prepared.

Modeling supporting the 1997 budget review was found to be inadequate by the 1998 review which was able to use more detailed scoping than was previously available.

Other factors supporting the increase in overlay costs of \$119m (included within Precincts and Venues \$526.7m) from 1997 to 1998 were changed requirements for the International Broadcast Centre (IBC) and the Sydney Olympics Broadcasting Organisation (SOBO), and the fit out associated with new venues for softball, canoeing, archery and a second water polo site.

Because some venues are yet to be finalised, there remains a risk of cost overruns to the estimates for the overlay. SOCOG has included an amount of \$10.3m in the contingency reserve to cover this eventuality. OCA, which oversees the construction of most venues, has been appointed to project manage the overlay task.

Games Support

Games Support concerns personnel support, media operations, special interest groups and technology. The majority of the funding for and expenditure on Games Support is VIK for technology. The change in the method of recording VIK has resulted in a significant increase in the revenue and expenditure for this activity.

The Bid Estimates assumed that sponsors would provide functioning systems and full support with limited costs to SOCOG. The Bid Estimates recorded little however, in the way of VIK to support this assumption.

In addition to using VIK, SOCOG has budgeted for a cash payment - including \$50m sourced from the contingency reserve - towards the cost of information systems to support operations for the Games. This technology area represents \$397m or 73% of the cost of support. \$6m remains in the reserve for technology contingencies.

Global Savings Targets

The 1998 budget of SOCOG includes savings targets for the first time. The savings are to be realised over the next two years.

The estimated savings of \$45m comprise:

- reduced personnel costs relating to increased use of volunteers in corporate management roles, delayed recruitment of staff and centralisation of the payroll
- a 7.5% reduction in total program expenditure to be achieved through a centralised procurement system.

A risk to procurement savings is that the demand generated for goods and services as a result of the Games may result in suppliers charging premiums on the significant number of contracts yet to be finalised.

Payments to the Government

This amount includes payments to OCA for construction reimbursement of the Sydney International Aquatic and Athletic Centres (\$219m) as required by the Host City Contract and \$61m for rental of the athletes' village.

SOCOG's budget also includes payments to Government within program items. These include amounts for transport, security and health services, and for the rental of the media village and sporting venues.

Contingency Reserve

The two components of the contingency reserve, revenue and expenditure, are 2.3% and 2.4% of their respective budget totals. The levels of contingency against remaining revenue to be earned and expenditure to be committed are 6.8% and 7.5% respectively.

This item is dealt with in section 9 *Government Risk and its Management*.

5.6 SPOC

As indicated in the following table, the SPOC budget is in balance with both expenditure and revenue increasing by \$47m or 43% between 1993 and 1998.

Table 5.6: A Comparison: The Bid Estimates and the Revised SPOC Budget

	The Bid Estimates		Revised Budget	Increase 1993-1998	
	1993\$ \$m	1998\$ \$m	1998\$ \$m	\$m	% Increase
Expenditure	82.4	110.0	156.8	46.8	43%
Revenue	82.4	110.0 (a)	156.8 (a)	46.8	43%

Note: (a) Included in the revenue figures is a contribution from the Government of \$25m. The figures net of this amount are \$85m and \$131.8m respectively. The net figures have been included in other tables in the Report.

The following section comments on significant changes between SPOC's bid and 1998 budgets.

Revenues

Sponsorship has provided the largest element of the increased

revenue and has risen from \$1m to \$65m and reflects a move away from fund raising to a reliance on sponsorship.

Sixty per cent of sponsorship is expected to be in Value in Kind (VIK) particularly in the areas of technology and communication.

As at September 1998, \$33m of the budgeted \$65m of sponsorship had been signed up and a further \$12m is the subject of negotiation. SPOC considers that there is some risk to the collection of the abovementioned \$12m and has included a contingency of \$6m for this risk.

The other major component of revenue is two equal amounts of \$25m from the Commonwealth and State Governments. SOCOG is contributing \$18m (nominal dollars) to SPOC.

The preparation of a detailed ticketing plan in conjunction with SOCOG has increased the projected ticketing revenues from \$4m to \$15m. However, arrangements for spectator transport remain to be finalised and may result in additional costs to SPOC and/or the Government.

Expenditure

The major expenditure programs of SPOC are summarised below with the approximate bid value in current prices following in parentheses:

- technology \$24m (\$7m)
- fitout and operation of precincts and venues \$25m (\$7m)
- human resources including accommodation and administration \$12m (\$33m)
- contingency \$10m (\$7m)
- fitout and operation of athletic and media villages \$10m (\$1m).

SPOC advises that the increase in technology is based on the completion of a proper scoping and costing exercise. Much of the additional technology cost relates to VIK being provided by sponsors.

The increase in the cost of fitout of villages, precinct and venue programs has occurred because the operational costs of these programs were omitted from the Bid Estimates and because the details of the required Paralympic overlay were unknown.

Significant savings have been achieved in the human resources and administration area through synergies with SOCOG programs and the allocation of personnel costs to operational program budgets.

Under the Host City Contract, SOCOG is obliged to support SPOC logistically in areas such as the organisation of events etc. SPOC has expressed satisfaction with the level of support being provided but at this stage neither SOCOG nor SPOC has attempted to define or value that support. Without this level of control there is a greater chance that the level of assistance from SOCOG could exceed the \$16.7m recognised as revenue.

The contingency reserve in the budget totals \$10m or 6% of the budget. However, existing uncertainties relating to the sponsorship target, transport costs and logistical costs could test the adequacy of this item.

5.7 OCA

Background

In 1995 the OCA was established to manage the capital works program for the Games and to co-ordinate the involvement of other government agencies. At that time it took over the functions and budgets of the Office of Olympic Co-ordination (OOC), the HBDC and a number of other programs from a variety of agencies.

In its *State of Play* publications issued in 1996, 1997 and 1998 the OCA has provided detailed information on its programs and information on Games costs.

In 1998 the Minister for the Olympics, applying the Government's 1997 definition of costs for the Games, determined that all OCA costs are directly related to the Games.

In accordance with this decision OCA's total budget is included in the Games Budget produced by OCA. The following commentary on OCA's budgets is made from this perspective and focuses on OCA's capital expenditure and on the development of budgets between the 1992 and the 1998 estimates. For ease of comparison all amounts have been converted to 1998-1999 dollars.

The net cost to the Government of OCA's program up to 30

June 2001 is \$1.8b, an increase of \$540.5m (43%) from the bid Budget. The budgets and the variances of the most significant items are contained in Table 5.7 which shows that both capital and recurrent costs have increased significantly, while revenue has decreased to a lesser extent.

Table 5.7 includes Bid Estimates, based on the Games Budget of August 1993 which included both capital and non-capital estimates. This budget excluded a number of capital projects not considered as costs of the Games as they were included in capital programs relating to the development of Homebush Bay. These projects have been subsequently included in the Games Budget by the Minister for the Olympics. In addition, many of these projects were also referenced in the candidature file and endorsement and Host City Contracts.

To allow a suitable comparison of the Bid Estimates these additional capital projects have been included within the "Adjusted Bid Estimates" column.

Table 5.7: Comparison of the Bid Budget (1993) and the OCA Budget (1998)

	Bid^(b) Budget \$ m^(c)	Adjusted^(d) Bid Budget \$ m^(c)	OCA Budget \$ m^(c)	Increase \$ m
Capital Works^(a)				
Media Village	–	–	127.8	127.8
Athletes' Village	–	–	72.7	72.7
Newington Remediation	–	–	99.6	99.6
Other Venue Costs	(e) 77.8	109.8	227.1	117.3
Olympic Stadium	360.4	360.4	126.3	(234.1)
Transport	–	267.2	422.3	155.1
Sydney SuperDome	84.9	84.9	156.5	71.6
Development of the RAS	–	327.0	388.2	61.2
Sports Hall	119.7	119.7	–	(119.7)
Contingency Items	108.5	108.5	68.5	(40.0)
Services Infrastructure	–	94.6	115.1	20.5
Site Infrastructure	27.8	109.2	116.8	7.6
State Athletic/Aquatic Centres	216.8	216.8	216.8	–
Remediation	–	77.9	47.9	(30.0)
Capital Works-Total	995.9	1,876.0	2,185.6	309.6
Recurrent Program				
Operating Costs	–	18.7	235.9	217.2
Recurrent Program-Total	–	18.7	235.9	217.2
Total Expenditure	995.9	1,894.7	2,421.5	526.8
Revenues				
TAB Race Days	30.8	30.8	–	(30.8)
RAS Sale Proceeds	86.4	86.4	–	(86.4)
Lidcombe Site Sale	–	–	35.0	35.0
SOCOG Rental Fee	58.9	58.9	77.0	18.1
Commonwealth Contribution	157.4	157.4	175.0	17.6
State Government Contribution	31.5	31.5	–	(31.5)
SOCOG Construction Fee	209.7	209.7	218.7	9.0
Recurrent Income	–	–	73.1	73.1
Other	–	–	8.8	8.8
Interest	57.0	57.0	30.4	(26.6)
Total Revenue	631.7	631.7	618.0	(13.7)
Net Cost of OCA	364.2	1,263.0	1,803.5	540.5
Private Sector Capital Expenditure	1,185.6	1,185.6	1,084.8	100.8

Notes: All figures are recorded in 1998-99 dollars.

(a) The order of the line items reflects the order in which they are dealt with in the following text.

(b) The Bid Budget is based on the Games Budget prepared by SOBL in 1993

(c) The Bid figures (1993 dollars) have been converted to 1998/99 dollars using the following indices:

- Capital works - BPI index of 1.3916 (with the exception of the Aquatic Centre expense which is a historical cost recorded at the amount contained in the NSW Budget Papers)
- Recurrent Program & Revenue - CPI Sydney index of 1.1592

(d) The Adjusted Bid Budget includes capital works not included in the Bid Budget but subsequently considered by the Government to be costs of the Games; this budget is used for comparison with the current Games Budget

(e) A separate table detailing the components of "Other Venue Costs" follows.

Capital Budget	<p>The capital works program has increased by \$309.6m (17%) to \$2.2b from 1992. The main factors behind this increase are a reduced level of private investment and new and rescoped projects.</p>
<i>Private Sector Funding</i>	<p>The most significant cause of variance has been the change in the mix of government and private sector funding which accounts for a \$131.8m net increase in the cost to the Government of capital works.</p> <p>The private sector was to develop the media and athletes' villages, and play the leading role in providing a number of 'other venues' such as the velodrome and equestrian centre.</p> <p>Revision of the village projects has resulted in OCA incurring expense to support private sector construction costs and for remediation of the Newington site and adjoining land and land acquisition.</p> <p>As indicated in Table 5.7, OCA's review of these projects in 1996 resulted in a greater involvement by the Government to the extent of \$365.9m. This has been substantially off-set by the increased private involvement in the Olympic Stadium which has reduced the outlay of the Government by \$234.1m.</p>
<i>Olympic Rail Loop</i>	<p>The construction of the rail loop to Homebush for \$94.7m is the most significant factor in the increased capital budget for transport. It is also the largest project which was not anticipated at the time of the bid. The rail loop was approved following a review of the Atlanta transport arrangements which recommended that greater reliance be placed upon the rail network.</p>
<i>Sydney SuperDome</i>	<p>The scope of the Sydney SuperDome (previously known as the Multi Use Arena) has also changed significantly since the proposal in the bid for a 'Colosseum' and is the main reason for the increase in the cost to Government of \$71.6m. On the other hand, savings of \$119.7m have been achieved because the new RAS showground obviates the need to construct a separate Sports Hall.</p>

Other Venues

The net effect of decisions to provide venues for sports beyond those included in the bid has increased the Other Venues budget by \$6.7m. The \$20.6m of additional expenditure required for archery, sailing, slalom canoeing, softball and water polo venues is largely offset by the decision not to build a dedicated baseball venue which saves \$13.9m. Baseball is now to be played at the showground arena⁶.

Increases in costs for the equestrian, shooting, tennis and velodrome venues were due to the inclusion of costs excluded in the bid budget such as land, landscaping, design and fitout costs.

**Table 5.8: OCA Capital Works Other Venues
Comparison of the Bid Budget (1993) and 1998 Games Budget**

Capital Works	Bid Budget \$ m	1998 Games Budget \$ m	Increase \$ m	Increase %
Athletic Training	11.1	2.8	(8.3)	-75
Baseball	13.9	–	(13.9)	-100
Equestrian	13.9	43.0	29.1	210
Hockey	9.7	15.5	5.8	60
Penrith Lakes	32.0	36.0	4.0	13
Shooting	13.9	30.3	16.4	118
Tennis	11.1	30.9	19.8	178
Velodrome	4.2	40.9	36.7	874
Archery	–	3.0	3.0	new
Miscellaneous Works	–	7.1	7.1	new
Sailing	–	0.1	0.1	new
Slalom Canoeing	–	3.5	3.5	new
Softball	–	11.1	11.1	new
Water Polo (second venue)	–	2.9	2.9	new
Total	109.8	227.1	117.3	107

Note: All figures are recorded in 1998-99 dollars.

At the time of this Report the Government is considering the provision of funding for seating and field modifications to the Olympic Stadium.

⁶ Since June 1998 OCA has announced that it will construct a second baseball facility adjacent to the softball facility at Aquillina Reserve, Blacktown. OCA is to fund its share of the cost of this work, \$3m, from its unallocated contingency.

Cost of Land

Excluded from OCA's capital budget is the cost of land on which many venues for the Games are being constructed. For example land owned by the Crown at:

- Homebush for the Olympic Park
- Horsley Park for the Equestrian Centre
- Penrith Lakes for the Regatta Centre

is not included. In most instances the resulting facilities will provide a long term-legacy.

The Games Budget does include land purchased for venues such as the Media Village at Lidcombe (purchased from the Department of Health) and the Newington Arms Depot site (purchased from the Commonwealth and for which remediation costs are to be subtracted from the agreed price).

Contingency Reserve

With \$1.4b (63%) of the capital works complete as at 30 June 1998, a contingency reserve of \$68.5m remains. The reserve represents 8.5% of the value of the outstanding work.

The advanced state of OCA's program some twenty months before the event, to provide venues and infrastructure for the Games, compares favourably with the experience of other Host Cities.

Recurrent Program

Recurrent costs include personnel and running costs (rental, advertising consultants and IT) of venues before, during and after the Games. As indicated in Table 5.7, the estimate for recurrent costs has increased by \$217.2m to \$235.9m. This amount includes operating costs for the Olympic Park site.

In the bid budget the only provision for recurrent costs associated with the capital program and its co-ordination was \$18.7m for the operating costs of the Office of Olympic Co-ordination.

Since that time the role of OCA in co-ordinating the Games has increased with the recognition, after Atlanta by the IOC, SOCOG and the Government, that the size and complexity of the Games requires greater levels of public infrastructure and government oversight.

Revenue

The revenue estimate has decreased by \$13.7m to \$618.0m.

The largest variance is the loss of revenue from the proposed sale of the RAS site at Moore Park (\$86.4m). The sale did not eventuate and the site was leased with rent received by the Centennial and Moore Park Trust.

The decrease in revenue have been off-set by the proposed sale of the Lidcombe Media village,⁷ increases in the rental fees paid by SOCOG for facilities for the Games and an additional Commonwealth contribution of \$25m towards the RAS relocation.

5.8 Other Government Agencies

The Bid Estimates envisaged no other expense to agencies beyond that which the various committees (with agency representation) included in the candidature file.

The costs of agencies in terms of security, health and transport, were included within the Bid Estimates and the SOCOG budget and, in so far as they reflect a contribution by SOCOG to agencies, the contributions are included as an off-set against agency costs.

After 1996 and the Atlanta Games, government agencies reviewed their involvement in hosting the Games.

As detailed in chapter 3, the Government approved a definition of bid costs and, as allowed by its Act, OCA initiated the collection and co-ordination of other agency costs in mid-1997 which were included in the 1998-99 State Budget Papers.

The appropriations made for supporting government agencies are outlined in Table 5.9 below.

⁷ the former Lidcombe Hospital site was purchased from NSW Health (the purchase price of \$25m is included in the Media Village program)

Table 5.9: Approved Expenditure by Supporting Government Agencies

Agency	Expenditure \$m	SOCOG Contribution \$m	Revenue \$m	Net Expenditure \$m	Adjustment to Expenditure by The Audit Office \$m
Transport (c)	352.5	41.9	78.1	232.5	+2.3 (a)
Security	173.7	39.7	–	134.0	+40.3 (a)
Health	9.8	1.0	–	8.7	–
Waterways	9.1	–	–	9.1	–
Minor agencies	19.7	–	–	19.7	+2.2 (a)
					+ 11.7 (b)
State Venues	20.0	–	–	20.0	–
Temporary Facilities	20.0	–	–	20.0	–
Technology	10.0	–	–	10.0	–
Total	614.8	82.6	78.1	454.1	+56.5

Notes: All figures are recorded in 1998 dollars.

(a) These adjustments add back the known full costs of services provided by government agencies that are not included within the Games Budget. For example the marginal cost of police overtime is recorded within the Games Budget but the underlying salary cost of \$40.3m is not so recorded. Section 3.4 *Exclusions* provides more detail on the definition of costs and exclusions from the Games Budget.

(b) This adjustment includes:

- \$10m received by TAFE from the NSW Construction and Building Industry Strategy to support training for the construction industry to provide Games infrastructure
- \$1.7m funding to the Department of Education and Training for additional construction costs for a school at Homebush Bay to be used during the Games as the Village Polyclinic.

Inclusive of these amounts, adjustment to expenditure by The Audit Office for the supporting government agencies totals \$671.3m.

(c) ORTA has advised that transport figures have altered since the Budget of June 1998. Estimated transport expenditures have reduced to \$324.1m, SOCOG's contribution increased by \$78.1m to \$120m and the revenue estimated reduced to \$17m - see section 6.5 *Recent Developments*.

The approved budgets fund the delivery of services to spectators and the Olympic Family. As such the approved costs of agencies complement and or subsidise the budget of SOCOG.

81% of agency costs are generated by the transport and security agencies. Their detailed review is provided later in this report.

Although the budgets of these (enabling) agencies are small in comparison to those of SOCOG and OCA, they are also in a much earlier stage of development. Planning and negotiations are still underway particularly in regards to:

- the impact of the Games outside the immediate vicinity of the venues
- the extent to which SOCOG contributions will eventuate
- the ability of the transport agencies to realise anticipated revenue.

Cabinet has also allocated a provisional sum of \$50m to OCA to disperse to agencies and other parties under the three following programs.

Government Owned Venues

While SOCOG is obliged to pay for the rental and fitout of venues, there is some question over its ability to reimburse fully other state owned venues required by SOCOG to host the Olympic Family.

For example, SOCOG's exclusive occupancy of the Opera House and Darling Harbour convention and exhibition facilities for the sixty day event will have a significant impact upon the finances of these venues. To mitigate this, and to allow SOCOG to showcase the city and the state, a subsidy of \$20m has been approved to compensate such venues.

Technology

The NSW Budget has approved \$10m to facilitate some uniformity in the approach of agencies towards the use of new technologies in the bid environment. The internet and the role of the Government in hosting the event are seen to provide an opportunity to promote the state to the world.

Temporary Facilities

Both SOCOG and OCA recognise, and are planning for, the impact of the Games on the Urban Domain, that is the area outside the immediate vicinity of the venues for the Games.

Although these costs are not, according to the Government's definition, direct costs of the Games, a provisional amount of \$20m has been provided in OCA's budget for temporary service facilities for city precincts. These temporary services and facilities are likely to include the supplementation of sanitation, waste disposal and crowd and traffic control.

OCA is currently planning with agencies and local governments to manage the broader impacts of the Games upon Sydney.

Recent negotiations suggest that some of this money allocated to OCA may be used to reimburse agencies for the additional expense in meeting expected levels of service in the environment of the Games.

Conclusion

The reassessment of the Bid Estimates has resulted in significant increases in SOCOG's costs, OCA's capital and recurrent budgets and additional budgets for government agencies which are required to support the hosting of the Games.

Table 5.10: Gross Budgeted Games Expenditure

Agency	Bid Budget \$m	Games Budget as Adjusted by The Audit Office \$m	Variation %
SOCOG	1,907.6	2,667.0	40
SPOC	110.0	156.8	43
OCA	1,894.7	2,421.5	28
Government Agencies	–	671.3	new
<i>less</i> Interagency transfers (a)	(268.6)	(473.2)	
Gross Government Expenditure	3,643.7	5,443.4	49
Private Capital Expenditure	1,185.6	1,084.8	-9
Estimated Gross Expenditure	4,829.3	6,528.2	35

Notes: All figures are recorded in 1998 dollars except for SOCOG which is in nominal dollars.

(a) Interagency transfers includes payments by SOCOG to OCA for venues rental and construction costs; and by SOCOG to supporting the government agencies.

The additional and significant contributions that are now required from the Government to host the Games render the “dividend” payable to the Government by SOCOG largely symbolic.

The Games Budget contain risks. These include:

- the fulfilment of SOCOG's sponsorship targets
- the reliability of important revenue and expenditure predictions such as SOCOG's ticket sales and venue overlay costs

- increasing costs to the Government through the provision of additional services for SOCOG by government agencies
- limited contingency funding.

The uncertainty surrounding many of these risks will continue up to the holding of the event.

6. Transport

6.1 Introduction

The transport budget is a key issue. The success of transport will inform the actual or perceived success of the Games. The expanded scope and understanding of the transport task since the Bid Estimates of 1993 and the subsequent impact on the quantum and distribution of costs between SOCOG and the Government testify to its importance.

The transport budget discussed here includes only transport costs within New South Wales for the period of the Games and excludes the cost of airfares and freight for 15,000 athletes and officials which was included in the transport Bid Estimates but is now incorporated in SOCOG's NOC Services program.

ORTA has advised that the estimate is under review currently as part of the normal budgetary review cycle for all transport agencies. Any announcement of revised budgets (for transport) will occur as part of the budgetary cycle.

Host City Contract Under the Host City Contract SOCOG is to provide a reliable system of transport for the Olympic Family, the workforce and volunteers (for the Games) and to take steps so the general public can benefit from such a transportation system.

The Provision of Transport Within New South Wales, the Government is to provide the general public with transport to venues. Under the ticketing policy for the Games announced in 1998 an integrated ticket will entitle spectators' to travel to and from the venue as well as to enter the venue. The Government is considering currently the ticket and fare arrangements for other commuters who wish to travel, for example, to Homebush Bay to participate in the experience as "sightseers".

The IOC is expected to consider the transport arrangements for the 2000 Games in September 1999.

Scope and Cost	<p>The understanding of the scope and complexity of the transport task has increased significantly since the Bid Estimates were prepared. ORTA has advised that the Bid Estimates of 1993:</p> <p><i>were based on an understanding at that point in time of the scope and level of transport services required. However this understanding has now increased considerably and the Government is now better able to more accurately identify, quantify and estimate the level of transport required.</i></p>
<i>Bid Estimates</i>	<p>According to the Bid Estimates, SOCOG and SPOC were to provide transport services for \$29m (expressed in 1992 dollars or \$33.7m in 1998 dollars). The majority of this amount related to the transportation of the Olympic Family.</p> <p>At the time the Bid Estimates were prepared a \$4m park and ride program was considered sufficient to meet the transport needs of spectators which would be largely covered by a hypothecated transport levy on tickets for the Games .</p>
<i>SOCOG 1997 Review</i>	<p>SOCOG reviewed the transport estimate in 1997 and increased it to \$46.2m (1998 \$) to reflect rises in the cost of transport for the Olympic Family. The provision of spectator transport was assumed by SOCOG to be cost neutral for budgeting purposes. The estimate envisaged a ticket pricing strategy that would incorporate transport costs on user-pay principles. As a result the park and ride program was reduced to \$2m.</p>
<i>Atlanta and ORTA</i>	<p>Following the difficulties experienced with transport at the Atlanta Games, the Government established the Olympic Roads and Traffic Authority (ORTA) in April 1997 to co-ordinate the planning and delivery of transport for the Games.</p> <p>ORTA is to oversee transport for all people in Sydney during the Games and other nominated test events including the Royal Easter Shows of 1998, 1999, and 2000.</p>
1998 Transport Budget	<p>In 1998 ORTA conducted the first comprehensive and coordinated review of the transport budget for the Games undertaken by a government transport agency. The review culminated in a net transport cost to the Government of \$232.5m which is included in the Games Budget and represented in <i>Table 6.1</i>.</p>

These costs comprise: planning, coordination and transport service delivery by ORTA and the RTA; temporary road works of RTA; and the costs of the dedicated carriers for the Games providing both bus and rail transport.

This budget of \$232.5m represents a seven-fold increase from the (escalated) 1993 Bid Estimates. The principal reasons for this increase are:

- the inadequacies of the Bid Estimates in that the estimates focused on providing for the transport needs of the Olympic Family and made little or no provision for the operating costs of providing spectator transport
- the Government's decision to place a greater reliance upon rail transport to avoid the grid-lock of roads which occurred in Atlanta. As rail is a subsidised form of transport the earlier assumption of an integrated ticket for the Games which was cost neutral to the Government is no longer applicable
- the expansion of the period of the Games over which transport is required. At the time of the bid a 16 day time frame was envisaged for the Olympic Games. The current budget of SOCOG (1998) is predicated on the 32 day operating period of the Athletes' Village. In contrast SOCOG's *Concept of Operations for Transport* (on which the Strategic Plan and agencies' costs have been based) requires transport for a 60-day timeframe.

This 60 day period refers to the competition periods of the Games and the layover between. The timeframe is consistent with the Host City Contract which requires that the Athletes' Village operate between 2 September and 1 November 2000. ORTA advises that demand will be less intense for most of the non-competition period

- the Government's decision to provide 24-hour rail and dedicated bus services for the Games as required. ORTA advises that a full 24-hour service will not be necessary outside of the peak competition period.

*Further
Developments*

Since the preparation of the 1998 Games Budget the Board of SOCOG has approved an arrangement by which SOCOG will contribute \$120m (an increase of \$78.1m) towards the cost of transport. ORTA and OCA have advised that this contribution will provide a capacity to absorb the cost of future risks.

6.2 Transport Issues

The Challenge

The Sydney 2000 Olympic and Paralympic Games will create a brief but unprecedented demand for passenger transport in Australia. According to ORTA the number of daily rail journeys will increase by over 80% and bus journeys will increase by 50% during the Games. The transport task has been equated to a New Year's Eve night for 18 days and nights and a Royal Easter Show for 12 more days.

Sydney presents advantages and disadvantages in terms of transport.

The Rail Network

Sporting venues are located along a seventy kilometre long, five kilometre wide corridor from the rowing events at Penrith to volleyball at Bondi Beach.

While Homebush Bay is the geographical centre of Sydney, and Sydney's public transport system is reputedly better than that of Atlanta, most rail routes lead to the central business district (CBD) of the city.

Recent developments to this system are the rail link to Homebush Bay (expected to carry between 250,000 and 400,000 commuters each day during the Games) and the Southern Railway Link between Arncliffe, Kingsford Smith Airport and the city. The former development is seen as strategically important to the transport solution for the Games.

Most spectators will attend sporting venues which are located within Homebush Bay as is the athletes' village which is within walking distance of major sporting venues. This is both an advantage and disadvantage, the latter because it will generate a concentration of people in one major location which may result in congestion.

Rail and Buses

Sydney will use a combination of rail and bus transport supplemented by buses to and from satellite car parks and water transport. Water transport is likely to be sufficient only for members of the Olympic Family.

Rail is expected to transport 65% of commuters, and buses 35%, to venues. This focus brings a pressure on the capacity, efficiency and trouble free operation of rail and bus services, particularly at Homebush Bay at the conclusion of a day's events (the Olympic Stadium will seat 110,00 during the Games). A significant signal failure, for example, within the rail network poses a serious cumulative risk to the transport task.

Strategies

To meet the demands imposed by the Games, the transport strategies include:

- a ban on the parking of privately owned motor vehicles at Homebush Bay and other venues
- a reduction in normal commuter traffic for the duration of the Games by introducing staggered working hours, encouraging workers to take recreation leave, scheduling school holidays to coincide with the Games
- "park and ride" schemes to be established around Sydney to feed spectators on to bus and rail services.

6.3 The Bid Estimates

According to the Bid Estimates, SOCOG and SPOC were to provide transport to the value of \$29m (measured in 1992 dollars or \$33.7m measured in 1998 dollar values).

The Bid Estimates provided only for a minor capital contribution towards the cost of providing spectator transport but made little or no provision for any operating costs thereof.

The estimate for transport was based on forecasts for leasing of local transport and associated wage costs.

The estimate was formulated by the transport committee of SOBL which was chaired by the director-general of the Department of Transport. Transport consultants reviewed the estimates which were refined by the committee in consultation with the SRA, the Department of Transport and the property services group of the Department of Public Works and Services.

In developing the estimate for transport the following assumptions were made:

- the Games will be held during school holidays
- events will commence outside normal peak hours
- the provision of transport for the Olympic Family was required for the 16 days only of competition.

6.4 1997 Revision

The estimate for transport was revised by SOCOG early in 1997 and increased by 54% to \$46.2m (measured in 1998 dollars) to reflect increases in the cost of transporting the Olympic Family. The provision of spectator transport was assumed by SOCOG to be cost neutral for budgeting purposes. As a result the park and ride program was reduced to \$2m. The review was internal to SOCOG and not part of a wider government review of transport for the Games.

The estimate of \$46.2m was for the Olympic Family and a park and ride program over a 28 day program only and excluded therefore any costs associated with spectators and transit services.

The revised estimate included the following assumptions:

- spectator transport would be provided on a user pays (cost neutral)
- the ticketing strategy would, when negotiated, be inclusive of transport
- the period over which transport was to be provided to the Olympic Family was increased to 28 days to coincide with the opening dates of the athletes' village in accordance with the bid commitment
- the Australian Defence Force would provide 1200 drivers at no cost to SOCOG⁸.

⁸ This offer did not eventuate and the 1998 revised budget substitutes a combination of volunteers and professional drivers.

6.5 1998 Games Budget Transport Estimate

Introduction

This section of the report reviews the estimated costs of transport for the Games within the Games Budget as revised by ORTA.

Costs for transport were included within the State Budget which was tabled in Parliament in June 1998. These costs are the most recent publicly announced estimate for transport.

Also subject to comment is a revised cost of transport as advised by ORTA. The revision was prepared after the tabling of the State Budget and is discussed under the heading *Recent Developments*. The most significant development of the revision is the increase in SOCOG's contribution for transport to \$120m.

In recent correspondence to OCA ORTA has advised:

It is again stressed that ORTA and its transport providers are currently undertaking a periodic review of budget costs and revenues. When this review is completed a more accurate estimate of the overall cost of transport will be identified and estimated savings to Government more accurately quantified.

Games Budget Costs

The gross cost of transport included within the Games Budget is \$352.5m, an increase of \$318.8m when compared to the (escalated) Bid Estimates. The net cost to Government is \$232.5m.

Of the \$120m difference between the gross and net costs, \$41.9m was to be paid by SOCOG to ORTA as the co-ordinator of public transport. The remaining \$78.1m was at the time, regarded as revenue to be generated by spectators and payable to ORTA for subsequent distribution to transport service providers.

As indicated in *Table 6.1 Games Budget Transport Costs for the Olympic Family and Spectators*, the net cost to the Government for transport (\$232.5m) comprised :

- \$138.2m for spectator transport
- \$61.2m for Olympic Family transport, and
- \$33m for the provision of free public transport to accredited persons.

Table 6.1: Games Budget Transport Costs for the Olympic Family and Spectators^a

Agency	The Olympic Family ^b	Free Public Transport ^c	Spectator Transport	Total
Net ORTA cost	\$59.0m	\$33.0m	\$32.4m	\$124.4m
Recurrent Expenditure	\$100.9m Olympic Family bus, fleet, ferry, and in-village transport costs and a share of ORTA's operating costs	\$33.0m Free public transport for accredited persons	\$73.7m Spectator transport and a share of ORTA's operating costs	\$207.6m
Recurrent Revenue	(\$41.9m) SOCOG Contribution		(\$41.3m) Spectator Revenue	(\$83.2m)
Net SRA cost			\$102.6m	\$102.6m
Recurrent Expenditure			\$101.3m ^d	\$101.3m
Recurrent Revenue			(\$36.8m) Spectator & Fare Box Revenue	(\$36.8m)
Capital Expenditure			\$38.1m Enhancement of metro stations to cope with the anticipated crowds and enhanced maintenance programs to ensure the availability and reliability of trains and track.	\$38.1m
Net RTA Cost	\$2.3m		\$3.2m	\$5.5m
Recurrent Expenditure	\$1.2m Olympic Family Transport Routes		\$1.2m Transit Services	\$2.5m
Capital Expenditure	\$1.1m Olympic Family Transport Routes		\$2.0m Spectator Bus Lanes	\$3.0
Net Cost to the Government	\$61.3m	\$33m	\$138.2m	\$232.5m

Source: Expenditure of ORTA, SRA & RTA approved by OCA as per the Statement of Resource Requirements and Budgets (SRRBs).

*Notes ^a This table is based upon the Games budget consolidated by OCA and approved by Cabinet. It does not reflect the recent decision of the SOCOG Board to increase its contribution to transport to \$120m (refer following text)

^b Refers to costs of dedicated and exclusive transport for the Olympic Family

^c Refers to costs of free public transport to accredited persons

^d Refers to additional operating costs of an expanded rail services. Costs include:

- overtime and the recruitment, training and salaries of additional staff
- free public transport to accredited persons including the Olympic Family as separate costs were not provided by the SRA

**Recent
Developments**

Following the release of the Games Budget, SOCOG and ORTA conducted a joint review of the level of transport services required for the Olympic Family.

The Board of SOCOG determined that SOCOG would contribute \$120m towards transport, an increase of \$78.1m from the amount in the 1998 Games Budget. This payment comprises:

- ◇ \$72.5m for the Olympic Family transport and
- ◇ \$47.5m for spectator transport.

The \$47.5m is to be distributed by ORTA to transport providers on the basis of services rendered.

Parallel to this development, ORTA has advised of (but not yet substantiated) the following changes to the transport estimate.

- the cost of providing exclusive transport for the Olympic Family will be reduced from \$103.2m to \$72.5m (a reduction of \$30.7m). As this will be fully funded by SOCOG it represents a saving of \$61.3m to the Government
- the cost to the Government of providing transport for spectators has increased by \$15.9m.

Whereas the Games Budget anticipated user revenues of \$78.1m, the revised estimate is \$64.5m and comprises:

- ◇ a \$47.5m contribution from SOCOG
- ◇ \$6m for paralympic spectators and
- ◇ \$11m for additional SRA sight-seer fares.

In addition, \$2.3m of Olympic Family costs have been reclassified as Spectator transport.

- overall the net external revenue anticipated by ORTA to fund the transport budget has increased by \$45.4m. As a result the increased SOCOG contribution will provide the capacity to absorb the cost of future risks.

These changes to the estimate for transport have yet to be approved by the Government.

Due Process

ORTA is an agency of the NSW public service pursuant to the Public Sector Management (ORTA) Order 1997 .

The chief executive of ORTA is the chief executive of the RTA. In addition, the board of ORTA is comprised of the director-general of the OCA, the chief executive officer of SOCOG, the director-general of the Department of Transport, and the deputy commissioner, Operations, of the Police Service.

In consultation with the OCA, ORTA approached the Bus and Coach Association and the Government transport agencies, DoT, SRA, RTA and STA, to develop a strategic plan for transport which was released in February 1998.

Concurrently with the preparation of the strategic plan, ORTA, RTA and SRA developed statements of resource requirements and budgets (SRRBs) with input from the operational managers responsible for transport. These statements were consolidated and reviewed by the individual agencies for reasonableness and completeness before being submitted to OCA and ORTA.

Throughout the process, the assumptions and estimates were subject to scrutiny by OCA and in the case of SRA, by consultants, Arthur Andersen. The strategic plan for transport and the estimate of costs were prepared on the basis of existing knowledge of the Sydney transport systems and scrutiny of the arrangements in other host cities with particular reference to Atlanta.

The SRRBs as revised by ORTA and OCA form the basis of the estimate for transport costs examined in this report.

Assumptions

The following assumptions underpin the Games Budget and where expressly mentioned the subsequent revision.

*Olympic Family
Transport*

SOCOG and ORTA advise that under the revised arrangements SOCOG is to reimburse the Government for the cost of dedicated and exclusive transport for the Olympic Family. Such transport comprises:

- bus, car fleet and ferry services
- in-village transport costs
- a car for individual members of the IOC, International Federations and the NOCs
- a share of ORTA's planning and coordination costs.

Free Public Transport

Under s.14 of the Host City Contract OCOG (SOCOG's predecessor) undertook to provide free transport to accredited athletes, coaches, officials, Olympic Family members and media. ORTA advise that this undertaking has been superseded by a Government commitment:

to provide supplementary free public transport on Government funded and provided transport services. This government bid commitment has generally been interpreted to apply to the Olympic workforce (including volunteers) in addition to VIP's, athletes, officials and accredited media although the specific entitlement in respect of scope and time period etc. are still being finalised.

- only applies to rail and the designated bus carrier, Bus 2000.

The audit observes that this government commitment is much broader than the original Host City Contract as it may extend free public transport to the workforce for the Games including volunteers and the employees of SOCOG, contractors and sponsors. It is arguable that many of these accredited persons can be properly considered officials belonging to the Olympic Family and that the Government is subsidising SOCOG in meeting its obligations.

Spectator Transport

Under the revised arrangements SOCOG is to pay ORTA \$47.5m as a contribution to the cost of spectator transport. SOCOG's 1998 *Games Budget Reforecast* describes the contribution paid to ORTA as a 'transport levy'.

A ticket to an event entitles the holder to use the city-rail network and the designated bus network without further cost. An ticket holder to the Games travelling for example, from the extremities of the CityRail network will incur no additional costs for travel, provided travel ceases by 4am of the morning following the previous day's events.

Using SOCOG's estimate that only 4.5m ticketed spectators are likely to travel to the Games by public transport, the \$47.5m constitutes a notional levy of \$10.56 per ticket. A full recovery of spectator transport costs of \$138.2m (as contained within the Games Budget) would require a transport levy in the order of \$30.73 per ticket.

ORTA advises that the net cost of \$138.2m includes the cost of operating an expanded rail service. That is, the cost includes the provision of free rail transport to accredited persons.

With the cost of a ticket as low as \$10 for certain events, purchasing a ticket to the Games will be more economical than purchasing a rail ticket from the extremities of the network (such as Scone, Goulburn, Bathurst, Nowra and Dungog) regardless of whether the purchaser attended the Games event or not. For example a standard single economy ticket from Scone is \$42 and Bathurst \$32. It is acknowledged that any loss of revenue from this source would likely not be material.

The assumption, held until 1997, that spectator transport is to be cost neutral has been precluded by several policy decisions including:

- to actively encourage spectators and sightseers to use public transport during the Games
- to rely upon rail (the normal operations of which enjoy a government subsidy) to avoid gridlock and congestion
- to encourage attendance at the Games by all members of the community and not to restrict the opportunity to partake in the experience of the Games to those members of the public who are affluent or who reside in the metropolitan areas.

Non-Designated Games Transport

The State Transit Authority (STA) which manages public bus and ferry networks is not a designated carrier. As such STA does not envisage providing resources in support of the Games other than on a commercial basis.

For this reason STA believes it will make a full recovery of costs for services provided and that its net revenues will not be adversely affected by:

- the disruption to normal bus and ferry services
- the increased costs incurred in providing 24 hour services on some routes to a greatly expanded population
- ORTA's program to reduce normal commuter demand.

STA in fact has expectations of making a profit, as yet unquantified, due to increased levels of patronage.

According to ORTA additional costs relating to the current upgrading of all STA buses with closed circuit television security and the expanded major maintenance program for older buses before 2000 reflects a policy decision of the Government. However the associated costs are not classed as costs of the Games and are to be absorbed as a part of normal commercial operations.

STA anticipates chartering Rivercats for the Olympic Family and possibly some buses to Bus2000 the costs of which are included within the ORTA estimate for transport.

According to STA no additional community service obligations will be sought because of the Games. STA is expecting to make a full cost recovery on any buses or vessels chartered to ORTA or to sponsors of the Games.

Controlling the Demand for Transport

In addition to government sponsored plans to extend school holidays and to encourage public servants to take recreation leave during the period of the Games, ORTA has an \$8.8m program to modify the travel patterns of motorists, commuters and freight transport during the Games.

SRA's plans assume that that regular commuters will be actively discouraged from travelling, to alleviate commuter congestion. The number of regular weekday commuters is planned to decrease by 25% during the period of the Games.

Transport Capacity

The residual base demand combined with the demand during the Games will require fleet utilisation rates of up to 97%.

Although SRA achieved similar utilisation levels during the 1998 Royal Easter Show, the Games will require services of greater frequency spread over twenty four hours each day and for a significantly longer period. SRA believes this level of service can be sustained during the Games.

SRA's transport estimates include significant expenditure on increased levels of maintenance to ensure train and track readiness and a minimum of down-time. In addition SRA intends to undertake a test program by running a 4 day overlay of the timetable for the Games during the 1999 Royal Easter Show.

ORTA estimates that 3,350 buses and coaches and 4,800 drivers will be required for the Games.

To meet this demand the Bus and Coach Association of NSW

(BCA) agreed to form a company (Bus 2000 Pty Ltd) to provide bus and coach services for the Games under the Bus 2000 Heads of Agreement signed on 12 June 1998 by the Minister for the Olympics, SOCOG, ORTA and the BCA.

Existing Work Practices

SRA drivers and guards are employed under awards which require that they be permanent employees and which limit the distance a driver may operate a train to 217 kilometres per shift.

The SRA is developing proposals to create more flexible conditions for train drivers and guards as part of an enterprise bargaining process.

ORTA expect that these efficiencies will be implemented in time to provide cost savings to the Games Budget.

OCA, however, have required that Games Budget be prepared using a conservative methodology, that is on the basis of existing awards and work practices.

As a result, the SRA has provided \$61m (46% of the SRA estimate for transport) for the employment, recruitment and training and retention of over 500 permanent employees needed for the Games, but additional to SRA's normal requirements. The cost of managing the surplus staff after 30 June 2001 has not been included as an cost of the Games because any such cost:

- will be incurred outside the relevant period for the global budget, that is after 30 June 2001
- it is difficult to apportion the games and non-games elements.

While the assumption of existing work practices requires recruitment of additional resources to commence by June 1998, no additional staff had been employed by that date.

Salary costs

In accordance with government policy on costs of the Games the base remuneration paid to train drivers and other permanent public employees undertaking games-related work is not included as a cost of the Games.

Overtime and penalty rates paid to employees and the costs associated with the employment of additional staff to meet the extra demand created by the Games are being treated as costs of the Games.

Risks and Contingencies

The estimates for transport make no provision for contingencies, some of which are discussed below.

Demand

The demand risk is significant and falls upon both core activities of the Games and government services.

Demand is related to the number of visitors to Sydney, whether residents participate in the experience of the Games, and how effectively normal demand patterns for transport can be modified.

The uncertainty of demand poses a risk for the revenue streams of the transport agencies through fares and, to a lesser extent, to cost structures. Many costs will be incurred before the level of demand becomes observable. Agencies will be constrained by finite human and physical resources.

SRA, in particular, and because of the lead times required, will have limited scope to amend operating schedules if demand varies from the levels anticipated.

Security

The transport agencies are yet to finalise the level of transport security required during the Games.

Although current SRA policy requires two security officers to travel on every evening train, the estimates for the Games only provide for an additional fifty guards to secure much greater number of evening journeys.

The increased level of patronage and other risk-reduction measures may ameliorate the need for security guards on each train, on the other hand a security presence may minimise the disruption which incidents can cause to tight train timetables.

In addition, the transport agencies, including STA, have yet to determine the level of security needed to protect depots, stabling yards, signals and switches during the period of the Games.

These agencies are developing plans, in conjunction with OSCC, to address a number of security concerns including violence, vandalism, pickpockets and bomb threats.

Purchaser and Provider Agreements Memoranda of Understanding (MOU) and Service Level Agreements (SLA) concerning transport are unsigned currently but are likely to be formalised in early 1999.

While the provision of transport is the subject of ongoing discussion and negotiation, critical questions of responsibility, service levels and cost sharing are not resolved fully.

SOCOG has advised that the delay in signing MOU is because of the difficulty in concluding detailed and specific agreements in regard to planning when the Games are approximately twenty one months away.

It is understood however, that transport agreements will be the first to be signed.

Exclusions

Capital Works The Games Budget for transport does not include significant transport infrastructure works which are under construction and due to be completed before the Games, because the responsible agencies have demonstrated that the need and planning for the projects are long standing.

These projects include the New Southern Railway (Arncliffe-Mascot-City), the traffic management centre, and the RTA road program (including the Eastern Distributor and the Homebush Bay and Centenary Drive flyovers). For example, the Homebush Bay flyover addresses one of the worst "black spots" for accidents in the State.

Olympic Park Loop and Station In contrast the cost of construction of the Olympic Park rail loop and rail station is a recognised capital work of the Games and is accounted for separately in the OCA infrastructure budget at a cost of approximately \$95m.

Indirect Costs The following transport and related costs have also been excluded from the global budget.

Accelerated Costs Accelerated capital costs, that is those costs incurred to ensure that the non-games capital projects (outlined above) are complete before the Games to avoid disruption, have been excluded from the Games Budget on the grounds that it is too difficult to apportion the component applicable to the Games.

Test Events

Although the Royal Easter Shows of 1998, 1999 and 2000 are designated as transport test events for the Games, the associated costs incurred by ORTA and the transport agencies are not included as a cost of the Games.

ORTA advises that the marginal costs of running trains, additional to the Royal Easter Show (RES) requirements, to simulate the timetable for the Games during the 1999 RES, may be considered as expenditure of the Games in the forthcoming budget review.

Local Government

ORTA has responsibility for establishing an interface with local government over issues such as road and lane closures, barriers, signage and access for amplified municipal sanitation and garbage services.

Apart from a provision of \$200,000 in ORTA's estimate for local area parking, these costs borne by councils have been excluded from the budget.

In addition, significant improvement work is being undertaken on local roads by municipalities in the lead-up to the Games.

These improvement works, to the extent that they result from a decision of Local Government (and are not therefore a cost approved by the Government) are not included as a transport cost of the Games.

Conclusion

- the process used to review and compile the revised estimates for transport has been undertaken and managed by suitably qualified practitioners who have applied reasonable procedures. This is evidenced in part by the establishment of ORTA to plan and coordinate transport following the experience of the 1996 Atlanta Games
- the seven-fold increase in the net transport estimate from that included within the Bid Estimates is predominantly due to a greater appreciation of the transport requirements to service the Games than was apparent in the simplistic bid assumptions. The cost now estimated reflects the resource requirements identified through a detailed planning process that has focussed on necessary outcomes for Sydney's transport system during the Games
- although the Board of SOCOG has approved an additional contribution for transport, ORTA, and ultimately the Government, will be required to meet any additional costs incurred in providing free transport to the Olympic and Paralympic Families and accredited persons
- certain transport expenditures indirectly related to the Games (costs relating to accelerated capital works, test events and local government initiatives) are not included in the estimate for transport
- the base remuneration paid to train drivers and other permanent public employees is not included as a cost of the Games (on the grounds that it is considered by OCA to be a fixed cost to the Government) nor is the cost of reducing employment numbers to pre-games levels
- uncertainty of demand poses a risk to ticket revenue and the capacity of the designated carriers system to achieve extremely high rates of utilisation. The estimate assumes that this risk will not result in any net cost for the (non-games) public bus system.

7. Security

7.1 Introduction

This section of the report reviews the arrangements for security and the associated costs of SOCOG, SPOC and the Police Service.

The Host City Contract

Under the Host City Contract OCOG (now SOCOG) is responsible to the IOC for all aspects of security on site prior to and during the Games. SOCOG is to co-ordinate security with appropriate authorities of the Host Country.

Decisions as to the type and level of security to be provided are matters for the Host Country.

Although responsibility for security rests with SOCOG under the Host City Contract, the bid documents identify the Police Service as responsible for the provision of security during the Games. This is evidenced in part by the appointment of the Commissioner for Police as chair of the Olympics Security Working Committee (OSWC), an organisation established to bring a co-ordinated and centralised approach to security.

Although planning for security is not complete, the IOC has expressed satisfaction with arrangements for security.

Costs and Scope

The Games estimate for security is \$177.4m, of which the Police Service is to expend \$173.6m and SOCOG, \$3.8m.

SOCOG and SPOC are to contribute \$35.8m and \$2.2m respectively to the Police Service for its costs.

The Police Service is to receive supplementary funding to meet the cost of security.

The effect of these cost sharing arrangements is that the Police Service and ultimately the Government, is to meet the bulk of the cost of security.

The Police Service has advised that:

- further negotiations are being held between OCA and SOCOG which may vary the estimates for security
- supplementary funding will mean that normal policing functions will not be affected (because of the cost implications of security).

Apart from certain minor expenses, the cost of services to be provided by the Commonwealth Government (and other state governments) for security is excluded from the estimates.

In accordance with government policy on costs of the Games the security estimate does not include the base salary cost of police officers and other permanent public employees engaged in games-related duties but is limited to the additional or marginal costs such as overtime, penalty rates, the employment of private security personnel and temporary administrative officers etc.

The current estimated cost of security is almost four times higher than anticipated within the Bid Estimates.

Many venues to be used for the Games are as yet not constructed while risk assessments of other sites and precincts are preliminary. Decisions have yet to be made in regard to technological and hardware solutions for security (as well as human resourcing).

As a result security requirements and arrangements are not finalised and estimates of costs are likely to change.

7.2 Security Issues

The Task

Commitments given to the IOC, and implicitly to the broader international community, require that a safe and secure environment be provided for the Games.

The size, and international character of the Games, the concomitant media attention and the attendance of dignitaries combine to necessitate unique security arrangements.

While planning has as its focus the security of games events and locations, security has other significant implications such as the protection of athletes and VIPs outside of designated areas, border control, aviation security, counter-terrorism, the prevention of opportunistic crime (such as credit card fraud) and the maintenance of policing for the broader community.

The issue of security extends also to the large number of open spaces where people will congregate during the Games such as The Rocks, Darling Harbour, Sydney Harbour and its foreshores, city parks and retail areas.

Modern Games have witnessed an escalation in the size and scope of the security effort culminating in the Atlanta Games which involved the deployment of 30,000 Federal, State and local police, 10,000 military personnel and 2,500 FBI and Secret Service agents from a total of approximately fifty agencies. Despite this overtly intense security presence, a number of breaches occurred most notable of which was the Centennial Park Bombing.

7.3 Strategies

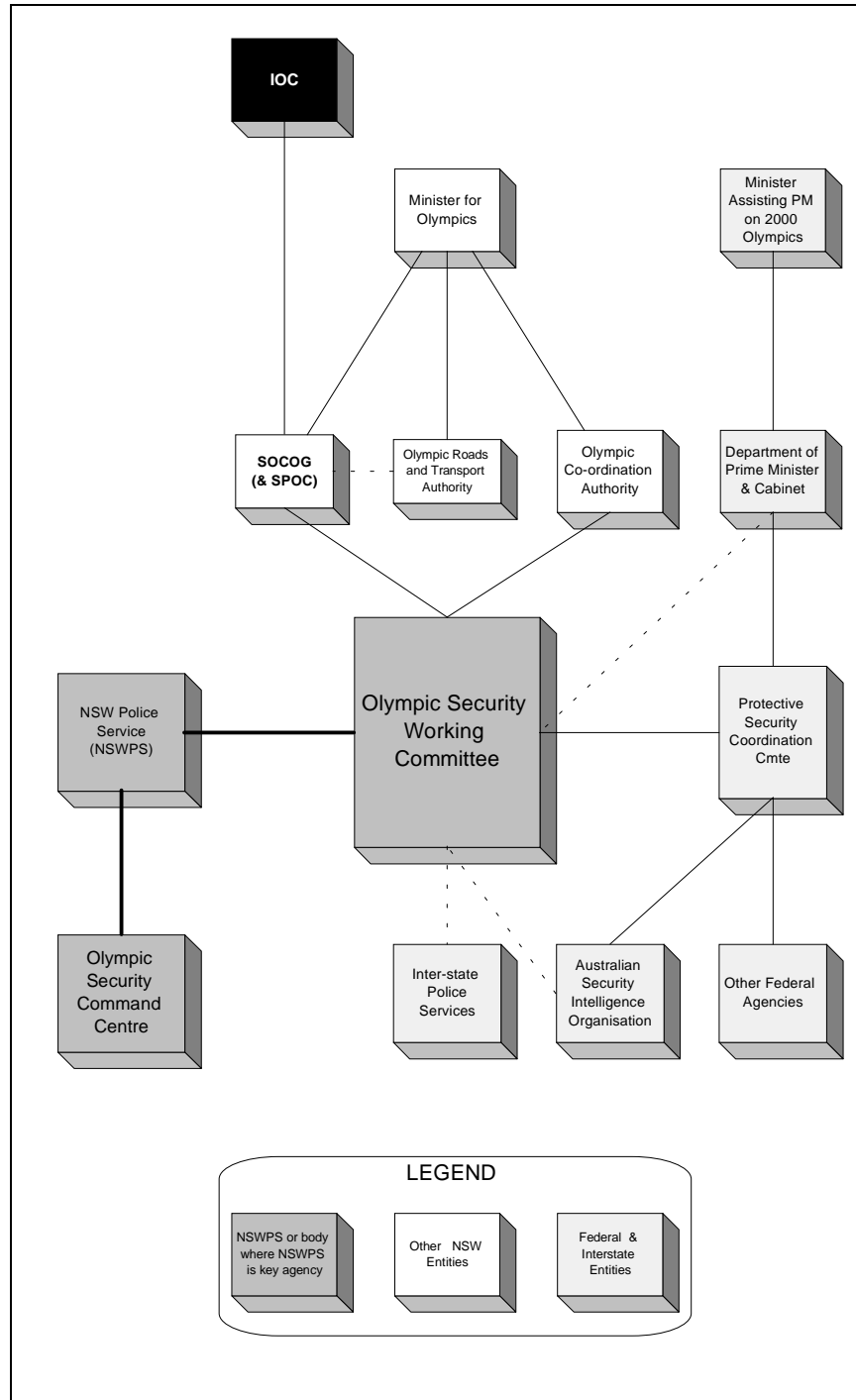
In the aftermath of the Atlanta Games the IOC, SOCOG and the Police Service have advocated the view that there is scope to improve security in the year 2000 in terms of its integration but that the security response should be appropriate to the assessed level of risk.

The security task involves complex interdependencies of Commonwealth and State agencies to oversight and co-ordinate planning and implementation. These are depicted in the diagram *7.1 Olympic Security Co-ordination Structure*.

While SOCOG is responsible to the IOC for security during the Games, SOCOG has no jurisdictional authority in policing matters, and consistent with its bid commitment, the Police Service has ultimate responsibility and accountability for security matters..

In meeting that responsibility the Police Service will place minimal reliance upon the resources of other state police forces.

Diagram 7.1: Olympic Security Co-Ordination Structure



Dual Security Model

The SOCOG Board and the Commissioner of Police have agreed in principle, to adopt a dual model for security during the Games.

The model proposes that :

- the Commissioner of Police has operational responsibility for security matters in regard to the Games (including law enforcement, intelligence, counter-terrorism and community policing)
- SOCOG is to engage contract security personnel for non-core security functions (including commercial security tasks such as asset protection and crowd management). Responsibility for these officers' roles and duties, however, remains with the Police Service.

The arrangements for security under the dual model will require a co-ordinated approach by the Police Service and SOCOG.

Planning and Cost Sharing Arrangements

The first draft of the OSCC Strategic Plan was endorsed, subject to revision, by the OSWC on 17 November 1997. As at November 1998 a Strategic Plan is yet to be approved by Government.

Agreement needs to be reached on arrangements for sharing security responsibilities and the associated costs.

SOCOG considers that its contribution towards the cost of security is limited to its financial commitment contained within the Bid Estimates⁹. Should SOCOG undertake additional non-core security functions the cost will need to be met by SOCOG and is not provided for currently.

This absence of an agreement for cost sharing has the potential to disrupt security planning. The ANAO in its report *Commonwealth Agencies' Security Preparations for the Sydney 2000 Olympic Games* (24 August 1998 pages 13 and 15) has made similar findings in respect of the arrangements of the Federal security agencies:

*...the absence of a MOU between the Commonwealth and NSW Governments and the lack of agreement on cost-sharing arrangements may be impeding the ability of the agencies to plan effectively.
The lack of agreement between the Commonwealth and*

⁹ The Bid Estimate for security has not been escalated by SOCOG and SPOC and consequently has devalued over time. If the 1993 estimates of \$47.5m was escalated to current 1998 values it would equate to \$55.1m.

Olympic organisers on cost-sharing arrangements is creating some doubt about the extent to which SOCOG will call on Commonwealth security services.

The Police Service has advised that:

- should SOCOG require additional services (for security) which vary the costs contained within the Bid Estimates, or are not supported by a risk assessment, additional costs will be incurred which will be brought to the attention of OCA for negotiation between OCA and SOCOG
- negotiations are currently under way in regard to establishing a MOU between the Commonwealth and all interstate Police Services. The MOU will “*clearly outline the cost sharing arrangements*”.

Olympic Security Working Committee

The structure and content of the Olympic Security Working Committee (OSWC) was reviewed in 1997. Its purpose is to provide a co-ordinated and centralised approach to security. As part of that review the Police Commissioner, as head of the Police Service became chair of the OSWC.

Membership of the OSWC is comprised of representatives of OCA, SOCOG, the Police Service and the Commonwealth Government. Other agencies such as SPOC and Australian Security Intelligence Organisation attend meetings as observers.

The OSWC meets quarterly and reports, on a regular basis, through the Director-General, OCA, to the NSW Minister for the Olympics and the Commonwealth Minister Assisting the Prime Minister for the Sydney 2000 Games.

According to the Police Service:

...there are agreed strategic plans and business plans which are supported by OCA, SOCOG, the Commonwealth and the Police Service. Detailed planning for security has been ongoing since March, 1997. Current security planning is on schedule. Security planning progress is regularly endorsed by the IOC and monitored by the OSWC.

Memoranda of Understanding have yet to be signed and in a climate of ongoing planning, cost sharing arrangements have yet to be settled and costs finalised.

Olympic Security Command Centre

Following the Atlanta Games, the Police Service established the OSCC in 1997 to co-ordinate and direct the component parts of

the security task and to generally assist the OSWC. The OSCC which reports to the Commissioner of Police, replaced the Olympic Security Group which was established in 1995.

7.4 The Bid Estimates

According to the Bid Estimates, SOCOG and SPOC were to provide security to the value of \$47.5m (1992 dollars).

The security component of the Bid Estimates was developed by a committee chaired by the then NSW Police Commissioner and containing representatives of the NSW and Federal Police Services, the Government, the Army and independent security consultants. The Committee drew upon the agencies' experience of conducting security operations including the 1991/92 US Presidential visit, the Papal Tour, Royal Tours and the 1988 Bicentennial Celebrations.

The key elements considered in the development of the Security Plan included the arrival in Australia of Olympic Family members, transport between villages, hotels and venues, physical security of venues, villages and hotels, deployment of human and technical resources, and administration and management of security activities.

The Bid Estimates assumed that any resources provided by the National Counter Terrorist Forces or the Army would be provided at no cost.

SOBL, the predecessor of SOCOG, revised the budget downwards in 1993 to \$36.5m, a decrease of \$11m representing the residual value of security equipment.

7.5 1997 Revised Estimate

The estimate for security was reviewed by SOCOG and SPOC early in 1997.

As a result the estimate was reduced to \$34.1m. The main variation from the 1993 revised bid was a reduction of \$2.2m in the estimate for security by SPOC on the assumption that police hours would be provided at no cost to SPOC.

For its part, SOCOG assumed that it would make a fixed contribution to the Police Service for specific costs in regard to:

- program management including personnel, training and equipment
- police overtime and cancelled rest days incurred during the Games
- contract security engaged to supplement police personnel
- accommodation and meals for police officers drawn from country areas of New South Wales and interstate.

SOCOG assumed also that any costs in excess of the revised estimate would be met by the Police Service. There is no indication that the OSWC or the Police Service questioned this assumption at the time or reviewed the estimate for security contained within the Bid Estimates.

The Police Service and SOCOG have yet to agree as to how any additional costs will be shared.

7.6 1998 Revised Estimate

The current estimate for security is \$177.4m, of which the Police Service is directly expending \$173.6m and SOCOG, \$3.8m.

SOCOG and SPOC are to contribute \$35.8m and \$2.2m respectively to the Police Service for its costs.

Olympic Security Command Centre (OSCC) The gross cost to the Police Service of \$173.6m, calculated by the OSCC, has been reviewed internally, by OCA and by consultants, Arthur Andersen, and is reproduced below in summary form.

Table 7.1 Analysis of OSCC Budget

Expenditure Category	\$m	Major Components
Police Salary related costs	87.9	Shift penalties and overtime \$60.2m
Private Security Guards	13.0	
Fees for Services Rendered	13.5	Volunteers \$8m, Accreditation checks \$4m
Other Operating Expense	24.5	Travel \$11m
Capital Equipment	34.7	Radio Communication \$21m
Total	173.6	
Excluded from the Security Budget	40.3	Base salaries of police officers engaged on duties related to the Games

Under the guidelines for the preparation of estimates issued by OCA, the estimate for police personnel salaries is limited to:

- the salary cost of temporary unsworn officers (principally administrative and communication staff) and
- the overtime, shift/penalty allowances, payroll tax etc. entitlements of Non Commissioned Officers.

The estimate excludes \$40.3m which is:

- the base salary cost of sworn officers engaged on duties related to the Games
- the salary costs of officers undergoing specialist training in the lead up to the Games. These include 168 officers engaged in VIP protection, 144 in the bomb squad and 240 in marine policing. Evidence sighted during the course of the audit indicated that these resources are additional to normal operating requirements.

SOCOG and SPOC

SOCOG and SPOC revised their security estimates in 1998 based on the assumptions adopted in 1997. The estimate of \$41.8m is comprised of the following amounts:

Table 7.2: Contributions by SOCOG and SPOC to Olympic Security

SOCOG payment to the Police Service	\$28.0m
SOCOG VIK to the Police Service	\$7.8m
SPOC payment to the Police Service	\$2.2m
Contribution to the Police Service	\$38.0m
SOCOG's Security Program	\$3.8m
Total SPOC/SOCOG	\$41.8m

The main variances from the 1997 estimates were

- the reinstatement of \$7.8m worth of security equipment as a VIK payment to the Police Service. SOCOG advises that:
any payments by SOCOG and SPOC may take the form of either cash or VIK and that VIK is not limited to the \$7.8m budgeted for security equipment
- the inclusion of \$3.8m for costs associated with the performance of security planning and integration undertaken by SOCOG security program.

Assumptions

The following assumptions underpin the 1998 revised estimate for security.

Level Of Risk

The level of risk assumes the following:

- a stable political environment and limited exposure to terrorism
- security measures are to be based on intelligence, prevention and sound risk management and, as far as possible, are designed not to intrude on the Australian way of life.

It is understood there are no plans to increase the number of sworn police officers in response to the Games.

Extremely High Utilisation Levels Of Existing Resources

Based on an analysis conducted in 1997 an average of 4,000 to 4,500 police, or 33.8% of the total police strength, will be required for duties (related to the Games) each day.

Non-games community policing (34.5% of service sworn officers) and games policing (33.8%) will require the deployment of 68.3% of police on a daily basis during the Games compared to a normal deployment of 48%.

The 42.3% increase in police productivity will be achieved, in the main, by placing an embargo on leave and requiring police officers to work five-and-a-half to six days a week instead of the usual four. In addition the OSCC's plan anticipates:

- the use of approximately 3,000 volunteers (from the Rural Fire Service and the State Emergency Services) and the employment of up to 2,000 security guards at times of peak demand
- an opportunity to achieve volume discounts on private security costs and has budgeted 650,400 hours (of private security).

The demand however, for private security by banks, retailers, transport, local government and others is likely to increase competition in the market place and result in a premium for private security.

Furthermore security for the sailing test event in September 1998 resulted in a higher charge rate per hour than the one budgeted for September 2000.

The Police Service has advised that:

- the levels of resources required during the Games are based upon limited information due to the constraints of the personnel systems of the Police Service
- SOCOG is to arrange contract security and that negotiations with service providers will involve establishing awards and conditions to eliminate the problems experienced in Atlanta but that an increase in the hourly rate to that reflected within the current estimates is likely.

Maintaining non-Olympic Policing

The estimate for security assumes that during the Games it will be possible to reduce, from 48% to 34.5%, the percentage of police typically rostered for duty on a daily basis to perform "non-games" policing.

The reduction of 28% is to be achieved by a range of options or circumstances including:

- the temporary closure of courts of law during the Games by which means 915 officers, or 6.5% of the total strength could be released for other duties
- an embargo on leave from 1 August to 30 November 2000

- deferral of non essential policing functions such as mandatory training and routine inspections and audits of exhibits and stations
- the temporary closure of non-essential facilities (such as the Goulburn Training College)
- the introduction of a Police Assistance Line which provides a centralised twenty four hour point of contact with the Police Service to report minor crimes and incidents as well as providing access to information.

The Police Service advises that the proposals mentioned above have not been approved at this stage or negotiated with relevant parties.

While accepting that some of these measures may create a backlog of police duties after the Games, the OSCC considers that no additional costs will be incurred by the Police Service or other agencies in addressing the accumulation in demand for services (after the Games) which had been deferred because of the Games.

While the estimate of resourcing levels of the Police Service anticipates the temporary closure of courts of law during the Games, information available suggests that the Attorney-General's Department might not agree to the proposal and that an inter agency committee is examining currently other strategies to reduce the requirement for police to attend court.

Exclusions

The current estimate for security does not provide currently for the following costs.

Technology

The construction and fit-out of the majority of venues and the overlay of the precincts are incomplete. Security items such as fencing, salli-ports, and electronic detection including close circuit television and sensors are to be financed by OCA and SOCOG and therefore not from the estimates for security.

At present the security estimates have been based upon:

- known operational parameters
- a security solution dependant upon a human presence rather than technology
- an analysis of the availability of police resources.

The Police Service has advised that:

- site surveys are being undertaken currently
- technology solutions may reduce the level of human resources required dependant upon the cost effectiveness of technology but it is not possible to identify the cost of these options at present.

OCA is of the view that if site surveys currently being undertaken by OSCC indicate a need for additional technology, that cost is to be met by OSCC from the existing estimate of \$173.6m.

Urban Domain

At present the estimate for security contains an amount of \$8.4m to provide precinct security, that is community policing in the city as well as at precincts.

There is uncertainty however, over what resources will be required to supervise the large 'holiday crowds' that are expected to be in Sydney for the Games. OCA anticipates that an unquantified portion of the \$20m set aside for the urban domain may be committed to, for example, crowd control, but to date only preliminary planning has taken place between OSCC and OCA. In any event the availability of police officers will be limited.

The Centennial Park bombing at Atlanta highlighted the difficulty of securing the public space outside of designated Games venues.

Kingsford Smith Airport

Kingsford Smith Airport will be the entry point to Sydney for the majority of athletes, Olympic Family members and tourists. Security at the airport, which is a critical non-competition venue, is an important issue and is being assessed currently in site surveys being undertaken by the OSCC.

The Australian Federal Police (AFP) have acknowledged a responsibility for policing certain areas of the airport (the tarmac side of the customs barrier).

The Police Service has advised that the OSCC will be undertaking a site survey of the airport to identify security and resource requirements.

The cost of any increase in the presence of the Police Service at Kingsford Smith Airport has not been included in the estimate for security.

Dignitary Protection The AFP has indicated it will provide security for those invited dignitaries whom the Commonwealth is obliged legally to protect.

It is understood that any additional support provided by the AFP to the Police Service for the protection of dignitaries may be undertaken on a cost recovery basis but negotiations between the OSCC are continuing and an MOU is yet to be signed between those organisations.

Conclusion

In accordance with government policy, the security estimate does not include the base salary cost of sworn Police Officers and other permanent public employees engaged in duties related to the Games.

Security requirements and arrangements are not finalised and estimates of costs are likely to change because:

- while a Strategic Plan for security (outlining responsibility and cost sharing arrangements between the Police Service, OCA, SOCOG and the Commonwealth) has been endorsed by the Olympic Security Working Committee, it is yet to be submitted to and approved by, the Government
- the assumptions made in regard to police availability and increases in police productivity are being reviewed currently
- site surveys and risk assessments are yet to be completed
- SOCOG and SPOC have limited their funding towards meeting the cost of providing security to \$41.8m. As a consequence the Government is to meet the increased cost of security of \$135.6m (by way of supplementation to the annual budget allocation to the Police Service).

8. Other Agency Costs

8.1 Introduction

This section of the report reviews a range of activities undertaken by “other agencies” (other than SOCOG, SPOC, OCA, transport and security agencies) and:

- identifies those activities which have been accepted by the Government as directly related to the Games (in terms of the definition). Funding of \$37.6m for these activities has been approved in the Games Budget
- reviews those activities considered by the Government to be indirectly related to the Games. These activities, if undertaken by agencies, will not receive funding and will be paid for from existing agency budgets.

8.2 Agency Participation in Service Delivery

A successful Games requires the support of many agencies of government both within and outside designated areas of the Games.

“Other” Government Agencies

In addition to the costs of SOCOG, SPOC, OCA, ORTA and the Police Service in meeting the obligations of the Host City Contract, other government agencies will incur, or have incurred, significant expenditure in response to those obligations and generally in support of the Games.

SOCOG and OCA continue to work with these agencies to determine service level requirements and delivery arrangements and costs.

Memoranda of Understanding

The expenditure proposals by agencies in support of the Games were reviewed and co-ordinated by OCA, approved by Cabinet and are to be incorporated in Memoranda of Understanding between the agencies, OCA and SOCOG.

The result of this process is that expenditure (termed direct expenditure of the Games) of agencies is limited currently to \$37.6m and will include for example:

- the deployment of emergency services, such as ambulances, inside sporting venues as required by SOCOG, SPOC and OCA and
- the management of waterways.

Those “other” agencies authorised to incur direct expenditure for the Games are listed in the following table.

Table 8.1: Approved Games Expenditure by Other Agencies

Agency	\$m
Department of Sport & Recreation	9.6
Waterways	9.1
Medical: Department of Health & Ambulance Service	8.8
National Parks and Wildlife Service	3.4
Premier's Department	3.1
NSW Fire Brigades	2.4
State Emergency Services	1.2
Total	37.6

Olympic related activities which may be undertaken by agencies can be categorised as follows:

- activities which are directly related to meeting commitments of SOCOG and SPOC under the Host City Contract and for which Government has approved funding of \$37.6m. This expenditure complies with the definition of games related expenditure approved by the Government

Other games related activities undertaken by agencies (which do not comply with the definition of expenditure for the Games) include:

- core activities which give rise to no additional cash outlay, such as the supervision of spectators of sailing events by rangers in Sydney Harbour National Park as part of their normal (non-overtime) duties
- activities undertaken by government agencies as a result of their commercial decisions to seek a benefit from the Games. For example energyAustralia and TAFE have entered into commercial sponsorships and partnerships with SOCOG
- certain agencies will provide services on a fee for service basis and anticipate no net costs for services rendered in support of the Games.
- activities which may be provided by agencies to meet an anticipated demand but which are not required by the Host City Contract and are therefore regarded by OCA as discretionary expenditure. For example, while the cost of deploying ambulances at venues and hotels occupied by the Olympic Family is recognised as a cost of the Games, any decision by the Ambulance Service to deploy extra ambulances to a crowded and festive urban domain is not.

However, OCA has indicated that it may meet some (discretionary) expenditure by agencies from the allocation for the Urban Domain. Negotiations between agencies and OCA is continuing over service levels and funding to be provided from this source.

Agencies have expressed a concern that, if supplementary funding is not provided for the types of services described above, expected levels of service may not be attained. One agency, for example, has commented that:

...a failure to deploy forward resources could be viewed negatively by an external review and would be contrary to the guidelines published in Australia by Emergency Management Australia.

8.3 Expenditure by Agencies

The approved expenditure by other agencies identified in Table 8.1 - Approved Games Expenditure of Other Agencies - is reviewed below.

This section also includes some discussion of other activities for the Games which agencies may undertake and fund from their own budgets. Alternatively OCA may approve some funding of such activities from the \$20m provision for the Urban Domain.

Waterways Services

The Ministry of Forestry and Marine Administration (FMA) has co-ordinated the preparation of estimates for waterways services in conjunction with Sydney Ports Corporation (SPC) and the Waterways Authority (WA).

Proposed expenditure of \$9.1m by the waterway agencies has been recognised as direct expenditure of the Games. The most significant components are:

- \$4.8m for the management of harbour events and spectator traffic by the WA. OCA has indicated that this amount is to be reduced to the extent that it includes total rather than marginal costs of staff of the WA
- \$4m for SPC to temporarily convert cargo docks to passenger docks to enable the servicing of six to eight hotel ships
- \$234,000 for the planning and coordination of waterway services by FMA.

Other activities related to the Games which, if proceeded with by waterway agencies, may generate net costs not funded in the Games Budget and which include:

- arrangements made by FMA and WA for the accommodation of “super yachts” and additional charter vessels:

Although the OMA regards these facilities as essential to meet accommodation and increased transport needs during the Games, these works are considered discretionary under the OCA definition as they comprise costs above the minimum requirements for the delivery of services, but are deemed to be appropriate for the provision of an efficient and effective program.

OCA and the agencies assume that full cost recovery will be achieved for the accommodation of “super yachts” and additional charter vessels.

- the maintenance by SPC of commercial port operations in an environment analogous to running the Sydney-Hobart yacht race every day for 13 days
- the refurbishment of Circular Quay on George Street which is to be completed in partnership with the Sydney City Council before the year 2000. OCA advises that these projects are not (now) related to the Games.

OCA has advised that any decision in regard to “super yacht” accommodation would be made on commercial grounds and if provided would be expected to be revenue neutral to the Government.

Department of Sport & Recreation

Proposed expenditure of \$9.6m by the Department of Sport & Recreation has been approved as expenditure for the Games. Of this sum, \$4m is for athletic tracks at Bankstown and Blacktown (to be used for training) and \$5m for other training facilities yet to be specified by SOCOG and OCA.

Department of Health

After a contribution of \$1m by SOCOG, the net cost to the Department of Health of \$3.2m relates in the main to public health surveillance for the detection and prevention of food and waterborne diseases within venues and precincts. Other elements cover hospital services, disaster planning and interpreter services. The estimate has been approved by Government.

The Department of Health has advised that:

- the estimate needs to be adjusted upwards to recognise significant salary increases which have occurred since the estimate was prepared
- any health and ambulance services are to be provided to OCA and SOCOG on a cost-recovery basis¹⁰.

SOCOG's expectation is that its fixed contribution covers all costs for health and Ambulance Services.

The Department has indicated that the temporary influx of people into Sydney for the Games will have a minor effect on the cost (\$259,000) of hospital services. This is because:

- the cost of medical care to the Olympic Family will be provided under an agreement analogous to the Medicare model and will not be available for pre-existing conditions
- previous New Year Eves and prior Host City experience suggests that, although emergency departments will be busier, the case-load of other departments will decline
- SOCOG's recruitment of 4,000 medical volunteers will not affect unduly the department's staffing as the Department and SOCOG require different resources. SOCOG for example, requires sports doctors and paramedics for the venues and villages, while the Department of Health requires cardiologists, orthopaedic and emergency department staff for nearby hospitals.

The Ambulance Service

The estimated cost to the Ambulance Service of \$5.6m for games related services has been reviewed by the Department of Health and OCA and approved as games expenditure by the Government.

Most of this expenditure is for the provision of dedicated ambulances at venues frequented and hotels used by the Olympic Family, and at the airport as required by SOCOG.

Because ambulances entering venues will take up to 4 hours to clear security, SOCOG's requirement has the potential to monopolise a considerable number of ambulances. SOCOG advises however, that past Host Cities have experienced low rates of transfer to hospitals by ambulance during the Games.

¹⁰ SOCOG has advised that its *expectation is that its fixed contribution covers all costs for health and ambulance services.*

The approved estimate makes no allowance for additional resources to address the demand that may be imposed by large holiday crowds expected in Sydney during the Games. Some estimates have the Games as equivalent to eighteen New Year Eves in succession with a resultant increase in the need for ambulance intervention.

For this reason, the Ambulance Service wishes to deploy an additional twenty five crews and vehicles at a cost of \$232,000.

OCA advises that:

...funding for ambulance responses to 'party crowds' will be considered as part of the \$20m urban domain funding that has been identified and included in the net cost to Government of staging the Olympics.

**National Parks and
Wildlife Service
(NP&WS)**

The Sydney Harbour National Park expects to attract significant crowds during the Games both as spectators of yachting events and as sightseers partaking in the games experience.

The approved Games Budget of NP&WS is \$3.4m and relates predominantly to the provision of security, crowd control and essential visitor services for spectators.

Other activities related to the Games which, if proceeded with by NP&WS, may generate net costs of \$2.4m not funded in the Games Budget include:

- minimising inappropriate activities so as to enhance the experience of participants of the Games
- rehabilitate environmental damage caused by sightseers.

OCA regards these costs as indirect and discretionary expenditure by NP&WS and not recognised as direct expenditure for the Games. OCA does not accept that there will be a substantial increase in visits to National Parks and considers that impacts on the Sydney Harbour National Park should be managed in the same manner as existing special events.

NSW Fire Brigades Proposed expenditure of \$2.4m by NSW Fire Brigades' (NSWFB) has been approved as a cost of the Games. This amount relates principally to overtime and other marginal costs of providing on site fire prevention at venues and precincts.

The NSWFB does not believe that the definition of expenditure (marginal cost directly related to the Games) applied by OCA is appropriate. Since government funding to the Fire Brigades' is limited to 14% of its total costs, the NSWFB considers it not equitable to require other stakeholders, including insurance companies and local government, to fund the Fire Brigades in terms of its costs in support of the Games.

As a result NSWFB is continuing negotiations with OCA to obtain funding for:

- the cost (\$419,000) of deploying additional resources in the city, the Rocks and Opera House during the Games. These steps are necessary to maintain a rapid response capacity to deal with fire in an environment which will be characterised by large party crowds and resultant congestion and extensive road closures. OCA considers such measures to be discretionary, although it may consider some funding from the program for the Urban Domain
- the costs involved in bringing forward \$3.3m of capital expenditure for seven fire-fighting vehicles.

OCA has advised (5 January 1999) that the full cost of officers (\$900,000) taken off normal duties to prepare risk assessments and operational plans for over seventy six venues and precincts has now been accounted for as a cost of the Games. This tends to illustrate that planning for the Games is ongoing and that estimates of costs (to host the Games) are subject to change.

In addition, the NSWFB advises that Sydney lacks a rapid response water-borne fire fighting capacity. Although the provision of a specialised fire-boat to perform this function is not a requirement for the Games, the presence of an unprecedented number of vessels in the harbour during the Games will magnify the risk and the potential for loss if fire occurs.

OCA advises that craft of the Waterways and the NSW Police Service have a capacity to fight fires on the harbour and that the pleasure craft usage on Sydney Harbour will be reduced during the Games due to sailing events.

State Emergency Services (SES) and Rural Fire Service (RFS)

The SES is to provide up to 1,000 volunteers to undertake security tasks during the Games. \$1.2m had been approved to defray the cost to the SES.

The OSCC has decided subsequently however, to reduce the role of the SES because other resources can be better utilised.

The Rural Fire Service (RFS) is to provide an average of 1,400 and up to 2,200 volunteers during the Games. The cost to the RFS is included in the security budget of the Police Service.

In addition the RFS may be required to provide fire safety officers for six venues. RFS advises that the cost of any commitment of this nature will be recovered on a fee for service basis. OCA advises that funding for such fire safety services is to be provided from the Fire Brigades' Games Budget.

Premier's Department

Proposed expenditure of \$3.2m by the Premier's Department for the government's Visitors Program has been approved as a direct cost of the Games. The documentation to support this estimate provided to OCA provides little detail.

The Premier's Department has advised that the government will incur no additional cash costs in granting an additional five days paid leave to public servants who volunteer for the Games.

The cost of this initiative has not been quantified and is currently to be funded from the existing budgets of agencies without further supplementation. Any risk of loss of productivity is to be managed by agencies.

The Department of Education and Training

The Department of Education and Training has no record of contact by OCA in the latter's formulation of the Games Budget but has ongoing contact with Premier's Department and SOCOG in regard to the contributions which TAFE and schools are making towards the Games. No games related activity undertaken by the Department of Education and Training is being funded from the Games Budget for other agencies.

TAFE

TAFE has contracted with SOCOG to provide management training to SOCOG employees and up to 50,000 volunteers. This is a commercial arrangement which is expected to deliver benefits to TAFE and incur no cost to the Government.

In addition, TAFE has received \$10m from the NSW Government Construction Building and Industry Strategy to provide targeted training to support the building and construction industry's work on infrastructure required for the Games.

TAFE advises that training resources to the value of \$5m-\$10m may be required to address gaps in skills needed for the Games in areas of security, chefs, food and beverage service, bus drivers and waste management.

The cost of these programs has not been recognised as a direct cost of the Games.

Schools

The Department of Education and Training advises that for the following contributions (and costs) to the Games are not material:

- the 1,000 demountable class-rooms supplied to the Media Village are excess to requirements
- the extension of school holidays will impose no additional costs
- the participation of children and teachers in events, festivals and ceremonies will be achieved by rearranging existing programs to take advantage of the educational and vocational opportunities presented by the Games
- materials for students are provided by games organisations and sponsors at no cost to the Department of Education and Training
- although the use of the new school at Homebush Bay as the Village Polyclinic and its post-games refit for education will increase the construction cost by \$1-\$1.7m, this cost is to be funded by The Treasury. The expense has not been recognised as a direct cost of the Games.

Local Government Authorities

During the Games there will be a demand upon councils, including those adjacent to venues, precincts and corridors, to provide services such as portable toilets, garbage collection and traffic management services.

Sydney City Council, for example, will expend at least \$17m to service the CBD.

OCA has advised that some specific services may be purchased from local government councils from the capped provision for the Urban Domain.

In addition, some local government authorities are undertaking substantial infrastructure works in preparation for the Games.

The Sydney City Council's beautification work programs is valued in excess of \$200m and while much of this is funded by the council, significant sums are being provided to the council from a variety of state and federal agencies.

Agencies of the Government for example, are contributing \$30m towards road works in George Street and City West Development Corporation is contributing \$17m towards projects in the Ultimo/Pymont areas.

This expenditure has not been included as a direct cost of the Games to the Government on the basis that the decision (to incur costs) has been one made by local government and is therefore not approved expenditure of the Games.

Tourism NSW

Given the scrutiny to which Atlanta was subjected by non-accredited media, Tourism NSW is seeking to manage better foreign reporting of the Games.

Tourism NSW has proposed the establishment of media centre for journalists to facilitate the dissemination of positive images of the State. The cost of the initiative is estimated to be \$8.2m of which \$2.2m is being sought from government.

OCA considers this cost to be discretionary because it falls outside the Host City obligations to provide support to those journalists accredited by SOCOG.

The Treasury The reviews, economic forecasts and studies undertaken or commissioned by The Treasury in relation to the Games are considered by The Treasury to be core business (of The Treasury) and not therefore a direct cost of the Games.

Regional Regional NSW is making a substantial contribution to the Games which includes, but is not limited to, the provision of 1,500 police officers, 900 buses and 2,100 drivers and 100 ambulance officers.

The resultant redistributive and opportunity costs are not reflected in the cost to host the Games.

OCA advises that:

...regional NSW is already making a colossal contribution to the Sydney 2000 Games with over \$110m in Olympic construction related contracts being won so far by companies outside Sydney. Other drivers of economic growth include pre Games training in regional centres; increased tourism; and expanding opportunities for NSW businesses.

8.4 Social Impacts

OCA has established a Social Impacts Advisory Committee (SIAC) which includes representatives from social service providers from both government and private sectors.

SIAC considers that some service agencies may experience an increase in demand for assistance during the Games including:

- emergency accommodation or financial assistance for accommodation
- that of the Department of Fair Trading to deal with “scams” and “scalping”
- an intensification of child care and protection services during an extended school holiday and festive season.

OCA advises that the management of these social impacts fall within the core business of social services agencies and that agencies have not sought additional funding via the OCA. At this stage, it would appear that costs associated with management of related social impacts of the Games will be met by agencies from their budgets.

OCA, assisted by SIAC, has been instrumental in maximising

the benefits of the Games to the people of NSW. In particular it has provided facilities which are accessible for people with disabilities, presented employment opportunities for aboriginal people in OCA's construction program and assisted SOCOG in developing a ticketing policy which includes the availability of lower priced tickets to disadvantaged groups.

Conclusion

The 1998 Games Budget represents the first attempt by the Government to capture all costs to host the Games.

The definition of "approved games expenditure" which is the basis of the Games Budget is in the main limited to those costs incurred directly in meeting the obligations of the Host City Contract.

Agencies of government other than SOCOG, OCA, ORTA, SRA, RTA and the Police Service will undertake significant games-related activities.

Many of these agencies, in particular health, fire and waterways are involved in the delivery of essential government services.

These activities, with the exception of health were not included in the Bid Estimates, and are related to maintaining the environment in which the Games are to take place rather than specific commitments of the Host City Contract.

For this reason certain activities will not, if proceeded with by agencies, receive funding from the Games Budget.

Outstanding risks including those arising from the disruption caused by the temporary but significant influx of people during the Games are to be funded from the provision for the Urban Domain which is capped currently at \$20m.

Since this provision has other calls upon it (including refuse collection, portable toilets, local road closures and temporary structures) there is some concern over its adequacy.

It is for the Government, not agencies to approve, activities and expenditures. As such, it is for the Government to determine the balance between funding and the acceptance of risk.

9. Government Risk and its Management

9.1 Introduction

Risks may arise as a direct result of hosting the Games for example, disruption to the Games because of world events such as war, or the level of an ongoing risk may increase for example a transport failure, because of the Games.

This section of the report comments on certain risks to the Government in hosting the Games.

Other sections of the report that is *6 Transport* and *7 Security* identify other specific risks..

Additional Risk

Modern Games have witnessed a significant expansion in scope and intensity as evidenced by the increase in the number of events, athletes and media.

The staging of any Games imposes additional risks to Government, its agencies and the population over and above “normal” risk that exists in a non-games period.

These extra risks arise because of more intense operating conditions, more resources in use, more activities being undertaken and to some extent the inexperience of personnel engaged in the delivery of the Games and associated logistics.

The significant but temporary increase in the population of Sydney will bring an added pressure to service delivery. Law enforcement agencies for example, will be under pressure to manage responsibilities associated with the Games and the intake of visitors and at the same time to maintain community policing.

The international profile of the Games, the presence of world leaders and a large media contingent give rise to a risk that the Games will be used as a stage for political statements or terrorist activities.

In the case of a major disaster or incident the Government is to rely on existing infrastructure and services to respond.

Risk Management Risks arising from the Games need to be identified, assessed, quantified where practicable, and (where they cannot be managed adequately) insurance effected or contingency plans made.

Some identifiable risks, and the response thereto, are discussed in this section of the report. Any losses arising from risks may be met from various sources including:

- by agencies from existing reserves
- The Treasury Managed Fund
- in certain instances recoveries may be effected from commercial insurers.

9.2 Government Risk

The Government has guaranteed to underwrite the cost of staging the Sydney 2000 Games.

The guarantee refers to the revenues and costs of SOCOG and games related costs incurred by other agencies of the Government.

The guarantee was given by the then Premier of New South Wales as part of Sydney's bid in a letter to the president of the IOC.

The Government in 1991 also provided a written guarantee to indemnify AOC (and subsequently in 1993 its president) and the Organising Committee for the Olympic Games (SOCOG's predecessor) against any liability that they may incur in connection with the Games.

Apart from cancellation of the Games, harm to the Olympic Family and terrorism, the main exposure in underwriting the cost of the Games is budget reliability. That is whether :

- expected revenues will eventuate
- the costs of SOCOG and SPOC can be controlled
- control will be lost over the capital costs and other costs of Government and its agencies in support of the Games
- private funding of infrastructure projects will eventuate to the extent anticipated
- significant costs will be incurred from unexpected events.

There are also other issues of uncertainty such as:

- the level of service required by SOCOG and SPOC from government agencies supporting the Games. For example, the assessment of security (and consequently its planning) is in its preliminary stages and the full impact on costs is not known
- the level of demand and patronage during the period of the Games.

The main risk management technique to control these exposures is a regular and rigorous budgeting process combined with a disciplined approach to monitoring the achievement, or otherwise, of the revenue and expenditure streams. (Another is to have a reasonable contingency to absorb risks which eventuate.)

The importance of this budgetary task is illustrated by the significant variation in certain costs and revenues of the SOCOG budget compared to the original Bid Estimates presented to the IOC in February 1993.

The structures, processes and procedures established by the Government to provide a degree of insurance against budgetary difficulties are discussed within section 3 *The Budget Process*.

9.3 SOCOG

SOCOG has assessed its risk exposure based on a probability model that identifies weighted operating risks, macro economic exposures and the operational contingencies of staging the Games.

That assessment excludes consideration of any risks that may be generated by the demands of stakeholders such as the Commonwealth and NSW Governments, the AOC and SPOC. The introduction, for example, by the Commonwealth Government of a Goods and Services Tax (notwithstanding exemptions for SOCOG) had unquantified financial implications for the costs of SOCOG which have only recently been addressed.

SOCOG has adopted an incremental or staged approach to insuring its exposure to risk. It has insured risks in regard to its buildings, public liability, workers' compensation and some specific test events and supporting equipment.

SOCOG intends to obtain commercial insurance to provide for identifiable risks such as interruption to utilities, damage to specific venues and facilities, port blockage, infectious diseases, fire and terrorism.

Finally, SOCOG intends to address and consider insurance for remaining risks as:

- cancellation of the Games
- the withdrawal of prominent sporting countries from competition.

Insurance on this scale is understood to be expensive and offered by few insurers.

SOCOG has provided \$121m for contingencies within the 1998 Reforecast Budget comprising \$59m for revenue risks and \$62m for expenditure risks.

During 1997 \$56m was drawn from the contingency fund (provided in the 1997 Games Budget) to compensate SOCOG for the following unanticipated events:

- loss of commission on hotel occupancy levels following the introduction of the “bed tax” and
- compensation to IBM for a changed strategic approach to Information Technology development and systems integration from an in house to an out sourced solution.

SOCOG has advised that:

... funding for these items has been included in the current budget, and SOCOG's contingency provides allowances for all items of risks and opportunities identified at the time the 1998 Revised Games Budget was adopted.

As shown earlier the remaining contingency reserve has been notionally allocated.

Foreign Exchange

SOCOG has entered into contracts with overseas companies and will receive revenue from and incur expenditures with those companies denominated in currencies other than the Australian dollar. Most significant are SOCOG's revenues from broadcast rights and the IOC international marketing program (TOP) which are denominated in US\$. Broadcasting rights revenues alone amount to over \$1b.

For US\$ contracts, for example, variations in the exchange rate between the US\$ and AU\$ present an exposure to SOCOG if the value of the AU\$ moves unfavourably in comparison with the US\$. If the reverse occurs SOCOG will gain from a favourable move in the value of the AU\$ to the US\$.

To meet this risk the Government has given a guarantee on exchange rates in regard to revenues receivable by SOCOG of up to US\$737m (refer below).

Forward cover has been taken on the foreign exchange exposure assumed directly by The Treasury Corporation in respect of revenue up to US\$622m (balance as at 30 September 1998) from television rights and sponsorship from The Olympic Program (TOP).

The 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 US\$737m at the budgeted exchange rate of AU\$1.00:US\$0.70;
- SOCOG will manage the foreign exchange exposure on the balance of budgeted US\$ revenues (estimated to be US\$100m) through either effecting additional hedge agreements or managing to a natural hedge; and
- in the event of US\$ revenues from for example, television rights exceeding the budget estimates, SOCOG will manage the foreign exchange exposure on the excess revenues.

The above mentioned strategy now means that The Treasury has assumed the foreign currency risk. Having entered into forward foreign exchange contracts on the basis of forecast cash flows, The 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).

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

9.4 OCA

OCA has provided \$68.5m or 8.7% for contingencies associated with capital works yet to be completed (\$785m).

9.5 Government Agencies

In contrast to SOCOG, SPOC and OCA, the budgets of government agencies make no provision for contingencies for risks arising from the Games.

To manage this exposure OCA has established a working party to examine the risks (and their costs) to the Government and its agencies in support of the Games.

The committee is comprised of representatives of OCA, SOCOG, The Treasury, The Treasury Managed Fund and consultants Chambers Gallop McMahon and will assess the risks relating to the urban domain, the four lead agencies, 16 secondary agencies and about 50 peripheral agencies. The committee will examine for example, the likelihood of a transport failure arising from more intense operating conditions applying during the Games.

The working party met in September 1998 for the first time and is required to report its findings to the Government by 30 June 1999.

Any decision by the Government to take out commercial insurance for additional risks would represent a departure from current practice. There may, however, be opportunity to extend insurance cover taken out by SOCOG to government risk.

9.6 SPOC

The NSW and Commonwealth Governments are to provide \$25m each in support of SPOC.

The Government's guarantee to underwrite the cost of staging the Olympic Games does not extend, however, to the Paralympic Games.

The Paralympic Games is being organised by SPOC, a company limited by guarantee. In the case of a shortfall in revenue the NSW and Commonwealth Governments might face a pressure to make additional financial contributions to SPOC.

There are interdependencies between SPOC and SOCOG.

SOCOG is obliged to provide financial and logistical support to SPOC as a bid commitment. The budget of SOCOG provides a contribution to SPOC of \$18m.

SPOC will reimburse SOCOG for incremental costs incurred by SOCOG in the delivery of certain SPOC programs whose planning and operations are integrated with SOCOG's for reasons of efficiency and economy. Examples of such programs include sport, venues, transport, medical costs, security, accommodation, a cultural program, marketing and information facilities.

9.7 Private Sector Infrastructure

Managing the costs and risks of infrastructure developments in support of the Games, particularly those projects involving the private sector, is the responsibility of OCA.

The total cost of private sector investment in infrastructure for the Games is estimated to be \$1.1b and is outlined below.

Project	Private Sector \$m	OCA \$m	Other \$m	Total \$m	Summary Details
Olympic Stadium	570	126		696	A Build Own Operate Transfer (BOOT) arrangement. Stadium Australia have a 31.5 year lease to build, reconfigure (following the Games), operate and maintain the stadium. The OCA contribution is towards the construction and development of the stadium.
Athletes' Village	380	172		552	A Build Own Operate (BOO) arrangement. The Mirvac Lend Lease Village Consortium will design, build, reconfigure and market the development. OCA is purchasing and remediating the land and contributing to the construction and development of the project.
Sydney SuperDome (Multi Use Arena)	55	157		212	A BOOT arrangement. The Millennium consortium and its sponsors will build, operate and maintain the facility. There is a provision for OCA to receive rental payments if operations are profitable during the lease of 31.5 years. The OCA contribution is towards the construction and development of the arena. (In both BOOT schemes the ownership and control of the facilities will revert to the Government at the conclusion of the lease.)
Commercial Hotel Development	60	3		63	The Lend Lease/Accor consortium will develop and operate the hotel on a ninety nine year lease. OCA's costs relate to its oversight of the project's development.
Underground Power Lines	10	20	10	40	energyAustralia and Olix Cables are to contribute equal proportions of \$10m each towards the undergrounding of the power lines on the Homebush Bay site. OCA is to contribute \$20m.
Slalom Canoeing	3	4		7	The development of the facility is receiving funding from Penrith City Council and canoeing bodies. The Council will operate the facility after the Games.
	1,088	482	10	1,570	

Source: Figures are as provided by OCA and have been used in the compilation of the Games Budget.

Structured Finance Risks The BOOT and BOO arrangements are complex structured finance transactions.

The risks and benefits of such arrangements are shared between the private and public sectors. As indicated above, these arrangements require the private sector to provide services for the Games using assets which it currently owns and operates. In return the public sector makes payments and/or provides rights to the private sector for the provision of the infrastructure.

Because of the risks to the Government, the complex structured finance transactions are subject to special review by the Auditor-General. The audits are conducted pursuant to the Government's policy document *Guidelines for Private Sector Participation in the Provision of Public Sector Infrastructure* and the Public Finance and Audit Act 1983. A particular focus of the audits is, and in what circumstances, the State will be called upon to assume the debt of the private sector.

The accounting treatment of three capital projects for the Games are currently under review by The Audit Office, namely the Olympic Stadium, the Athletes' Village and the multi use arena.

As the three developments continue to progress according to contractual commitments, the risks to government abate.

Conclusion

The risks created by the Games are significant, diverse and complex.

The Government, through its agencies, is managing those risks in a reasonable way. Many risks have been identified and addressed while others are under consideration currently.

The completion of all risk assessments is encouraged so that "whole of government" risk might be identified.

The guarantee given by the Government to underwrite the Games is a major financial exposure.

10. Legacy Assets

10.1 Introduction

Homebush Bay Development Corporation

The Homebush Bay Development Corporation, which pre-dated Sydney's bid, was established to oversee the urban renewal of Homebush Bay. The renewal commenced in 1991 and was scheduled for completion in the year 2000. The masterplan of progressive development included residential, commercial, industrial, recreation and retail areas.

The success of the bid increased significantly the pace and scope of development within Homebush Bay. The masterplan for example, was revised to incorporate the development of Olympic Park. The result overall was that Homebush Bay became one of Australia's largest urban renewal projects.

Sydney's bid included a timetable for the construction of all facilities to be completed one year prior to the Games. While the bid's success will result in several new venues for use after the Games (legacy assets), these assets do incur various costs, some of which overlap, such as opportunity costs, holding costs, interest costs, depreciation and ongoing maintenance costs.

There are also benefits which might not only be reflected in non-commercial admission charges. Although these benefits are not easily quantified they do act to offset at least partially the economic costs of legacy assets.

OCA and Asset Management

Since 1995 OCA has been responsible for the planning, urban development and management of Homebush Bay and other facilities for the Games.

One of OCA's principal functions is:

ensuring that the olympic venues and facilities (other than those temporary venues or facilities) are suitable for use after the Games and meet the long term requirements of Sydney and ensuring, in particular, the orderly and economic development of the Homebush Bay area.¹¹

¹¹ OCA Act 1995, section 10(2) (c)

Included in the responsibilities of OCA is the management of assets after the Games with a particular emphasis on controlling the costs of venues under government ownership. Operating costs of venues financed by the private sector will be met by the private sector until control of venues reverts to the Government. Examples of the level of costs follows.

Olympic Park

Estimates indicate that the management and upkeep of Olympic Park will cost \$5m per annum. This includes the cost of the Government's policy to provide an admission subsidy of \$1.3m to the Aquatic and Athletic Centres (the centres have more than two million visitors per annum).

OCA has advised that the expense would have been incurred irrespective of whether Sydney had been successful in bidding for the Games.

Penrith Lakes

The management of the Penrith Lakes by a government agency is likely to require funding of approximately \$1.5m per annum.

Olympic Stadium

In return for private sector funding in excess of 80% of the capital cost of the stadium and its acceptance of the operating risks, the Government has foregone any operating revenues (or losses) for thirty one and a half years.

OCA Response

The OCA has advised:

On-going depreciation and maintenance charges depend on any future commercial dealings for the operation of such assets that may or may not be Government. Such costs are obviously related to the legacy value of assets and not an olympic cost.

(However) Long term maintenance costs are expected to be offset by commercial options available to Government, especially in respect of outsourcing venue operations and realising the development potential of the Homebush Bay site.

10.2 Managing Legacy Costs

The Approach

OCA's approach to legacy management has included :

- involving private enterprise in the design, construction and operation of venues (the Olympic Stadium, the multi use arena and the Athletes' Village)
- planning and negotiating to divest itself of completed venues to self funding organisations.

Since 1996, OCA through its Commercial Strategies Committee (CSC) has considered issues of legacy, including commercial potential. The committee is analysing the future use of and state owned venues with the aim of minimising the operating costs to the Government. OCA through the CSC will put options to the Government by December 1999.

Matters to be resolved, especially in relation to Olympic Park, include the required levels of economic return, the involvement of the Government viz-a-vis the private sector, accountability arrangements and the extent and cost of any subsidies by the Government.

Recommendations to the Government by OCA for use of venues after the Games may include:

- charging operators peppercorn rents with the State having no further operational responsibility for venues
- putting in place 'exclusive trading arrangements' with sporting bodies for use of venues
- entering into commercial developments and leases
- ceding control to agencies such as NP&WS and Department of Sport and Recreation
- establishing control through a new agency such as an Olympic Park Development Trust
- the sale of venues.

The Legacies Status Report of 17 July 1998 produced for the CSC indicates that arrangements have been made between the Government, sporting groups and other parties for use of venues after the Games. Exceptions are the velodrome, softball, and equestrian centres.

Where control, possession or management of facilities transfers from OCA to another government agency, the Government continues to bear the ongoing maintenance costs of venues to be used for the public benefit after the Games.

10.3 Competition Between Venues

A range of new venues, constructed or under construction, will bring a pressure to all existing venues. The pressure will take the form of competition between venues for the staging of (a limited number of) major events, with an emphasis on sporting events, and its revenue implications.

Impact and Response

The impact of additional venues generally and the financial impact to the Government is being examined by the Venue Management Taskforce which reports to the CSC.

The Director-General of the Department of Sport and Recreation is the Chairman of the Venue Management Taskforce and includes representatives of OCA and other interested stakeholders. The Taskforce is to complete its review by the end of 1999.

The Sydney Cricket and Sports Ground Trust (SCSGT)¹² for example, as a government trading enterprise, is obliged to prepare a detailed risk management plan which identifies any impact on the Government in the financial performance of the Trust.

SCSGT has received financial compensation for events transferred from Trust grounds to the Olympic Stadium. The compensation took the form of debt retirement of \$19.3m of the Trust to the Treasury Corporation and was based on the number of Trust Gold and Double Gold Members having purchased Stadium Australia Gold or Platinum packages. The amount of \$19.3m is included within the Games Budget.

SCSGT is obliged to use any benefit derived from the reduction in debt for the provision of tickets to gold members for transferring events from the Sydney Football Stadium to Stadium Australia at Olympic Park.

¹² The Trust also controls the Sydney Football Stadium

OCA has advised:

Sydney with its limited capacity venues has been unable to attract world class sporting events and has lost many such events to other Regional Cities.

With the completion of the venues and facilities being constructed for the Olympic and Paralympic Games, Sydney has won the rights to host major sporting events such as the Rugby World Cup in 2003, the 2000 Gay Games, the Bledisloe Cup and the State of Origin matches previously played in Melbourne.

Rather than competing with existing government owned Sydney venues the new facilities will place Sydney at a new competitive level against other regional cities.

Conclusion

The construction of new venues and associated facilities for the Games provides the Host City and its occupants with substantial legacy assets and benefits. There are however costs associated with the ownership and management of these assets. These costs need to be identified and controlled.

The ongoing management and maintenance costs to the Government of venues is not known currently.

OCA has yet to recommend to the Government policy objectives and strategies for venues subsequent to the Games, particularly those in Olympic Park.

11. Appendices

Appendix 11.1 Acronyms

ANAO	The Australian National Audit Office
AOC	Australian Olympic Committee
AOF	Australian Olympic Federation
APC	Australian Paralympic Committee
ASIO	Australian Security Intelligence Organisation
ATSI	Aboriginal and Torres Strait Islander
BCA	Bus Council of Australia
Bus2000	The private consortium of bus and coach operators responsible for the dedicated bus fleet for the Games
CSO	Community Service Obligation
DoT	Department of Transport
FMA	Ministry for Forestry and Marine Administration
The Government	The Government of New South Wales
HBDC	Homebush Bay Development Corporation
IF	International Sporting Federation
IOC	International Olympic Committee
IPC	International Paralympic Committee
MOU	Memorandum of Understanding
NOC	National Olympic Committee
NPWS	National Parks and Wildlife Service
NSWFB	New South Wales Fire Brigades
OCA	Olympic Co-Ordination Authority
OOO	Office of Olympic Co-ordination (merged into OCA in 1995)
ORTA	Olympic Roads and Traffic Authority
OSCC	Olympic Security Command Centre
OSWC	Olympic Security Working Committee
RFS	Rural Fire Service
RTA	Roads and Traffic Authority of New South Wales
SES	State Emergency Services
SIAC	Social Impacts Advisory Committee
SLA	Service Level Agreement
SOBO	Sydney Olympic Broadcasting Organisation
SOBL	Sydney Olympics 2000 Bid Limited
SOCOG	Sydney Organising Committee for the Olympic Games
SPC	Sydney Ports Corporation
SPOC	Sydney Paralympic Organising Committee
SRA	State Rail Authority
STA	State Transit Authority
SRRB	Statement of Resource Requirements and Budgets
TAO	The Audit Office of New South Wales
TMOP	Team Millennium Olympic Partner (domestic sponsor)
TOP	The Olympic Program (international IOC sponsorships)
VIK	Value in Kind
WA	Waterways Authority

Appendix 11.2 Glossary of Terms

Common Domain	The Common Domain is the area between venues which is contained within a secure perimeter and under the control of SOCOG in regards to planning. Examples of the Common Domain include the Olympic Boulevard and Olympic Plaza.
Concept of Operations	<p>In 1997 SOCOG developed a Concept of Operations for transport, security, and health which the lead agencies used to develop strategic plans for the provision of services during the Games.</p> <p>The Concept of Operations provides an overview of the scope to deliver component parts of the Games and which sets out, in general, roles and responsibilities of those organisations in hosting the Games and a proposed reporting framework for service delivery.</p>
Lead Agencies	Lead agencies are those agencies which are central to the provision of key services in support of the Games in areas of transport, security, health and waterways. Lead agencies for the purpose of this report are the Police Service, NSW Health, Office of Marine Administration and ORTA.
Memoranda of Understanding	<p>Memoranda of Understanding (MOU) are to provide a clear, high-level statement of services to be provided by agencies for the Games.</p> <p>MOU are to be agreed to by SOCOG, OCA and the respective lead NSW agency for the four government service areas (the Police Service, NSW Health, Office of Marine Administration and ORTA).</p> <p>MOU are to be agreed after Cabinet has approved the relevant SOCOG Concept of Operations and the lead agency Strategic Plan and Statement of Resource Requirements and Budgets.</p>
Nominal Value	Nominal value or nominal dollar is a term used by SOCOG in the compilation of its budgets since 1997. Nominal value represents the value of an amount in the year in which it is accounted for.
Service Level Agreement	<p>Where the agencies provide games-specific services such as Olympic Family transport to SOCOG, the MOU may be supplemented by a Service Level Agreement (SLA).</p> <p>The SLA constitutes a more detailed contractual service-provider arrangement between OCA, SOCOG and the lead agency.</p>

The Olympic Family In the section outlining the entitlements to free accommodation the Host City Contract defines the Olympic Family as comprising of approximately 4,000 people who are:

IOC Members and accompanying persons, the Presidents and Secretaries General of the IFs and accompanying persons, the President and Secretaries General of the participating National Olympic Committees and accompanying persons, IOC staff, IOC Commission members, IOC advisers, consultants and agents, IOC guests, the delegations of Organising Committees for future Olympic Games, limited delegations of candidate cities..... and ... technical and other representatives of the IFs accredited for the purposes of the Games (eg referees and judges).

However the Host City Contract also extends benefits upon other large categories of people who have also been considered, in different contexts, to belong to the Olympic Family:

- athletes, team officials and other team personnel [approximately 15,000 people]
- accredited media [approximately 14,000 people]
- other designated VIPs
- Olympic sponsors, suppliers and broadcasters [4,000 people]
- other accredited persons including SOCOG, sponsor, contractor and volunteer workforces [100,000 people].

The Games The Games is used to refer to the 60 day event comprising the Olympic and Paralympic Games

Urban Domain The Urban Domain is the area surrounding the Common Domain and is under the control of the OCA in regards to planning. Although the boundaries of the Urban Domain are imprecise it is considered to be comprised of four precincts, Sydney Olympic Park, Sydney West, Sydney East, and , Sydney Central - Darling Harbour,

Appendix 11.3 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 Games.

As part of its Candidature File to host the Games, the City of Sydney and the AOC had to provide an undertaking to host the Games 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 Games.

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.

Appendix 11.4 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.

Appendix 11.5 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 Games;
- 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 Games. 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.

Appendix 11.6 Legislative and Organisational Responsibilities

SOCOG The *Sydney Organising Committee for the Olympic Games Act* was enacted on 12 November 1993.

SOCOG is a declared public authority for the purposes of the Public Sector Management Act 1988. It has the same legal capacity and powers as a company under the Corporations Law.

Under the stewardship of 15 Board members SOCOG has responsibility for:

- organising the sports program, including preparing and operating all venues and facilities for the Games
- organising accommodation and transport for competitors, team officials and personnel, and media
- establishing a marketing program in consultation with the IOC and AOC
- arranging and making available host broadcaster and media facilities, and other information services
- organising the cultural program.

SOCOG raises its own revenue and will pay the NSW Government a facility rental fee for the venues used for competition.

SOCOG estimates that it will pay a dividend to government of \$30m after having met all its obligations. SOCOG is to wind-up by 31 March 2002.

SPOC SPOC was established in January 1995 as a company limited by guarantee.

In accordance with the Host City Contract SPOC has the responsibility for organising and staging the Paralympic Games.

Under its Memorandum of Association its functions are to:

- organise and host the Paralympics Games in accordance with the Host City Contract
- to organise the venues, facilities, sports program and arts festival for the Paralympic Games
- organise accommodation and transport for the Paralympic Family
- to raise funds for the operation of SPOC
- promote the interests of the Paralympic movement.

A board of fifteen members oversees SPOC's activities. The NSW and Commonwealth Governments have underwritten the operations of the Paralympic Games up to a maximum of \$25 million each.

OCA OCA was established under the *Olympic Co-ordination Authority Act 1995*. It is a statutory authority, following functions in respect of the coordination of and reporting on the Games¹³:

OCA has assumed responsibility the responsibility from other agencies for co-ordinating and delivering infrastructure for the Games. The functions of OCA are to:

- assist the Government and SOCOG to ensure that the requirements for the Games are satisfied
- monitor and reporting on all works being carried out for venues and facilities
- liaise with The Treasury on the co-ordination and management of capital expenditure and reporting to the Government on overall expenditure for the Games
- co-ordinating matters for government agencies and private organisations
- monitoring and reporting progress on key government tasks such as transport, security and emergency services arrangements, venue management and the environmental impacts of development.

To assist in a number of these responsibilities, notably those involving government agencies, OCA established a number of co-ordinating committees to report to the Director-General of OCA.

ORTA Olympic Roads and Transport Authority was established as a department under the Public Sector Management (Olympic Roads and Transport Authority) Order 1997. The Authority commenced operations in April 1997.

ORTA does not currently operate under any enabling legislation. ORTA conducted a review of transport related legislation in light of its operational requirements and made a submission to government seeking approval that ORTA be constituted as a statutory authority. The Government approved the submission and a bill to this effect will be soon introduced to the NSW Parliament.

Following the difficulties experienced with transport at the Atlanta Games, ORTA is to co-ordinate the planning and delivery of transport for the Games and other nominated test events including the Royal Easter Shows of 1998, 1999, and 2000.

¹³ See Section 11 of the *Olympic Co-ordination Authority Act 1995*

OSCC The Olympic Security Command Centre (OSCC) was established by the Police Service to plan and coordinate security matters. OSCC is responsible through the Olympic Security Working Committee (OSWC).

The Treasury The Treasurer is required (s47 SOCOG Act) to give concurrence to SOCOG's budget prior to the Board's or the Minister's approval. Similarly under SPOC's Articles of Association, the Treasurer is required to give consent to their budget prior to the Minister's approval.

Under section 11 of the OCA Act OCA is required to liaise with The Treasury on the co-ordination and management of capital expenditure for the Games and reporting to the Government on overall expenditure associated with the Games.

The Treasury, OCA and Premier's Department undertake reviews of supporting government agencies draws from the Treasurer's Olympic Reserve Fund during the financial year.

Appendix 11.7 The Auditor-General's Report to Parliament 1994

On the 18 November 1994 the Auditor-general tabled a report in parliament titled *Sydney Olympics 2000: Review of Estimates*. The audit examined :

- the processes used to develop the bid estimates,
- the assumptions impacting on significant areas of receipts and payments,
- the skill and competence of persons engaged in compiling the estimates.

The report 1994 concluded 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 purposed.

The report commented on the likelihood that the actual results of staging the Games are likely to be different to those forecast. Accordingly The Audit Office did not express an opinion on the reliability of the Bid Estimates which in fact differ materially from more recent estimates to stage the Games.

Appendix 11.8 Organisations Contacted

Attorney-General's Department
Australian National Audit Office
Darling Harbour Authority
Department of Education & Training
Department of Forestry & Marine Administration
Department of Sport & Recreation
Department of Local Government
Department of Health
energyAustralia
NSW Fire Brigades
Olympic Co-Ordination Authority
Olympic Roads and Transport Authority
Police Service of NSW
Premiers Department
Roads And Traffic Authority
Rural Fire Service
Sydney Cricket & Sports Ground Trust
State Emergency Service
Sydney Olympic Organising Committee
Sydney Paralympic Organising Committee
State Rail Authority
State Transit Authority
Sydney Water
Tourism NSW
The Treasury
Department of Forestry & Marine Administration

Appendix 11.9 OCA: Net Contribution by Government to the Games

Construction And Capital Works Legacy	\$M	\$M
OCA Construction		2,185.4
Private Sector Construction		1,084.8
<u>Construction Revenues</u>		
Commonwealth	(175.0)	
SOCOG Payments for Venue Rental	(295.6)	
Private Sector	(1,084.8)	
OCA Property sales, interest and other revenues	(74.2)	(1,629.6)
<u>Capital Works by Other Government Agencies</u>		
Transport	41.2	
Security	34.7	
Waterways	4.4	
Other Government Agencies	9.2	89.5
Construction - Net Cost To Government		1,730.1
Event And Co-Ordination	\$M	\$M
OCA Planning and Co-Ordination		162.8
ORTA Planning and Co-Ordination		46.5
<u>Other Government Agencies Recurrent Expenditure</u>		
Transport	144.9	
Security	99.3	
Health and Medical	8.8	
Waterways and Harbour Management	4.7	
Other Government Agencies	10.5	
Subsidy to SOCOG for Rental of Government Owned Venues	20.0	
Temporary Facilities for City Precincts	20.0	
Technological Support and Development	10.0	318.2
Government Contribution to SPOC		25.0
Less SOCOG Surplus		(30.0)
Less Games Induced Tax Revenues to the Government		(602.0)*
Net Cost of Event to the Government		(79.5)
Net Cost To Government		1,650.6

Source: State of Play (Financial Report), June 1998, Attachment A

* The estimate by The Treasury of additional NSW revenue between 1994 and 2001, based on modelling undertaken in collaboration with the Centre for Regional Economic Analysis, University of Tasmania

Appendix 11.10 The Treasury Table: Net Budget Impact of the Olympic and Paralympic Games

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outflows											
Olympic Stadium	–	–	–	–	–	26.6	46.2	19.2	5.4	24.9	122.3
Olympic Villages	–	–	–	–	–	0.2	48.1	57.9	67.6	17.8	191.6
Sydney SuperDome	–	–	–	–	–	–	77.3	65.1	–	–	142.4
Other venue costs	10.2	1.3	5.7	8.0	12.1	22.9	98.2	166.2	85.7	1.1	411.4
Transport infrastructure	–	1.6	5.5	2.8	5.1	159.5	115.6	125.1	3.9	3.3	422.4
Services infrastructure	–	2.9	0.5	1.1	11.4	28.0	23.3	27.1	16.5	–	110.8
Sydney Athletic and Aquatic Centres	–	101.9	98.2	14.7	0.7	0.4	–	0.9	–	–	216.8
Other infrastructure	12.8	15.0	15.0	13.8	12.3	14.8	21.8	23.8	50.3	0.1	179.7
OCA and ORTA - recurrent	–	–	–	11.5	11.3	20.4	24.3	34.8	57.3	71.2	230.8
Other agency service costs - recurrent	–	–	–	–	–	0.4	4.4	22.0	42.2	249.1	318.1
Other agency service costs - capital	–	–	–	–	–	–	0.9	38.1	42.0	8.5	89.5
Advance to SPOC	–	–	3.1	6.0	19.5	–	–	–	–	–	28.6
Grant to SPOC	–	–	–	–	–	2.7	4.0	6.0	6.0	6.3	25.0
Total Outflows	23.0	122.7	128.0	57.9	72.4	275.9	464.1	586.2	376.9	382.3	2,489.4
Inflows											
Commonwealth Government	–	–	50.0	50.0	50.0	–	–	–	–	–	150.0
Interest on Investments	–	–	–	–	9.6	18.6	8.8	3.6	8.0	3.2	51.8
SOCOG profit	–	–	–	–	–	–	–	–	–	30.0	30.0
Sale of assets	–	–	–	–	–	–	–	–	–	35.0	35.0
SOCOG contributions	–	–	–	–	–	4.1	218.8	–	40.6	32.1	295.6
SOCOG advance repayment	–	–	–	–	–	28.6	–	–	–	–	28.6
Other contributions	–	–	–	–	1.5	–	1.4	–	3.0	3.0	8.9
Total Inflows	–	–	50.0	50.0	61.1	51.3	229.0	3.6	51.6	103.3	599.9
GROSS COST TO GOVERNMENT	23.0	122.7	78.0	7.9	11.3	224.6	235.1	582.6	325.3	279.0	1,889.5
Less: Additional taxation revenue	–	–	–	20.0	32.0	46.0	72.0	105.0	135.0	192.0	602.0
NET COST TO GOVERNMENT	23.0	122.7	78.0	(12.1)	(20.7)	178.6	163.1	477.6	190.3	87.0	1,287.5

Source: NSW Budget 1998-99, Budget Paper N^o 2, Table 1.8 - page 1-21

Appendix 11.11 SOCOG Comparison of Revenue and Expenditure by Program

	1993 Bid Estimate Nominal \$m	1997 Games Budget Nominal \$m	1998 Games Budget Nominal \$m
REVENUES (net of IOC commission)			
Sponsorship	622.1	855.2	873.7
Consumer Products	96.6	65.2	65.2
Ticketing	266.7	516.6	600.9
TV Rights	948.0	1,018.3	1,032.2
Other Revenue Initiatives	--	--	25.0
Revenue	1,933.4	2,455.3	2,597.0
EXPENDITURE			
Marketing and Image			
Sponsorship	--	17.3	17.1
Creative Services	--	16.0	11.6
Consumer Products	--	7.7	10.3
General Marketing	53.3	14.9	8.9
Torch Relay	3.4	16.1	15.0
Olympic Arts Festivals	27.3	17.7	16.4
Events	--	4.1	3.4
Total	84.0	93.8	82.7
Games Coordination			
Project Management and Special Tasks	--	9.3	9.2
Executive Office and Board Support	--	27.6	32.8
Communications & Community Relations	--	6.5	10.1
Research and Information	--	3.2	2.9
Publications	--	27.0	14.8
Total	--	73.6	69.8
Commercial Group			
Finance	--	21.7	2.2
Risk Management	26.7	22.6	20.6
Commercial Projects	--	37.7	25.8
Legal	9.3	16.3	16.0
Procurement	--	1.3	5.5
Rate Card	--	--	0.1
Logistics	--	47.3	41.5
Total	36.0	146.9	111.6
Precincts and Venues			
Venue Management	70.5	82.1	88.2
Operational Integration	--	15.8	23.4
Catering	--	4.9	7.4
Games Overlay	322.1	269.9	391.0
Cleaning, Waste and Laundry	--	12.0	16.7
Total	392.6	384.7	526.7
Villages	158.0	167.5	180.6
Command, Control & Communications	--	1.2	6.1

SOCOG Expenditure - continued	1993 Bid Estimates Nominal \$m	1997 Games Budget Nominal \$m	1998 Games Budget Nominal \$m
Sport			
Sport Management	--	5.8	9.1
Sport Competition	38.3	48.3	38.4
Sport Policy and Operations	--	24.2	22.7
Sport Technology	--	7.5	9.6
Olympic Family Services	25.4	15.6	14.5
NOC Services	61.4	49.9	45.9
Language Services	12.0	11.1	10.7
Medical	15.5	7.7	8.1
Doping	--	4.1	6.0
Total	152.6	174.2	165.0
Games Services			
Games Services Management	--	--	0.8
Accommodation	16.4	6.2	5.8
Ticketing	16.0	30.9	39.1
Accreditation	--	11.6	10.6
Transport	34.8	43.2	77.5
Security	59.1	43.0	41.2
Total	126.3	134.9	175.0
Games Support Group			
Media	--	12.3	13.1
GPS Management	--	8.7	8.8
Staff Planning	--	1.7	1.7
Contractor Services	--	--	0.1
HR Services	--	28.8	31.0
Volunteer Services	22.7	13.7	11.7
Uniforms	--	19.1	17.5
Premises	25.4	36.1	37.8
Administration Services	122.7	28.3	24.7
Technology	52.0	374.2	396.9
Total	222.8	522.9	543.3
Government and ATSI Relations			
Games Support Group Management	--	--	2.0
Government Relations	--	0.9	2.3
Aboriginal & Torres Strait Islander Relations	--	0.8	2.1
Environment	--	0.8	1.4
Total	--	2.5	7.8
Ceremonies	50.2	40.4	39.2
SOBO	211.1	186.3	195.6
Global Savings Targets	--	--	-45.3
Fixed Payments			
AOC	60.0	75.0	75.0
SPOC	20.2	16.7	16.7
Government Payments	273.0	285.0	285.0
IOC Payments	--	12.7	11.1
Total	353.2	389.4	387.8
Contingency	120.8	107.0	121.1
Expenditure	1,907.6	2,425.3	2,567.0
Surplus - NSW Government	25.8	30.0	30.0

Appendix 11.12 Treatment of Certain Capital Works in The Audit Office's 1994 Report

The Audit Office report of 1994 examined the estimates of capital costs and operating costs of the Office of Olympic Co-ordination (OOC) relating to the staging of the Games.

Because construction had commenced before 1993 and would be completed irrespective of the outcome of the bid, the report excluded:

- various infrastructure costs of the Homebush Bay Development Corporation (HBDC) such as roads, water, site works to the value of \$848.2m, but not \$216.7m relating to the Sydney International Athletics and Aquatic Centres which was included within the Bid Estimates as commencement of these facilities was a condition of the AOC endorsing Sydney's bid
- the cost of the Penrith Lakes Regatta Centre of \$32m from the capital costs of OCA.

The net cost to the Government (exclusive of any taxation revenue from increased activity from the Games), after applying the exclusions referred to above and a proportion of OCA recurrent expenses, is \$1,407.7m.

Games Budget Adjusted for Proposed 'Non-Olympic' Capital Works at the Time of the Bid

Organisation \$m	1998 Games Budget as Adjusted by The Audit Office	Exclusion of HBDC Capital Works	Games Budget Excluding Proposed Capital Works at Time of the Bid
SOCOG (nominal \$)			
Expenditure	2,667.0	-	2,667.0
Revenue	2,697.0	-	2,697.0
Surplus to Government	30.0		30.0
SPOC			
Expenditure	156.8	-	156.8
Revenue	131.8	-	131.8
Cost to Government	(25.0)		(25.0)
OCA			
Expenditure	2,421.5	1,011.3	1,410.2
Revenue	618.0	98.2	519.8
Cost to Government	(1,803.5)	(a) 913.1	(890.4)
Other agencies			
Expenditure	683.0	-	683.0
Revenue	160.7	-	160.7
Cost to Government	(522.3)		(522.3)
Total Net Cost to Government	2,320.8	913.1	1,407.7
Private Sector Capital Works	1,084.8	-	-

Note: (a) The exclusions are: - proposed expenditures of the HBDC \$848.2m, cost of the Penrith Lakes Regatta Centre \$36m and a proportion of related recurrent costs \$127m
- a proportion of recurrent revenue \$73.2 and a Commonwealth grant relating to the transfer of the showground \$25m

Performance Audit Reports

Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
Department of Housing	<i>Public Housing Construction: Selected Management Matters</i>	5 December 1991
Police Service, Department of Corrective Services, Ambulance Service, Fire Brigades and Others	<i>Training and Development for the State's Disciplined Services: Stream 1 - Training Facilities</i>	24 September 1992
Public Servant Housing	<i>Rental and Management Aspects of Public Servant Housing</i>	28 September 1992
Police Service	<i>Air Travel Arrangements</i>	8 December 1992
Fraud Control	<i>Fraud Control Strategies</i>	15 June 1993
HomeFund Program	<i>The Special Audit of the HomeFund Program</i>	17 September 1993
State Rail Authority	<i>Countrylink: A Review of Costs, Fare Levels, Concession Fares and CSO Arrangements</i>	10 December 1993
Ambulance Service, Fire Brigades	<i>Training and Development for the State's Disciplined Services: Stream 2 - Skills Maintenance Training</i>	13 December 1993
Fraud Control	<i>Fraud Control: Developing an Effective Strategy (Better Practice Guide jointly published with the Office of Public Management, Premier's Department)</i>	30 March 1994
Aboriginal Land Council	<i>Statutory Investments and Business Enterprises</i>	31 August 1994
Aboriginal Land Claims	<i>Aboriginal Land Claims</i>	31 August 1994
Children's Services	<i>Preschool and Long Day Care</i>	10 October 1994
Roads and Traffic Authority	<i>Private Participation in the Provision of Public Infrastructure (Accounting Treatments; Sydney Harbour Tunnel; M4 Tollway; M5 Tollway)</i>	17 October 1994
Sydney Olympics 2000	<i>Review of Estimates</i>	18 November 1994
State Bank	<i>Special Audit Report: Proposed Sale of the State Bank of New South Wales</i>	13 January 1995
Roads and Traffic Authority	<i>The M2 Motorway</i>	31 January 1995
Department of Courts	<i>Management of the Courts:</i>	5 April 1995

Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
Administration	<i>A Preliminary Report</i>	
Joint Operations in the Education Sector	<i>A Review of Establishment, Management and Effectiveness Issues (including a Guide to Better Practice)</i>	13 September 1995
Department of School Education	<i>Effective Utilisation of School Facilities</i>	29 September 1995
Luna Park	<i>Luna Park</i>	12 October 1995
Government Advertising	<i>Government Advertising</i>	23 November 1995
Performance Auditing In NSW	<i>Implementation of Recommendations; and Improving Follow-Up Mechanisms</i>	6 December 1995
Ethnic Affairs Commission	<i>Administration of Grants (including a Guide To Better Practice)</i>	7 December 1995
Department of Health	<i>Same Day Admissions</i>	12 December 1995
Environment Protection Authority	<i>Management and Regulation of Contaminated Sites: A Preliminary Report</i>	18 December 1995
State Rail Authority of NSW	<i>Internal Control</i>	14 May 1996
Building Services Corporation	<i>Inquiry into Outstanding Grievances</i>	9 August 1996
Newcastle Port Corporation	<i>Protected Disclosure</i>	19 September 1996
Ambulance Service of New South Wales	<i>Charging and Revenue Collection (including a Guide to Better Practice in Debtors Administration)</i>	26 September 1996
Department of Public Works and Services	<i>Sale of the State Office Block</i>	17 October 1996
State Rail Authority	<i>Tangara Contract Finalisation</i>	19 November 1996
NSW Fire Brigades	<i>Fire Prevention</i>	5 December 1996
State Rail	<i>Accountability and Internal Review Arrangements at State Rail</i>	19 December 1996
Corporate Credit Cards	<i>The Corporate Credit Card (including Guidelines for the Internal Control of the Corporate Credit Card)</i>	23 January 1997
NSW Health Department	<i>Medical Specialists: Rights of Private Practice Arrangements</i>	12 March 1997
NSW Agriculture	<i>Review of NSW Agriculture</i>	27 March 1997

Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
Redundancy Arrangements	<i>Redundancy Arrangements</i>	17 April 1997
NSW Health Department	<i>Immunisation in New South Wales</i>	12 June 1997
Corporate Governance	<i>Corporate Governance Volume 1 : In Principle Volume 2 : In Practice</i>	17 June 1997
Department of Community Services and Ageing and Disability Department	<i>Large Residential Centres for People with a Disability in New South Wales</i>	26 June 1997
The Law Society Council of NSW, the Bar Council, the Legal Services Commissioner	<i>A Review of Activities Funded by the Statutory Interest Account</i>	30 June 1997
Roads and Traffic Authority	<i>Review of Eastern Distributor</i>	31 July 1997
Department of Public Works and Services	<i>1999-2000 Millennium Date Rollover: Preparedness of the NSW Public Sector</i>	8 December 1997
Sydney Showground, Moore Park Trust	<i>Lease to Fox Studios Australia</i>	8 December 1997
Department of Public Works and Services	<i>Government Office Accommodation</i>	11 December 1997
Department of Housing	<i>Redevelopment Proposal for East Fairfield (Villawood) Estate</i>	29 January 1998
NSW Police Service	<i>Police Response to Calls for Assistance</i>	10 March 1998
Fraud Control	<i>Status Report on the Implementation of Fraud Control Strategies</i>	25 March 1998
Corporate Governance	<i>On Board: guide to better practice for public sector governing and advisory boards (jointly published with Premier's Department)</i>	7 April 1998
Casino Surveillance	<i>Casino Surveillance as undertaken by the Director of Casino Surveillance and the Casino Control Authority</i>	10 June 1998
Office of State Revenue	<i>The Levying and Collection of Land Tax</i>	5 August 1998
NSW Public Sector	<i>Management of Sickness Absence NSW Public Sector Volume 1: Executive Briefing Volume 2: The Survey - Detailed Findings</i>	27 August 1998
NSW Police Service	<i>Police Response to Fraud</i>	14 October 1998

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Hospital Emergency Departments	<i>Planning Statewide Services</i>	21 October 1998
NSW Public Sector	<i>Follow-up of Performance Audits: 1995 - 1997</i>	17 November 1998
NSW Health	<i>Management of Research: Infrastructure Grants Program - A Case Study</i>	25 November 1998
Rural Fire Service	<i>The Coordination of Bushfire Fighting Activities</i>	2 December 1998
Walsh Bay	<i>Review of Walsh Bay</i>	17 December 1998
NSW Senior Executive Service	<i>Professionalism and Integrity</i> <i>Volume One: Summary and Research Report</i> <i>Volume Two: Literature Review and Survey Findings</i>	17 December 1998
Department of State and Regional Development	<i>Provision of Industry Assistance</i>	21 December 1998
The Treasury	<i>Sale of the TAB</i>	23 December 1998
The Sydney 2000 Olympic and Paralympic Games	<i>Review of Estimates</i>	January 1999



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