

London Olympics on track to be 'most costly Games ever'

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Musée Olympique in Lausanne, Switzerland. Credit: Fanny Schertzer.

Oxford University research says the London Games are on track to be among the most expensive to date with a projected cost of £8.4 billion in real terms – and at 101% over budget.

The research, which compares cost data from summer and winter Olympic Games of the past 50 years, shows the eventual cost of the Olympic Games is always over budget, by 179% on average. However, while the overrun of the budget for the London [Olympics](#) is broadly in line with earlier Games, it is 'significantly more' than the average budget overruns for Games during the past decade, say the researchers.

The working paper by researchers at Oxford's Saïd Business School compared estimates of the costs to be incurred by the organizing

committee in the initial Games budget to the final cost of the Games. Costs factored into the calculations included security, transport, technology and ceremonies, and related construction costs for sports venues, athletes' villages, and press and media centers.

Comparing total costs for all Games of the past 50 years, the London Olympics are projected to rank alongside Beijing, Barcelona and Montreal as the most expensive Games in history. The total London 2012 sports-related budget has increased by 101% from £4.2 billion in the 2005 bid to £8.4 billion in real terms, says the research.

The paper points out that while staging the Olympic Games is one of the riskiest major projects in terms of cost overruns, host cities seem to have improved their predictions over the last decade. It shows that since Sydney in 2000, the Games have come closer to achieving their bid budgets, with an average overrun of 47% for 2000-2010, as compared to an average overrun of 258% before that (1968-2000). This could be because the more recent hosts have provided bid committees with better information and fuller final accounting than in the past.

Researcher Allison Stewart says: "The figures that are in the public domain are unlikely to be the full final cost of the Games, but represent "politically acceptable" costs. The real costs are often not reported in a single place, unless significant auditing and investigation are conducted after the Games."

Lead researcher Professor Bent Flyvbjerg says: "While all major programs are prone to cost overruns, due largely both to optimism and conscious strategic misrepresentation, overruns of the Games are in a league of their own. When compared with typical overruns on other major programmes, such as transport and IT programmes, budget overruns for the Olympic Games are extreme, both for their size and frequency."

"While London is well prepared, the organizing committee has very little contingency left to spend if there are any issues during the Games. Transportation, security, and broadcasting are three areas that could potentially require urgent financial attention if the organizers' projections are incorrect."

The researchers suggest that the reason that the Games are so greatly over budget may lie not in the nature of the Games themselves, but in the context in which they are planned. Stewart explains: "Unlike other major programs such as bridges, airports, IT or engineering works, the Games are always a unique undertaking to that city. Of the thousands of people engaged to work on the program, few of them will ever have been on a Games committee in the past.

"This means that they are highly reliant on the information from the International Olympic Committee (IOC) and the other host cities around the world. Whilst a significant amount of information is transferred, there is inevitably a gap in experience that means that the Games are always starting from scratch in certain areas."

For cities preparing bids for future Games, Flyvbjerg and Stewart recommend an approach known as 'reference class forecasting', in which previous Games' costs are used as the basis for future Games' budgets. The paper suggests that while the situation of each city is unique, there is a remarkable consistency in cost overruns. By starting from existing information, the Games are more likely to come in on budget.

Professor Flyvbjerg notes: "Although London 2012 is beset by the budgeting pitfalls that have plagued all Games for the past 50 years, this should not detract from the fact that London is on-schedule, fit-for-purpose and ready to host the Games. They are set to be the most expensive Games ever and hopefully the organizers have planned it to ensure perfect execution so the UK obtains the value for money that may

justify this very large investment in a time of fiscal austerity."

The findings are based on a quantitative analysis of budget data from every summer and winter Olympic Games from 1960 to 2012. In total, the research analyses 30 Games to identify the pattern and trends of cost overruns in the Games over time. All cost data was adjusted for inflation and currency exchange rates.

The research is the first to document, in a consistent fashion, the costs and cost overruns for the Olympic Games from 1960 to 2012. The researchers conducted an extended search of all publicly available data on the costs for the Games: both the costs incurred by the Organizing Committee for the Olympic Games' and other direct [costs](#) incurred by public and private funders.

Provided by Oxford University

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