

3.5 Compromise or compromised? The bidding process for the award of the Olympic Games and the FIFA World Cup

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Introduction

History will judge the period between 1998 (when the scandal broke over bribes paid to secure votes for Salt Lake City as host of the 2002 Winter Olympic Games) and 2015 (when Sepp Blatter, president of the Fédération Internationale de Football Association (FIFA) for 17 years, resigned six days after the US Justice Department had issued indictments concerning corrupt activities by 14 senior figures in FIFA and marketing company executives) as the era when the governance of international sport came to the brink of collapse. Between the 1960s and the 1990s the administrators behind the world's two most popular sporting events, the Olympic Games (summer and winter) and the FIFA World Cup, found themselves in control of events capable of generating billions of dollars in broadcast and sponsorship revenues, while incurring negligible costs. They found themselves to be dispensers of largesse on a massive scale. The evidence suggests that many administrators within these organisations have failed in their duties and succumbed to corruption.² Since 1998 the International Olympic Committee (IOC) has been attempting to reform itself.³ Under Blatter's leadership, the efforts of FIFA were, at best, half-hearted. Following his resignation, there is optimism in some quarters that a similar process can be undertaken within FIFA.

The actual process of awarding the flagship events (the Olympic Games and the football World Cup) represents only one dimension of the corruption that has been identified within the IOC and FIFA, which is itself only a subset of the instances of corruption that can be found in sports.⁴ For example, most of the charges in the US Justice Department indictments of FIFA in May 2015 related not to the

World Cup itself but to the sale of broadcast and marketing rights to lesser tournaments in North and South America. Nonetheless, the IOC has acknowledged corrupt practices in the process of bidding for the right to host the Olympic Games, notably in the case of Salt Lake City. At the time of writing it seems likely that corruption will be acknowledged by FIFA in relation to several World Cups, and irregularities have already been acknowledged in relation to the bidding process for the 2018 and 2022 events.⁵ Investigative journalists such as Andrew Jennings, who assisted the US Justice Department ahead of the FIFA indictments, have gone much further in alleging bribery and corruption in the bidding process.⁶

Competition for the right to host these highly popular sporting events is often intense, and the decisions are often surrounded by controversy. The fundamental problem is that these are self-regulating organisations, and the scale of the events has grown much more rapidly than their capacity to manage them. The value of the broadcast rights for the Rome Olympics in 1960 was less than US\$3 million (US\$23 million at current values).⁷ The combined value of the broadcast rights for the 2010 Vancouver Winter Games and the 2012 London Summer Games was US\$3,850 million,⁸ a near 170-fold increase in real terms in the space of just fourteen Olympiads. Sponsorship revenues have also increased dramatically. Both the FIFA World Cup and the Summer Olympic Games generate in the region of US\$6 billion in terms of broadcast, sponsorship, ticketing and merchandising.⁹ A large fraction of those responsible for the governance of the IOC and FIFA are either current or former athletes, however. This is not necessarily the best preparation for business decision-making, even if these organisations now maintain large professional staffs.

The decision as to where to award both the Summer and Winter Olympic Games is made by the members of the IOC, of which there are currently 100. Twelve are appointed as current athletes, eleven

are members *ex officio* as heads of large international sports federations. Thirty-seven members have competed in an Olympic Games themselves. The decision to award the football World Cup was, until 2013, a decision of the Executive Committee, who are appointed by confederations and associations except the President, who is elected by the 209-member FIFA Congress. Following the alleged bribery surrounding the award of the 2022 World Cup to Qatar, future decisions, starting with the 2026 event, will be made by a vote of the full 209-member Congress.

Background

In the early years these organisations relied essentially on the goodwill of cities and governments around the world to host the events. Although some governments recognised the propaganda value of hosting (notably the Nazi government in Germany and the Berlin Olympic Games in 1936, and Mussolini's Fascist government and the 1934 football World Cup in Italy), competition was often restrained, given the limited taxpayer support either requested or offered. The 1948 Olympic Games were hosted in London because no one else was interested, and until the advent of global broadcasting these events remained relatively low-key.

From the 1960s onward the bargaining power shifted in favour of the IOC and FIFA, and bidding intensified as the global reach provided by TV significantly enhanced the attractiveness of these events. This in turn created the incentive to pay bribes to secure victory in the bidding contest, thus necessitating the adoption of rules prohibiting such practices. Historically both FIFA and the IOC had operated as gentleman's clubs, and, according to the received ideology, gentlemen cannot be corrupted.¹⁰ There were other aspects of the gentleman's club mentality that caused problems. Most of the members came from Europe, and there was a strong tendency to engage in horse-trading. For example, in 1966 the hosts for the 1974, 1978 and 1982 World Cups were allocated simultaneously. At

the time West Germany and Spain were both interested, and so they did a deal: Spain refrained from bidding for 1974 and West Germany withdrew its bid for 1982.¹¹ To insiders, this no doubt seemed a natural trade-off; to outsiders, it looked like a fix.

The 1960s and 1970s saw a huge expansion of membership of these two organisations following the end of colonialism and the expansion of the number of sovereign nations. They brought different perspectives. While IOC founder Pierre de Coubertin and his followers had espoused an ideal of sport independent of politics and the state, many new nations saw sport and the state as intimately linked, and, indeed, in their own contexts saw the state as a major pillar in the support of sports organisations. By the 1960s the threat of boycotts from African nations if South Africa and Rhodesia were allowed to participate became evident. Throughout the 1970s and 1980s the survival of the Olympics in particular as a global event was challenged by the politics of national and international sport. In seeking to maintain the unity of their global organisations, the IOC and FIFA had to adapt to different cultural expectations.

Over time, the bidding process has evolved significantly. While the fiction remains that cities bid to host the Olympics and national football associations bid to host the World Cup, the reality is that both require significant government support, political and financial alike. Thus a bid usually emerges through a process of domestic lobbying for government support, leading to a formal submission of interest. A process of review lasting up to two years then culminates in a vote at the relevant congress of the IOC or FIFA.

Potential for corruption

Since the awarding of these events depends on bidding, it is not surprising that, as hosting has become more attractive, the role of inducements has grown. One problem for FIFA and the IOC has been to establish the difference between legitimate and illegitimate inducements. It can also be that attitudes to inducements can vary by culture and time. It is a matter of history, for example, that access to senior office (such as in the military or the civil service) in the nations of north-western Europe had to be bought well into the nineteenth century, and such practices were often exported to colonial administrations. By the twentieth century, though, such practices came to be seen as corrupt and discredited; not everyone has followed the path of the western European nations, however, nor have they drawn the same conclusions. These differences can be seen in metrics such as those developed by Transparency International, which regularly identify European and North American nations as perceived to be among the least corrupt, and developing nations at the bottom of the list.¹²

The key moment in the development of FIFA was the 1974 electoral defeat of then president Stanley Rous, an Englishman with a barely concealed colonial mentality,¹³ by João Havelange, a Brazilian, who promised to ensure that some of the riches generated by World Cup broadcast rights – mainly in Europe – would be recycled to African and Asian countries in exchange for their votes. This subsequent recycling of profits has been beneficial in terms of developing the sport in these countries. Sepp Blatter was Havelange's chosen successor, and he made it his business that a World Cup should be played for the first time in Africa. As a result, the Havelange and Blatter regimes are not universally perceived to be as unambiguously damaging as they are in Europe. This helps to explain why Sepp Blatter has managed to hold office since 1998, despite the near-universal European perception that he is corrupt.¹⁴

The IOC is a more European organisation than FIFA (47 per cent of IOC members are from Europe). It acted more decisively in the face of corruption allegations in relation to the awarding of major events. The scandal surrounding the award of the 2002 Winter Olympic Games to Salt Lake City caused an internal crisis. It emerged that relatives of several IOC members had received educational scholarships worth tens of thousands of dollars. Various other forms of bribery were identified, including direct payments. As a result, six IOC members were expelled in 1999, four from Africa and two from South America. The IOC took steps to limit contact between members and the bidding committees, in particular prohibiting visits by members to potential hosts – a process that gave rise to extensive opportunities for corruption.¹⁵ Since 1999 allegations of corruption surrounding the award of the Olympics have not disappeared altogether, but the reform process has been advanced by some as a model of internal reform.¹⁶

One contributory factor to this change may also be the growing role of the technical assessment. Historically the IOC has looked for guarantees and a clear plan for host cities, but in recent decades the detail required of bidders has grown considerably. Although the vote of the IOC members is still decisive, the technical assessment of the bid documents and the bid cities has become far more important. This reflects the fact that the contract between the host city and the IOC has also grown in size. For example, the technical manuals provided by the IOC for the London Olympics ran to about 4,000 pages.¹⁷ Agreement to host the games also requires the host nation to change its laws, mainly in order to assure the IOC that its intellectual property (the Olympic rings, etc.) is fully protected. In 2014 the city of Oslo in Norway announced that it was withdrawing its bid for the 2022 Winter Olympics, largely because of the scale of demands imposed by the IOC (such as providing cellphones to every IOC member, and seasonal fruit and cakes to be supplied in every member's hotel room).¹⁸

The corruption allegations surrounding the award of the 2022 World Cup to Qatar have been the most damaging to FIFA, largely because of the obvious difficulty of playing the tournament in a country where temperatures in the summer hover around 40° Celsius.¹⁹ In 2014 FIFA decided that the event should be played in the Northern Hemisphere's winter months, interrupting the regular league football calendar in many countries, creating further discontent. Additional concerns surround claims that hundreds of migrant workers are dying on stadium and infrastructure construction sites in Qatar,²⁰ and the potential problems for lesbian, gay, bisexual and transgender players, officials and fans, who risk being arrested because of their sexual identity.

In 2012 FIFA appointed Michael Garcia, a distinguished US lawyer, to investigate allegations of corruption surrounding the bid processes for the 2018 and 2022 World Cups. The report was delivered in 2014 but not published. A summary of the report, written by the chair of FIFA's Ethics Adjudicatory Chamber, German judge Hans-Joachim Eckert, was published and then immediately repudiated by Garcia, on the grounds that it did not accurately reflect the substance of his original report.²¹

In the Salt Lake City case the question of withdrawing the Games was never seriously considered by the IOC (even though the payment of bribes by the bidding committee was acknowledged), and FIFA had previously maintained that that the award to Qatar would not be nullified.²² Given the problems facing a tournament held in Qatar, however, the pressure to take the unprecedented step of nullifying the original decision has become a real possibility.²³ Given that Qatar is the first nation from the Middle East to be awarded a World Cup, and the potential for the Qataris to use their immense wealth to lobby within FIFA, there must also be a real risk of a geographical split developing within the organisation.

Conclusion

The awarding of the right to host sporting mega-events is inherently prone to corruption risks. Events involving contracts worth billions of dollars are distributed by between maybe 100 and 200 individuals, on grounds that are ultimately subjective. Those involved may have agendas that are often quite complex, and sometimes it is difficult to separate organisational objectives (such as the promotion of football) from personal objectives. The accusation of political and social bias is ever-present on all sides. Moreover, these are private organisations, not government agencies that can be forced by politicians to adopt particular rules (even if, in some cases, there is extensive overlap). Indeed, many would argue that there are large risks involved with allowing too much government interference in the running of international sports federations.

There is no doubt that greater transparency in terms of bidding processes and decision-making can help to suppress some corrupt elements, but it is unlikely that the accusation of corruption, and perhaps the reality, can ever be completely removed. The greatest challenge, for FIFA in particular at the present time, is to find a consensus on the meaning of corrupt activities and agree an agenda that enables the organisation to minimise the risks of illicit payments while preserving the commitment to transfer resources to the developing nations – a commitment that has, at least in part, helped to make it such a powerful and cohesive organisation.

Notes

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² On scandals in the IOC, see particularly the evidence relating to the award of the Winter Olympic Games of 2002 to Salt Lake City discussed by Thomas Hamilton, 'The Long Hard Fall from Mount Olympus: The 2002 Salt Lake City Olympic Games Bribery Scandal', *Marquette Sports Law Review*, vol. 21 (2010), <http://scholarship.law.marquette.edu/sportslaw/vol21/iss1/7>. On scandals relating to the award of the FIFA World Cup, see Kate Youd, 'The Winter's Tale of Corruption: The 2022 FIFA World Cup in Qatar, the Impending Shift

to Winter, and Potential Legal Actions against FIFA', *Northwestern Journal of International Law and Business*, vol. 35 (2014), <http://scholarlycommons.law.northwestern.edu/njilb/vol35/iss1/5>.

³ For the strategic roadmap of IOC planning and reform, see www.olympic.org/olympic-agenda-2020.

⁴ For a survey of recent corruption in sport, see, for example, Wolfgang Maennig, 'Corruption in International Sports and Sport Management: Forms, Tendencies, Extent and Countermeasures', *European Sport Management Quarterly*, vol. 5 (2005).

⁵ See Fédération Internationale de Football Association, 'Statement of the Chairman of the Adjudicatory Chamber of the FIFA Ethics Committee on the Report on the Inquiry into the 2018/2022 FIFA World Cup Bidding Process prepared by the Investigatory Chamber of the FIFA Ethics Committee', 13 November 2014. http://resources.fifa.com/mm/document/affederation/footballgovernance/02/47/41/75/statementchairmanadjec kert_neutral.pdf.

⁶ See, for example, Andrew Jennings, *Foul! The Secret World of FIFA: Bribes, Vote Rigging and Ticket Scandals* (London: HarperCollins, 2006).

⁷ Holger Preuss, *The Economics of Staging the Olympics: A Comparison of the Games 1972–2008* (Cheltenham: Edward Elgar, 2004).

⁸ International Olympic Committee, *Olympic Marketing Fact File: 2013 Edition* (Lausanne: IOC, 2013), www.olympic.org/Documents/IOC_Marketing/OLYMPIC_MARKETING_FACT_FILE_2013.PDF.

⁹ For Vancouver and London combined, the IOC (2013) states that total revenues were US\$8 billion. For the World Cup, see Fédération Internationale de Football Association, *FIFA: Financial Report 2014* (Zurich: FIFA, 2015), www.fifa.com/mm/document/affederation/administration/02/56/80/39/fr2014weben_neutral.pdf.

¹⁰ This view seems to have been especially attractive to Pierre de Coubertin, founder of the IOC, who was particularly attracted to the ideal of the English gentleman: 'The English sport ideology presupposed a certain attitude among the participants: the amateur spirit of the sport aficionado expressed most clearly in the enlightened and benevolent sportsman and gentleman. Coubertin wanted to introduce into modern sport "the spirit of gay candour, the spirit of sincere disinterestedness which will revitalise...and make collective muscular exercise a true school of moral perfection".' Sigmund Loland, 'Pierre de Coubertin's Ideology of Olympism from the Perspective of the History of Ideas', in Robert Knight Barney and Klaus Meier (eds.), *Critical Reflections on Olympic Ideology* (London, ON: Centre for Olympic Studies, 1994).

¹¹ See, for example, David Goldblatt, *The Ball Is Round: A Global History of Soccer* (London: Penguin Books, 2008).

¹² The 2014 Transparency International Corruption Perceptions Index ranked perceptions of corruption in 177 countries. It put Botswana as the least corrupt African nation by some margin; 15 European nations ranked higher than this. The average ranking of European nations was 45th, the average for Asian nations was 100th and the average for African nations was 116th.

¹³ See, for example, the account by Goldblatt (2008), chap. 13.

¹⁴ Blatter is particularly respected in Africa, since he credited with the award of the 2010 World Cup to Africa. Significant legitimate payments were made to developing nations, which may have partly formed the basis of his support. Given the lack of transparency of FIFA accounting, it has been hard to distinguish cronyism (meaning legitimate payments aimed at maintaining his supporter base) from outright corruption (illicit payments). See this piece of information from a poll of football fans across the world carried out in May 2015 by Transparency International: '4 in 5 football fans say Blatter should not stand for FIFA president: poll of 35,000 in 30 countries', 26 May 2015,

www.transparency.org/news/pressrelease/4_in_5_football_fans_say_blatter_should_not_stand_for_fifa_president_poll_o; and 'Following FIFA World Cup Corruption Scandals, Should Sepp Blatter Be Standing Again for President of FIFA? Percentage Who Voted "No"', www.transparency.org/files/content/pressrelease/2015_FIFAElectionInfographic_900.jpg.

¹⁵ See, for example, Hamilton (2010).

¹⁶ On a positive note, see Roger Pielke, Jr, 'How Can FIFA Be Held Accountable?', *Sport Management Review*, vol. 16 (2013); and, on a more critical note, see Hamilton (2010).

¹⁷ Putting the requirements on paper does not rule out corruption, but it does help to focus on the relevant issues.

¹⁸ Inside the Games, "'Pompous" IOC demands "led to withdrawal of Oslo 2022 Olympic bid"', 3 October 2014, www.insidethegames.biz/articles/1023008/pompous-ioc-demands-led-to-withdrawal-of-oslo-2022-olympic-bid.

¹⁹ Youd (2014).

²⁰ See, for example, *The Guardian* (UK), 'Qatar World Cup 2022: 70 Nepalese workers die on building sites', 1 October 2013, www.theguardian.com/world/2013/oct/01/qatar-world-cup-2022-nepalese-die-building-sites.

²¹ See Maennig (2005).

²² See, for example, Fédération Internationale de Football Association, 'FIFA responds to independent Ethics Committee statement', media release, 13 November 2014, www.fifa.com/governance/news/y=2014/m=11/news=fifa-responds-to-independent-ethics-committee-statement-2474201.html.

²³ *The Guardian* (UK), 'Russia and Qatar may lose World Cups if evidence of bribery is found', 7 June 2015, www.theguardian.com/football/2015/jun/07/russia-qatar-lose-world-cups-if-bribery-found-fifa.