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The Most Expensive Olympic Games in History: SOCHI 2014

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Abstract. The Olympic Games is a major international sporting event. Considered as the most expensive Olympic Games in history, the 2014 Sochi Winter Olympics have proved to be a symbol of Russia's economic revival. The very fact that the Winter Olympics have been held in Sochi is the evidence that Russia as an economically strong power can afford it. The article discusses cost issues of Olympic Games, its main spending priorities and sources of income.

Keywords: Olympic Games; Sochi 2014; Russia; International Olympic Committee (IOC); costs; sports facilities; infrastructure.

Introduction. The many billions spent on the Olympics have already become a subject of wide public discussion. Commenting on the costs of the Olympic construction, I believe that the reasons for huge investments are quite explicable. One of the most costly tasks of priority importance was the development of the Sochi region, its hotel network and tourist infrastructure with the aim to turn this region into a real paradise for Russian and foreign tourists.

Traditionally, the bulk of Games preparation capital expenditure is not on Olympic venues, but on the accompanying infrastructure and projects. Establishing the image of the host city of the Games in 2014; improving the quality of the urban environment; updating transport; and modernizing engineering and utilities infrastructure are all much more expensive tasks than the direct costs of preparation of the competition program for the Games [12].

Results. The total amount spent for the Olympics preparation comes up to \$50 billion: \$7 billion was spent on the Olympic venues, and another \$ 44 billion was spent to develop the Krasnodar region, including Sochi and Krasnaya Polyana. In comparison, the London 2012 Summer Olympics cost \$14.6 billion, the 2010 Winter Games in Vancouver – \$ 6.4 billion and the 2008 Olympics in Beijing – \$43 billion. However, unlike recent hosts Beijing, London, and Vancouver, the development of Sochi was still in its nascent stage when it was selected to host the Games in the summer of 2007. Built from the ground up, Sochi has transformed from a seaside town with one main road to a city that is going to host one of the world's largest winter sporting events [11].

Over 400 federal and regional facilities were built in preparation for the Winter Games, and 40,000 hotel rooms were made available for guests.

Sports and hotel facilities for the Sochi 2014 Winter Olympics are divided in two clusters, with one on the sea coast and the other in the mountains. The Olympic Park and its ice arenas are

located in the Imeretinskaya Valley, while Krasnaya Polyana hosts venues for snow sports, as well as a bobsleigh track and ski jump facilities. Only 11 out of 400 Olympic venues were used for competition purposes. Other facilities include new roads, junctions, sanitation and energy facilities, hotels and residential complexes [14].

I. What the money spent on

1) *The construction of sports facilities*

The constructed modern international-standard sports objects form the first in Russia multifunctional winter sports center.

1.1. *Major facilities of the Coastal Cluster:*

- Olympic Stadium Fisht ceremonies (opening/closing) – \$ 779 million;
- Ice Dome Bolshoy ice hockey (final) – \$ 302 million;
- Skating Palace Iceberg figure skating, short track speed skating – \$ 278 million;
- Skating Center Adler-Arena speed skating – \$ 197 million;
- Curling Center Ice Cube curling – \$ 50 million;
- Arena Shayba ice hockey – \$ 36 million.

1.2. *Major facilities of the Mountain Cluster:*

• Alpine center “Rosa Khutor”: ski center and extreme park, skiing, snowboarding, freestyle – \$ 2.6 billion;

- Biathlon & Ski Complex Laura – \$ 1.7 billion;
- Sliding center “Sanki”, bobsled, skeleton, luge – \$ 281 million;
- Jumping center “Russki Gorki”, ski jumping – \$ 270 million;
- 1.3. *Venues supporting the operation of Olympic sports venues include:*
- International broadcasting center and main pressroom – \$ 1.2 billion;
- Main Olympic village – \$ 764.5 million etc [3].

2) *Developing the infrastructure*

The Olympics is not only the most modern sport facilities and stadiums, but it is also the most complex engineering infrastructure, without which the competition conduction would be impossible [1].

2.1. *Transport infrastructure*

The transportation infrastructure of the Sochi Olympics is an important contribution to the development of the city. The construction of a new airport, road junctions, roads, and rail links has greatly enhanced the Sochi travel comfort.

As part of games preparations, the transportation systems in the city and its surrounding areas have undergone major reconstruction and modernization. New roadways, railway lines and crossings have been commissioned. As a result, Sochi has received: over 360 kilometers in roads and bridges; 102 car bridges covering over 27 kilometers; 967,400 squares meters of road and sidewalk coverage; 54 railway bridges covering over 16 kilometers; over 201 kilometers in railway beds; 22 tunnels

Sochi International Airport, which was reconstructed during preparations for the

Games, is the main gateway for guests of the city. The airport receives flights from Russia’s biggest cities, as well as major European and Asian cities. The total cost of reconstruction is \$398 million.

The new multi-modal terminal at the Adler railway station, built for the games, is the biggest transport and transfer hub on the black Sea coast. It has six levels and not only receives trains but also automotive transport and sea vessels. The total cost of modernization is \$ 23.2 million.

Transport infrastructure accounts for the bulk of the investments by the federal government, at about \$ 20.9 billion. The most expensive Olympic facility of transport infrastructure is the road Adler – Krasnaya Polyana (\$ 9 billion).

2.2. *Energy infrastructure*

In order to solve electricity supply issues in the city the region’s energy system was upgraded. The development of new generating capacity, construction and reconstruction of high-voltage cable and overhead lines, as well as the reconstruction of the city’s electricity distribution networks, has contributed significantly to boosting the reliability of power supply in Sochi.

The biggest electricity project is the Adler combined heat and power station (with 360 MWt in capacity), which is the main source for power for facilities in the Coastal Cluster. According to information from Vnesheconombank, the total construction cost of the Adler CHP station is \$856 million.

2.3. Telecommunications infrastructure

Sochi is now one of the first Russian cities, which has been entirely equipped with the most modern telecommunications infrastructure, including digital communications channels, in high definition interactive television and a high level of 4g cellular coverage. According to the FTP, \$ 580 million spent on construction and modernization of telecommunications in the region.[9]

2.4. Tourist infrastructure

Sochi is a destination with two peak travel seasons: summer and winter. Any resort destination envies such potential anywhere.

Sochi, the established seaside city with its own concert hall, theatre, parks, cultural attractions, cruise ship terminal, marina and port facilities, is Russia's best-known summer beach and health resort destination.

The coastal zone of Adler and Imeretinskaya Valley is the transportation hub and the newly built sports and entertainment center of the destination. With the exception of the airport, the entire infrastructure was built here during the last five years, including fast-train connections to Sochi and the mountains; sports facilities such as the Olympic stadium, ice hockey and figure skating arenas; new holiday villages; globally branded hotels; apartments; and shopping and entertainment districts, featuring Russia's first theme park.

Finally, the mountain cluster 40 kilometers (24.6 miles) from the beaches with ski lifts, mountain installations, and a host of newly built globally branded hotels ranging from mid-market to luxury positioning.

Tourist infrastructure is a critical aspect for visitors of Sochi 2014. This is a much needed improvement for any city, which draws its revenues from tourism based businesses. Tourist infrastructure development projects (\$ 2.6 billion).[7]

3) Operational costs

3.1. Opening and closing ceremonies

For organizing and holding opening and closing ceremonies of the Olympic Games in Sochi 2014 spent 1.6 billion rubles (\$ 52 million). That is 20 percent less than the cost of similar events in London – the opening and closing of the Olympic Games in London in 2012 cost about \$ 65 million.[5]

3.2. Bonus payments to athletes of the national Olympic teams

National Olympic committees or sport ministries often pay bonuses to medal-winning athletes. The country offering the biggest bonus for an Olympic medal in Sochi is Azerbaijan which will pay any athlete who wins a gold medal more than half a million dollars (\$510000), \$ 255 000 for a silver medal and \$ 130 000 for a bronze medal. Kazakhstan athletes will receive a quarter of a million dollars for a gold medal, \$ 150000 for a silver medal and \$ 75000 for a bronze medal. Italy will pay \$ 190 000 for a gold, \$ 100 000 for a silver and \$ 68 000 for a bronze. Russian athletes will receive \$115600 for a gold medal, \$ 72200 for a silver medal and \$49000 for a bronze medal. The USA bonuses seem downright stingy. A gold medal for a USA athlete will mean a \$25000 bonus, while a silver will bring in \$15000 and a bronze will net \$10000. Unlike many other countries, the USA taxes these bonuses, which can mean that as much as 39.6 %, will end up going back to the IRS. Not all countries offer prizes to their winners; competitors from the UK, Sweden, Croatia, and Norway do not receive money for winning a medal in the Olympics.[15]

The host nation (Russia) won 33 medals, hence the total payments amounted \$ 2 738000. The second and the third places went to Norway 26 medals – \$ 0 (no bonuses paid) and Canada 25 medals – \$ 400 000.

3.3. Gifts to Olympic champions 2014 from the President

Gifts Olympians 2014 from the president were truly luxury (in total – 45 cars). Olympic champions received Mercedes GL-Class SUVs, which cost is 5.3 million rubles, silver medalists – received Mercedes ML – Class SUVs, the price of which is 3.06 million rubles, bronze medalists Mercedes GLK – Class SUVs costing 2.150 million rubles.[16]

Paralympic champions to get same gifts as their Olympic colleagues. Recall that The Russian Olympic team won 33 medals (13 gold, 11 silver and 9 bronze medals), and The Russian Paralympic team won 80 medals (30 gold, 28 silver and 22 bronze medals).[6]

II. How money is earned

1) Sales of TV broadcasting rights

Broadcast partnerships have provided the biggest single source of revenue for the Olympic movement for the past three decades.

Take NBC's contributions to this year's Winter Olympics. For its Sochi broadcast license, the company paid \$775 million. What that number does not reveal is how much that means to the IOC. Turns out it is quite a bit. NBC accounts for a staggering 62 percent of the IOC's \$1.26 billion in broadcast revenue for Sochi 2014.

The pattern repeats itself as you go back in time. NBC paid \$894 million to broadcast Beijing 2008, representing 51 percent of the IOC's broadcast revenue for those Games. In Athens 2004, NBC paid \$793 million on total IOC broadcast revenues of \$1.49 billion, or 53 percent.[4]

2) Sponsorship deals

Commercial partnerships have been crucial to the success of the modern Olympic Movement throughout its history and have been a major factor in the continued growth of the Olympic Games. Revenue generated by the global sponsorship program accounts for approximately 40 % of the IOC commercial program revenue.

Created by the IOC in 1985, The Olympic Partner (TOP) Program is the highest level of Olympic sponsorship, granting exclusive worldwide marketing rights to both the Winter and Summer Games. The program attracts some of the best-known multinational companies in the world and generates revenues that are distributed throughout the Olympic Movement, which ultimately supports the athletes.

TOP partners - prestigious international companies such as Samsung, Panasonic, Omega, Atos, P&G, Dow, GE, Coca-Cola, McDonald's and Visa. The TOP Program brings the IOC \$ 957 million in sponsorship money.

In addition to the funding and support offered by the Worldwide Olympic Partners, Sochi 2014 has also benefited from a domestic sponsorship program – managed by the Sochi 2014 Organizing Committee – which has granted exclusive marketing rights within the host country to further help fund and stage the Games.

National Partners Sochi 2014: Aeroflot, BOSCO, MegaFon, Rosneft, Rostelecom, Russian Railways, Sberbank, VOLKSWAGEN Group Rus.

The Sochi 2014 domestic sponsorship program has raised approximately \$ 1.3 billion – more than any other Winter Games in history – to help support and organize the Games.[2]

3) Ticket sales

According to IOC marketing documents seen by the Associated Press (AP), Sochi had a total of 1.1 million tickets on offer.

Ticket prices for Sochi 2014 were available at a wide range of prices in order to make the Games as accessible as possible, with the least expensive costing 500 rubles (\$ 17). More than half of all tickets cost less than 5,000 rubles (\$ 165), and 85 % of all tickets cost less than 9,000 rubles (\$ 297). The most expensive tickets in Vancouver, to the Opening Ceremonies, cost \$1,100. For Sochi, the maximum ticket price – \$1,700.[17]

Total sales of tickets Sochi 2014 are expected to reach approximately \$ 220-250 million. Organizing Committee Sochi 2014 reported that more than one million tickets (96-97 %) for competitions of XXII Winter Olympic Games have been sold already (data 14.02.2014).

By comparison, 1.54 million tickets were available for the 2010 Winter Olympics in Vancouver and 97 % (1.49 million) were sold – \$ 260.4 million. For the 2012 Summer Games in London, organizers sold 97 % (8.2 million) of their 8.5 million tickets – \$ 1.85 billion.[8]

4) Licensing of products

The Sochi 2014 Licensing Program was launched in 2009. Since then, licensees have released around 5,000 items of souvenir merchandise with the Sochi 2014 marks. Total sales of official Sochi 2014 merchandise are expected to reach over \$500 million, while direct revenue for the Sochi 2014 Organizing Committee from licensing program sales may exceed \$30 million.

As part of the licensing program, 55 contracts have been signed with licensees in categories such as apparel and footwear, sporting goods, house-hold goods, accessories, stationery, souvenirs, toys and many others.[2]

Conclusion. Summing up one can say that Russia has projected itself onto the world stage as a modern country with the confidence to deliver a major global sporting event on schedule and to high standards.

Thanks to the Games, the regional summer resort of Sochi will become a world-class multi-purpose sports center and a year-round business and tourist center with a contemporary social, transport, telecommunications and energy infrastructure.

The Games are a catalyst for the development of the Krasnodar region as a whole, leading to:

- Increase in investment attractiveness;
- Growth in business activity;
- Creation of a modern sports cluster of federal significance;
- Creation of new jobs;
- Development of transport infrastructure [12].

Thus, the “Sochi 2014” project, on a national scale, is express evidence of the fact that Olympic Games and Paralympics are not just sports events of world significance but also events producing positive influence on nearly all aspects of the host country’s social and economic activities by leaving a rich heritage for the Olympic capital and a development model for other regions [13].

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Самые дорогие Олимпийские Игры в истории: Сочи 2014

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Аннотация. Олимпийские игры – самое главное международное спортивное событие. Зимние Олимпийские Игры Сочи 2014, считающиеся самыми дорогими в истории, стали символом экономического возрождения России. Тот факт, что зимние Игры проведены в Сочи, является доказательством, что Россия, как экономически сильная держава, могла позволить это себе. В статье поднимаются вопросы, касающиеся затрат на проведение Олимпийских Игр и источников финансирования.

Ключевые слова: Олимпийские Игры; Сочи 2014; Международный Олимпийский Комитет; затраты; спортивные сооружения; инфраструктура.