

Pan Am Games are running into trouble

Low revenues, high costs and building delays pose serious challenges.

By Charles Smedmor

What's happening with Toronto's Pan Am Games?

After 28 months, the admission that 60 percent of the planned Pan Am venues will be changed is a red flag telling us that stormy seas lie ahead for both Games organizer [TO2015](#) and taxpayers.

In November 2009, Toronto was awarded the Pan Am Games, which will bring athletes from 43 nations. Physically challenged athletes will participate in the Parapan Am Games. Lots of lead time is needed. But time is running out; facilities must be ready for autumn 2014, just 33 months away.

Tough questions have to be asked about this discretionary project:

- Why did TO2015 wait 28 months to propose venue changes? With 51 planned venues, the sudden admission that 30 venues now need to be relocated and clustered together suggests TO2015 has been in denial.

No details of the proposed venue changes behind this 60 percent U-turn have been released. TO2015's proposed changes first need approval from the international sports federations (ISFs) that certify events as "Olympic qualifiers." However, any operating cost savings from changed venues could be offset by higher construction costs in the rush to be ready on time.

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Ian Troop, CEO of TO2015, must show he recognizes the new realities by quickly delivering an ISF-approved venues plan. Then we need a revised, achievable, no-frills Games budget.

- Can we afford the Games? The finances for the Games have been in deep trouble since Day 1. Simply put, the forecast is for minimal revenues, only \$146 million, including just \$39 million for tickets. Other revenue streams include \$102 million for sponsorship and \$6 million for broadcast and licencing.

In contrast, TO2015's operating costs are budgeted at \$720 million, meaning the Games will have a \$574 million operating loss. Capital spending is currently budgeted as \$708 million. Thus, every dollar of venue spending (presuming no white elephants are built) will have an 81-cent "operating loss surcharge."

To offset the weak revenues, Ottawa and Queen's Park have each agreed to fund \$500 million and provide \$167 million in "essential services." GTA municipalities and area universities are committed to spending \$288 million. But with last-minute venue changes and tight construction deadlines, this \$1.4 billion might not be enough.

How much money is needed? That is the mystery. The 2009 Games budget has not yet been updated and TO2015 has not released any audited financial statements. Last October, Troop stated the Games were "on time and on budget." Now he proposes changing 60 percent of the venues to control costs. Taxpayers deserve transparency, not flip-flops, since Ontario has given its sovereign guarantee on cost overruns.

How can we avoid a wastefully extravagant Games? First, TO2015 must change its mindset. The Games cannot include every municipality, every sport and every

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frill. With a realistic mindset, other needed changes can then be implemented, including:

- Eliminate marginal events. The Games Bid Book specified 325 medal events. Now TO2015 is considering 359 medal events. Each additional event requires money and management time. TO2015 must say “no” to additional events.
- Relocate the aquatics centre. \$171 million is budgeted for three pools on the former Morningside garbage dump near U of T Scarborough. But site remediation is six months behind schedule; methane gas is still being vented from the ground. Further, the Morningside pools won't have rapid transit and are far from the West Donlands Athletes Village. Using the Bid Book plan could cost \$250 million. A cheaper, better way is to build movable pools at the CNE/Ontario Place (already selected for several events). After the Games, each pool could be moved to a deserving GTA locale.
- Merge the Pan Am and Parapan Am Games. The Pan Am Games are scheduled for July with the Parapan Am Games in August. With two sets of Games, there will be duplicated costs and unnecessary disruption. At the 2010 Delhi Commonwealth Games, able-bodied and physically challenged athletes competed together; the athletes loved the inclusiveness. A merged Pan Am/Parapan Am Games could be equally wonderful, inclusive, save money and simplify planning.
- Shelve indoor velodrome plans. Milton is ready to commit to \$45 million for a 250-metre indoor velodrome. However, an indoor velodrome operation is costly; North America has only one other of similar size. TO2015 needs to consider a cheaper outdoor composite-track velodrome at the CNE/Ontario Place.

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Pan Am Games Minister Charles Sousa has stated that TO2015 is an “independent organization.” However, T02015 cannot stage anything with just \$146 million in forecast revenues. Taxpayer cash must be matched by hands-on oversight of what is done and how money is spent, otherwise the Games may be a sporting failure and a financial fiasco.

Charles Smedmor is a Toronto-based forensic accountant.

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