

point of *view*

August 2012

Beyond the bid

The legacy of mega-events in intellectual capital

pwc

Highlights

- Accelerated infrastructure development and urban regeneration—the hallmarks of modern mega-events—confer a lasting legacy on host cities and regions.
- The term “legacy” encompasses far more than economic, environmental, and social transformation; it also includes intellectual capital.
- PwC research confirms that intellectual capital is among the most essential success factors defining a modern urban economy.

The knowledge behind the event:

- Today’s mega-events are highly competitive; cities and regions often submit multiple consecutive bids until they win, building on the lessons from each iteration.
- Even a losing bid can provide a catalyst for long-term development, as New York City illustrated when it lost its bid for the 2012 Olympics. Regardless, the city forged ahead with plans for long-term urban regeneration.
- Intellectual capital abounds at mega-events; capturing that legacy allows all stakeholders to benefit from one another’s skills, knowledge, and innovation.

Background

The building blocks of experience . . .

Following the London 2012 Olympic and Paralympic Games, the UK will host a raft of other events including the 2014 Commonwealth Games, the 2015 Rugby Union World Cup, the 2017 World Athletics Championships, and the 2019 Cricket World Cup.

Meanwhile, Russia, host of the 2012 Asia-Pacific Economic Conference and 2013 Universiade (World University Games), will also stage the Sochi 2014 Olympic and Paralympic Winter Games and football's 2018 FIFA World Cup™.

Russia is also hosting several other global and regional sporting events—in aquatics, Formula One racing, and athletics—as it embarks on a new era of regional and global mega-events.

Accelerated development

Vladimir Leonov, Executive Directorate Chief for Kazan 2013, said the Universiade will compress an entire decade of development into a few years for the city of Kazan and the wider region.

Leonov was referring to a variety of new road, rail, and telecommunications infrastructure—including a high-speed rail link to Moscow, some 450 miles west.

Brazil is undergoing a similar transformation. After hosting the 2011 Military World Games and the Rio+20 UN Conference in 2012, it is preparing to host World Cup football in 2014 followed by the 2016 Olympic and Paralympic Games.

Eduardo Paes, Rio de Janeiro Mayor, said, “We will make close to 40 years’ worth of investments during a 5-year period.” Those investments encompass bus rapid transit, the port zone revitalization, and urban regeneration of Brazil’s favelas, or shanty towns.

Qatar, a rapidly modernizing peninsular nation in the Middle East, won its 2022 World Cup football bid after hosting both the Pan Arab Games and the Asian Football Confederation’s Asian Cup in 2011; it is also planning close to \$200 billion worth of infrastructure development on an accelerated schedule.

Don’t discount a losing bid

Behind the scenes, every winning—and losing—bid represents years of planning, preparation, and collaboration.

City planners used New York’s 2012 Olympics bid as a catalyst for the development of seven outlying areas of the city. Despite the selection of London in 2005, New York City continued to push ahead with urban regeneration, much of which will be completed within the next decade.¹

Each bid offers valuable lessons that ease the way for successive bids. Pyeongchang, South Korea, for example, won the 2018 Winter Olympics on its third consecutive bid.

Meanwhile, Canada’s losing bid for the 2008 Olympics served as a springboard to win both the 2010 Winter Olympics and the 2015 Pan American Games.

The Universiade will compress an entire decade of development into a few years for the city of Kazan and the wider region.

¹ Mitchell Moss, *How New York City Won the Olympics*. New York University, November 2011.

Analysis

... provide a legacy for lasting success

Over the past several decades, the role of mega-events in generating a lasting legacy has gained increasing importance—not only for those bidding but also as an inherent component of the bidding process itself.

Over the past several decades, the role of mega-events in generating a lasting legacy has gained increasing importance—not only for those bidding but also as an inherent component of the bidding process itself.²

Today, the legacy of mega-events encompasses intellectual capital. London's "Learning Legacy" web site records lessons from the construction of Olympic Park while showcasing the expertise gained.

Major transformation

"This is the first time a construction project in the UK has sought to capture the intellectual capital on this scale," said Sir John Armitt, Chairman of the Olympic Delivery Authority, which was created to deliver infrastructure for London 2012 on time and within budget.³

Dmitry Chernyshenko, CEO and President of the Sochi Organizing Committee, said the Games will "truly leave a lasting legacy." He added, "It's clear that hosting the Games is already leading to major economic, environmental, and social transformation—from the introduction of new green standards to measures promoting the integration of people with disabilities into mainstream Russian life."

Knowledge transfer

Qatar is also seeking to capture the legacy of intellectual capital as it prepares for 2022 World Cup football. "The term 'legacy' applies not just to the physical infrastructure but also to the added know-how and expertise" that goes along with it, according to Stephen Anderson, PwC Country Senior Partner in Qatar.

He adds that knowledge transfer is crucial not just for planning, financing, and building infrastructure, but also for ongoing maintenance and operation—especially in Qatar where expatriates outnumber local residents 6 to 1.

Without the legacy of intellectual capital, it would be impossible to support the massive road, rail, and airport infrastructure the country is developing.

Replicating lessons learned

Once the infrastructure is in place, cities are better positioned to submit winning bids on future events. And the lessons learned offer valuable experience from one event to the next.

Bob Gruman, who is based in Moscow and leads PwC's Global Centre of Excellence for Sports Mega-Events, said, "The legacy of intellectual capital—ensuring that we effectively capture and replicate the lessons learned from each event—is crucial to meeting the unrelenting deadlines necessary to make each one a success."

² Paul Kitchin, "Financing the Games" in *Olympic Cities*, ed. John Gold and Margaret Gold. The Johns Hopkins University Press, 2004.

³ Lessons Learned from the London 2012 Games Construction Project, <http://learninglegacy.london2012.com/index.php>.

The wider implications of legacy

Q&A

Q: What accounts for this emphasis on the legacy in intellectual capital?

A: The expertise required to stage a mega-event is highly sophisticated. These events require substantial infusions of capital, the dedication of vast resources, and the commitment of all participants over the long term. Cities and regions do not undertake these events lightly.

Once the selection process ends, there's no backing down from hosting the event. As a result, cities and regions seek experts who can demonstrate previous experience.

That previous experience serves as the foundation of an intellectual capital legacy for each city or region to build on, thus making every successive bid easier and cementing a city's or region's arrival on the world stage.

In fact, PwC research confirms that of all the various factors that define a successful modern urban economy—including economic clout, technology readiness, and ease of doing business—intellectual capital, innovation, and social well being (health, safety, and security) are the most essential.⁴

Q: What gives a contractor the competitive edge in bidding on a project for a mega-event?

A: A contractor must contribute to the legacy in intellectual capital.

In Qatar, for example, which faces a human capital challenge, a contractor would have to demonstrate commitment beyond just assuring project delivery. A track record in the region, people on the ground in Qatar, and the willingness to participate in knowledge transfer are all essential.⁵

Q: What makes for a winning mega-event bid?

A: The first step is bid leadership that clearly illustrates commitment from local, state, and central government—as well as private-sector partners—toward a detailed plan for facilities, infrastructure, and event staging.

Beyond that, the region must be well-enough known internationally that it can draw a global audience. It must also document the lasting contributions that the event will make to the region's wider economic, social, and environmental legacy.

The role of legacy, already vital to the selection of a winning bid, will continue to escalate.

⁴ PwC, *Cities of Opportunity*, 2011.

⁵ Stephen Anderson, PwC Qatar Country Senior Partner, in conversation with Phil Blizzard, *MEED Projects* 2011, February 10, 2011.

Contact information

To have a deeper discussion about mega-events, please contact PwC's Global Centre of Excellence for Sports Mega-Events:

Robert Gruman
PwC
+7 495 232 5725
robert.gruman@ru.pwc.com

Julie D. Clark
PwC
+44 20 7213 4170
julie.d.clark@uk.pwc.com

© 2012 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see <http://www.pwc.com/structure> for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

PwC firms help organizations and individuals create the value they're looking for. We're a network of firms in 158 countries with close to 169,000 people who are committed to delivering quality in assurance, tax, and advisory services. Tell us what matters to you and find out more by visiting us at <http://www.pwc.com/>.
LA-13-0003