

Intelligence MEMOS



From: Grant Bishop
To: City of Calgary, and Calgary 2026
Date: November 9, 2018
Re: **SHOULD CALGARY GO FOR OLYMPIC GOLD?**

On Tuesday, Calgarians will go to the polls for a plebiscite on whether to bid to host the 2026 Olympics. We face a discrete and well-defined choice: The City of Calgary and Calgary 2026 (the city's bid corporation) have provided clear funding commitments and a rigorously costed hosting plan.

But, as with any major project, the Olympics presents financial risks – although the cost estimate by Calgary 2026 builds in a prudent buffer for contingency. As well, economic benefits are highly speculative and publicized impact estimates are likely overstated. The benefits of the games will depend on the value we as Calgarians place on the promotion of athletic competition and civic pride.

Reviewing the proposed bid can help unpack the price-tag, as well the exposure to cost overruns. Calgary 2026's [hosting plan](#) provides a good break-down of the projected costs for operations, the direct capital costs (i.e., venues and housing) and the indirect costs (e.g., government services and security) (See Figure 1). Adjusted for inflation, Calgary's relative operating costs are practically identical to those for across different cost buckets with [Vancouver's 2010 Olympic spending](#) at roughly \$835,000 per athlete. At \$905 million, capital costs for venues in the Calgary 2026 plan are greater than the inflation-adjusted \$685 million spent on venue construction by Vancouver. Particularly since Calgary would refurbish various legacy facilities from the 1988 Olympics, the capital budgeting appears to include conservative contingencies. Moreover, to avoid the saga around the standalone financing of [Vancouver's Olympic Village](#), Calgary budgets directly for building athlete housing (which would transition to low-income, senior and student housing post-Olympics).

Of course, cost overruns have been endemic to Olympic games. A [study released this week](#) by researchers from Johannes Gutenberg University Mainz surveyed Olympic games since 2000, finding significant overruns – particularly for capital costs. Games generally balance their operating budgets, with operating cost overruns typically balanced by higher revenues. The rub has been on the capital front. The Mainz study largely aligns with [a 2016 study of Olympic cost overruns](#) from 1964 to 2016 by the Said Business School at Oxford University (Calgary 1988 had overruns of 65 percent) (See Figure 3A). For the Calgary 2026 plan, projected costs are below the average delivery costs per athlete of winter games from 1988-2010 (See Figure 3B).

But even staying within budget does not mean Olympics are free. The games would draw on significant public funds (See Figure 2). Under the funding plan, the City of Calgary would provide \$390 million. If amortized as debt on a 20-year term at a 4 percent interest rate, Calgary would incur roughly \$29 million annually, translating to a 1.6 percent increase on Calgary's \$1.8 billion [property tax-supported budget](#). For the [median Calgary homeowner](#), this would mean about \$30 a year (Trevor Tombe of University of Calgary provides a [similar calculation](#)). As well, municipal spending also risks burdening business property: recent [C.D. Howe Institute research](#) shows Calgary has a business property tax advantage over other North American cities – which our city needs to retain.

Provincial and federal governments also committed to hefty contributions, and these funds are not free. With Alberta running deficits, its \$700 million outlay equates to a 1 percent increase in provincial debt (forecast at \$71 billion next year) or about \$250 per person for Alberta's current working-age population. The plebiscite is therefore a choice about in what public expenditures Calgarians want to invest.

Against these public costs, certain Calgary 2026 boosters have trumpeted large economic benefits estimated in studies commissioned by the [Calgary Bid Exploration Committee](#). Trevor Tombe provides a [thorough critique of these estimates](#): These models significantly overestimate economic impacts because their input-output approach assumes no displacement of resources from other productive work. As argued in a [C.D. Howe Institute commentary by John Palmer](#), promises of economic benefits from large sports mega-projects are often overstated (although Calgary 2026 organizers emphasize that Olympic funding will not be directed to professional sports venues).

In a [report commissioned](#) by the City of Calgary and released earlier this week, Ernst & Young also surveys potential costs and benefits for Calgary. This report innovatively uses results in [a 2016 study from the London School of Economics](#), which estimated of the boost in subjective well-being from hosting the London Olympic games (estimated at 0.5 to 1 percent of household income). While qualifying the limits of their methodology, E&Y applied quantified Calgarians' potential willingness-to-pay for the games at a net present value of \$230 to \$590 million.

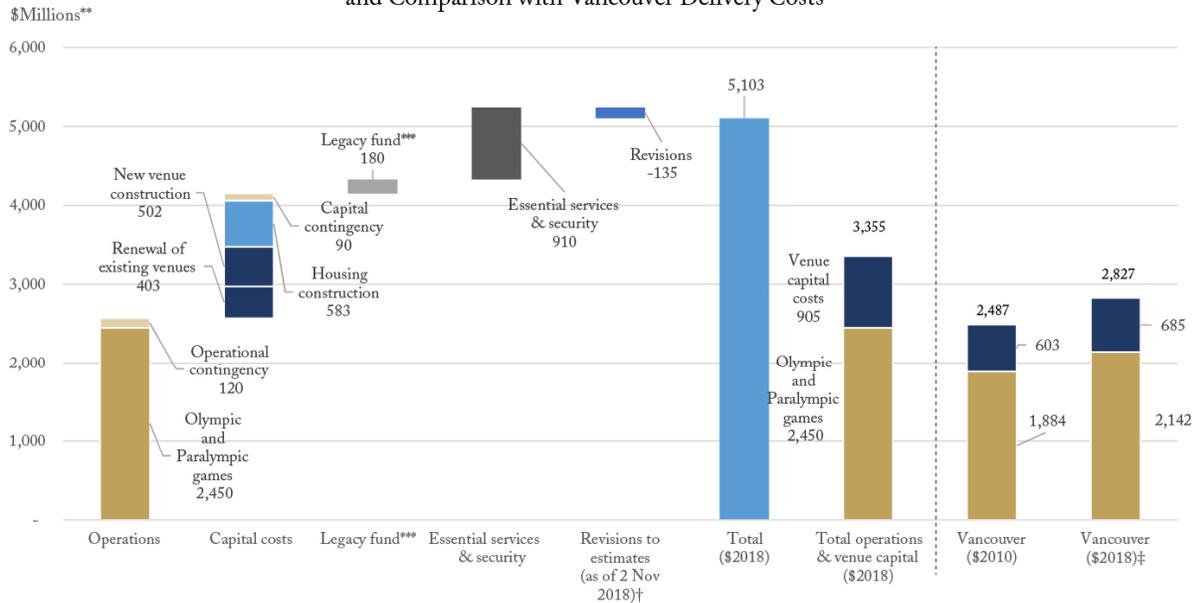
Unpacking the trade-offs for public finances can frame the question, but the choice of what public goods we buy comes down to our preferences. On Tuesday, Calgarians will get to show our willingness-to-pay for the Olympics at the ballot box.

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The views expressed here are those of the author. The C.D. Howe Institute does not take corporate positions on policy matters.

Figure 1: Estimated Costs for Calgary Hosting 2026 Olympics and Comparison with Vancouver Delivery Costs*



Sources: Calgary 2026 Hosting Plan, Calgary 2026 Funding Summary (2 Nov 2018), Vancouver Olympic Games Impact Study (2011), Statistics Canada.

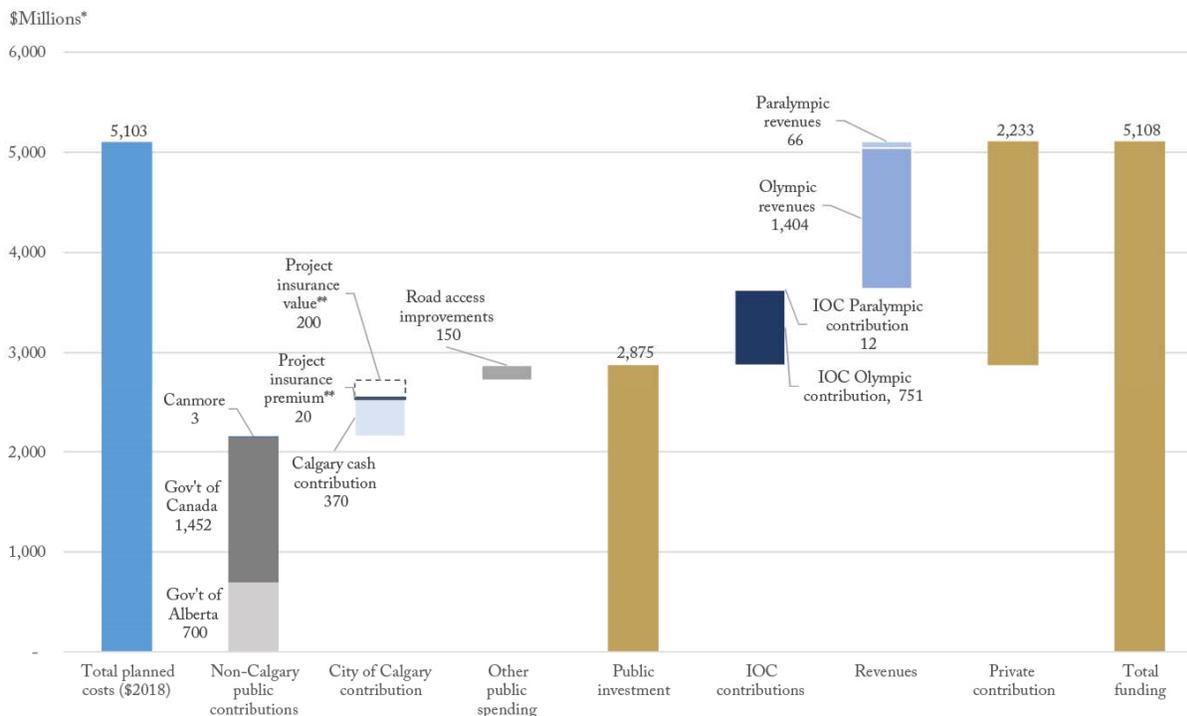
* Delivery costs for Vancouver included operations and capital expenditures for venues; housing, government services and security, and capital costs for context activities were separately budgeted.

** Figures in 2018 Canadian dollars unless otherwise noted.

*** Legacy fund involves establishment of a charitable foundation for ongoing funding of sport programs and facilities.

† Revisions to estimated costs published by Calgary 2026 on November 2 included decreases for reduced security, essential services and certain capital expenditures, as well as an increase to recognize road access improvements in the bid cost.

Figure 2: Committed Funding for Calgary Hosting 2026 Olympics

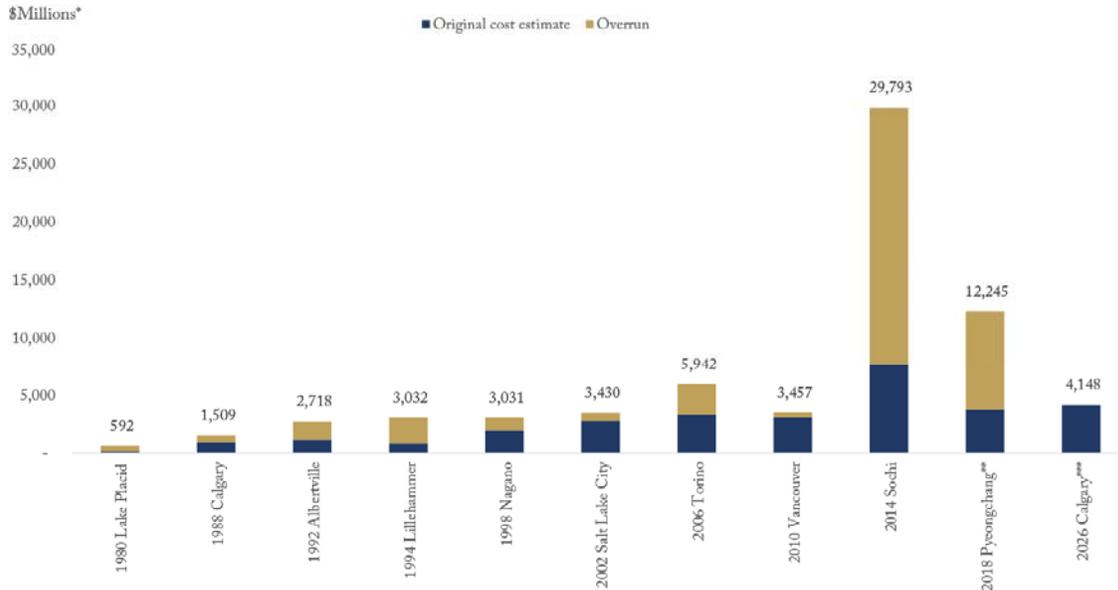


Sources: Calgary 2026 Hosting Plan, Calgary 2026 Funding Summary (2 Nov 2018), Vancouver Olympic Games Impact Study (2011).

* Figures in 2018 Canadian dollars unless otherwise noted.

** Under the funding agreement with the Government of Canada, the City of Calgary will pay a premium of \$20 million for project insurance to cover cost overruns with a value of \$200 million; the outlay by the City of Calgary will be \$390 million, but the published figure for public investment includes the value of this project insurance.

Figure 3A: Estimated Games-related Costs of Winter Olympic Games



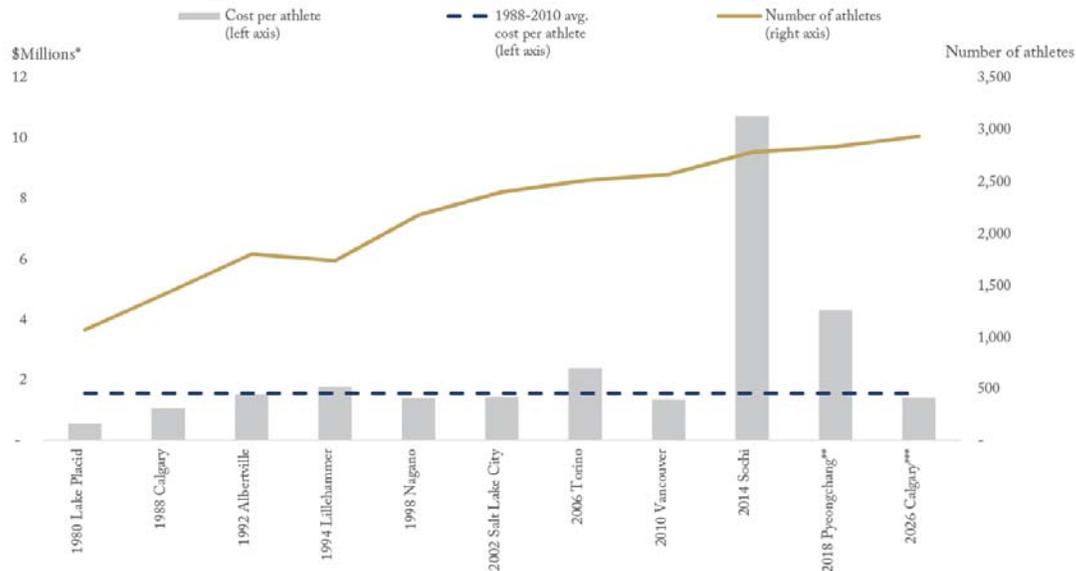
Source: Flyvbjerg, Stewart & Budzier (July 2016) "Oxford Olympics Study 2016: Cost and Cost Overrun at the Games"; Calgary 2026 hosting plan, author's calculations.

* Figures in 2018 Canadian dollars; 2015 USD figures from Flyvbjerg et al. (2016) adjusted using USD GDP and USD/CAD=1.29.

** Pyeongchang cost overrun based on media reports of USD 12.9 billion cost, adjusted for estimated USD 3.4 billion high-speed railway (outside of scope games-related cost).

*** For comparability with other host cities, Calgary estimate here also includes costs for housing construction in Calgary 2026 hosting plan.

Figure 3B: Estimated Games-related Costs of Winter Olympic Games



Source: Flyvbjerg, Stewart & Budzier (July 2016) "Oxford Olympics Study 2016: Cost and Cost Overrun at the Games"; Calgary 2026 hosting plan; author's calculations.

* Figures in 2018 Canadian dollars; 2015 USD figures from Flyvbjerg et al. (2016) adjusted using USD GDP and USD/CAD=1.29.

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