

# BOOK EXCERPT PASSAGES

## The Olympics of television rights — building a billion dollar bonanza

Dick Pound

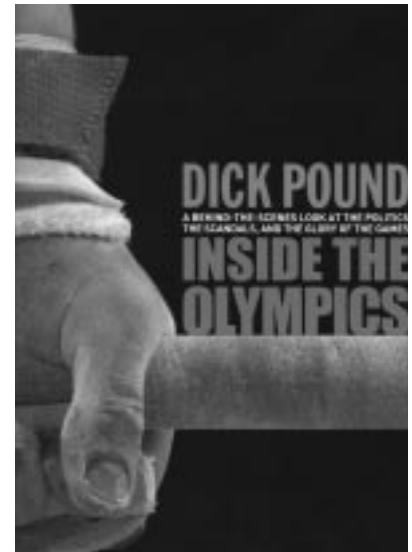
In 1960, the year Dick Pound competed in the Rome Olympics on the Canadian swimming team, CBS paid less than \$400,000 (all figures in \$US) to broadcast the Summer Games to the United States. By the 1976 Summer Games in Montreal, ABC paid \$25 million. By the mid-1980s, when Pound was in charge of negotiating television rights on behalf of the International Olympic Committee, ABC paid an astonishing \$309 million for US rights to the 1988 Calgary Winter Games. By the mid-1990s, NBC negotiated a \$2.3 billion multi-games contract for Summer and Winter Games from 2000 through 2008. In this exclusive excerpt from *Inside the Olympics*, his memoir of his own Olympic journey, Pound tells the fascinating inside story of the bidding wars for US television rights, which have funded the IOC and provided a revenue base upon which host cities, including Athens this month, have built the costly infrastructure necessary to host the Olympics in the modern era. "This makes the Olympics unique as a sports event," he writes, "the Games can pay for themselves."

En 1960, quand Dick Pound a concouru aux Jeux olympiques de Rome parmi l'équipe canadienne de natation, la chaîne américaine CBS avait déboursé moins de 400 000 dollars US pour télédiffuser l'événement aux États-Unis. En 1976, il en a coûté 25 millions à ABC pour télédiffuser les Jeux de Montréal. Quelque 10 ans plus tard, Dick Pound négociait les droits de télévision pour le Comité international olympique, et ABC a déboursé cette fois l'ahurissante somme de 309 millions en vue des Jeux d'hiver de Calgary de 1988. Puis, au milieu des années 1990, NBC a négocié au prix de 2,3 milliards un contrat englobant la télédiffusion des Jeux d'hiver et d'été de 2000 à 2008. Dans ce passage exclusif de *Inside the Olympics*, qui retrace sa propre aventure olympique, l'auteur explique comment cette fascinante guerre des tarifs a permis au CIO de se financer et a aidé les villes élues, dont Athènes ce mois-ci, à construire les coûteuses infrastructures indissociables des Jeux olympiques de l'ère moderne. Un événement sportif d'autant plus unique qu'il est en mesure de s'autofinancer.

**N**ot long before the 1960 Olympic Games, International Olympic Committee president Avery Brundage announced with great portent that the Olympics had got along very well without television for sixty years and could do so in the future as well. Famous last words! This final pronouncement on Olympic television was

no sooner out of Brundage's mouth than the television coverage of the 1960 Olympics, both Summer and Winter, began a new era for the Games. Instead of reading about the Olympics, hearing about them on the radio, or occasionally seeing them in newsreels at the cinema, hundreds of millions of people throughout the world could

suddenly experience the Games in an immediate and almost personal way. In the course of a single generation, the power of television has made the Olympic Games the most universally watched event in well over two hundred countries. Some 3.7 billion individual viewers watched the 2000 Games in Sydney.



For broadcasting the 1960 Rome Olympics, CBS paid less than US\$400,000 (all of the rights figures are in US dollars) for the US rights, and the worldwide total was less than \$1.2 million. However, the overall amounts increased fairly quickly thereafter to \$1.6 million for Tokyo in 1964, \$9.75 million for Mexico in 1968,

venues may have been negotiated by the local organizing committees. It did nothing to put an IOC stamp on the television negotiations or the broadcasts, nor to ensure that there was a reasonable promotion of the Olympic movement as part of the broadcast package. Even more importantly, it did nothing to get the per-

committee paid the IOC \$33 million and refused to discuss any other figure. There was nothing the IOC could do. The \$100 million was a lot more than had been negotiated previously for US rights, so it was a mixed blessing.

The other issue that finally began to emerge was that the organizing committees had had no interest in what came after their Games. They lived entirely in the present, unencumbered by any responsibility for the future; they simply wanted the money from the television rights. The contracts they negotiated did not give the IOC clear ownership of the historical material following the Games. The blame is not entirely theirs, however, because the IOC had not acted to ensure that its own interests were properly served, so it may be more

The contracts the [local organizing committees] negotiated did not give the IOC clear ownership of the historical material following the Games. The blame is not entirely theirs, however, because the IOC had not acted to ensure that its own interests were properly served, so it may be more equitable to lay the blame squarely at the foot of the IOC, which should have known better. ABC — which, having broadcast most of the recent Games, viewed itself as the Olympic network — claimed the Olympic material was its own and charged very high fees to provide the material to any other broadcasters who wanted to use it for their own reports of the Games.

\$17.8 million for Munich in 1972, and \$35 million for Montreal in 1976. The really enormous increases started after the Montreal Games: \$100 million for Moscow in 1980; \$287 million for Los Angeles in 1984; \$403 million for Seoul in 1988; \$635 million for Barcelona in 1992; and more than \$930 million for the Atlanta Games in 1996. The rights fees grew close to \$2 billion for 2008.

Even as it started to grow noticeably in importance, the economic return from television did not seem to attract much attention at Olympic headquarters. What the IOC had failed to grasp in the early years was that television would become the dominant medium through which the world would experience the Olympic Games and that the television record of the Games would become a vital part of the historical tradition of the Olympic movement. Long after the IOC should have recognized the importance of television and the television rights it held as “owner” of the Olympic Games, it contented itself with passive sharing of whatever rev-

manent record of the Games into the hands and control of the IOC, which was the body responsible (or, more accurately, the body that should have been responsible) for maintaining the definitive history of the modern Olympic movement.

It was not until after the 1984 television rights to the Los Angeles Games had been negotiated that the IOC finally woke up to the economic reality, which included the disconcerting fact that the local organizing committees cared little for the IOC when negotiating television rights and were quite prepared to shade their deals in their own favour. The example that set off the alarm was the process for the US television rights, which brought in US rights fees of \$225 million. The Los Angeles Olympic Organizing Committee (LAOOC) unilaterally decided that \$125 million of this amount represented its costs of providing facilities for the broadcaster and that the “real” rights fee was only \$100 million. Since the IOC was entitled to one-third of the rights fee, the L.A.

equitable to lay the blame squarely at the foot of the IOC, which should have known better. ABC — which, having broadcast most of the recent Games, viewed itself as the Olympic network — claimed the Olympic material was its own and charged very high fees to provide the material to any other broadcasters who wanted to use it for their own reports of the Games. Not only that, but for many years, ABC would assert that no one could televise any material from those Games in the United States without its consent, since it viewed its Olympic television rights as exclusive.

I was never sure what led to my becoming responsible for the IOC’s television negotiations. It came out of the blue a few years into Juan Antonio Samaranch’s two-decade stretch as IOC president. Shortly after I had been elected to the IOC executive board at the 1983 session in New Delhi, Samaranch took me aside and said, “Deek, I want you to become the chairman of the IOC Television Negotiations Committee.” That was

the first notice I had, although I knew by then that he wanted the IOC to play a more active role in this process, especially after the Los Angeles negotiations. LAOOC basically believed that whatever the IOC received from television rights for the L.A. Games was essentially the IOC stealing some of its money, and most other Olympic organizing committees agreed. LAOOC considered that \$33 million was more than enough of a windfall for the IOC and was quite unapologetic about its decision to allocate more than half of the US rights total for the 1984 Games to technical assistance.

Whatever the reasons, there I was, in a situation that I knew precious little about, but one that was essential to the future of the IOC. The next negotiations would be for the 1988 Winter Games in Calgary. Advising the local organizing committee, Olympiques Calgary Olympics (OCO'88), was TWI International in the person of Barry Frank, a former television executive and head of CBS Sports. Frank had encouraged OCO'88 to bank on an aggressive television budget — in excess of US\$200 million for US rights, well beyond anything ever seen for Winter Games. (The 1980 Lake Placid Winter Games had made only \$21 million in television rights, despite the fact that they were in the United States.)

Frank and OCO'88 sat down with me to discuss the situation, which included what I thought was a justified suspicion that ABC had generated a well-beaten inside track with respect to the IOC and television rights. The first objective I set for the negotiations was to assure all the networks that, even if there had been a preference in previous negotiations, under my leadership there would be a completely level playing field. I was satisfied that any one of the three major US networks was perfectly capable of broadcasting the Games at a level satisfactory to the IOC.

There would be no side deals or separate contracts that might give any network an advantage, such as different rights or easier payment schedules. I said we would prepare a draft contract and send it for comments to all three networks. They would have an opportunity to comment and make suggestions, which we would collect and consider. We would incorporate those that we thought were helpful and issue a final contract, on which they could bid. I went so far as to set a condition that even to participate in the negotiations, each bidding network was required to deliver a fully executed contract to me, with only the total

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rights fee left blank, together with a written authorization to me to fill in the final negotiated amount in the contract signed by the winning network. If they did not agree to this procedure, they could not participate in the bidding.

The networks that had been excluded from Olympic television contracts in the past were ecstatic with the process. ABC was distinctly unhappy, especially Rooney Arledge, head of ABC Sports, who maintained that ABC's experience as an Olympic broadcaster was being completely discounted and that the network should rightly be considered as the Olympic broadcaster. My position was firm, the credibility and fairness of the IOC in these negotiations was paramount. Even

Muhammad Ali had to take off his championship belt from time to time and step into the ring, I said, to renew his claim to be the heavyweight champion of the world. This was such an occasion for ABC.

The biggest issue with OCO'88 was the timing of the negotiations. TWI believed that the longer we waited, the more valuable the rights would become. Samaranch and I both felt that the 1984 Sarajevo Winter Games would not be a success, either for US television or for the US Olympic team. ABC had been selling advertising time during the Sarajevo Games at large premiums, hyping them as "Miracle on Ice II" in the wake of the spectacular outcome of the ice hockey tournament at Lake Placid in 1980. We did not think lightning would strike twice. There might be a figure skating medal or two, but other US pickings would be slim. For these reasons we wanted the Calgary negotiations to be held before the Sarajevo Games. But OCO'88 refused. The contract between the IOC and OCO'88 provided that the television negotiations were to be conducted jointly, so we could not proceed unilaterally. We gave our reasons for negotiating early, but OCO'88 insisted on waiting.

Finally, I went to Samaranch to say that we had an impasse and that I could see only one way out of it: let OCO'88 negotiate whenever it wanted, but I wanted to force the issue by demanding that OCO'88 guarantee the IOC its share of the minimum amount that TWI had said the organizing committee would get. As I recall, this minimum was \$208 million. Samaranch agreed, and I put the proposition to OCO'88. Either it guaranteed the IOC its share of the minimum or we would negotiate in January 1984, before the Sarajevo Games. OCO'88 could not take such a financial risk and did not have the tenacity to stand up to the IOC, so, with a great

deal of grumbling, agreed that we could proceed before Sarajevo. It was the best financial decision the Calgary committee ever made.

The bidding process for US rights to the Calgary Games took place in late January 1984 in Lausanne, which ABC's Arledge scornfully dubbed "the television capital of the world." Personally, I would have preferred to meet in New York, home base for the broadcasters, but Samaranch preferred to play up the IOC's prestige at the Lausanne Palace Hotel. Bids were to be in writing, at or above amounts we specified. They went much higher than we had ever expected. CBS dropped out early, but ABC and NBC fought it out to the level of \$300 million. There seemed to be no way out. I called representatives of both networks to the meeting room and said that we faced something of a dilemma. Both networks had demonstrated an interest in the rights that was far in excess of anything we had expected. The two bids were now exactly equal and I was not willing to choose one over the other. They would have to settle the matter between themselves through their bids.

Because it was already very late in the evening, I said that the bids would speed up to one every fifteen minutes and that each bid had to be \$1 million higher than the other in order to be valid. Who wanted to go first? No one volunteered. Neither party was willing to cut cards either, so I suggested that we flip a coin. I told Arthur Watson of NBC to make the call while the coin was in the air, and flipped it. Watson was so nervous that he forgot to call, so we had to do it again. He won and, surprisingly, after no one had wanted to go first, said that NBC would bid first. Its bid was \$304 million. ABC was advised. Its team returned at the appointed time and gave me the envelope. In it was a slip of paper that said "\$309 Million." They had seen NBC's raise of \$4 million, and raised it by \$5 million. Bob Mulholland of NBC folded his cards and shook hands with ABC's Jim Spence.



The Gazette, Montreal

McGill Chancellor, lawyer and author Dick Pound negotiated a then-record US\$309 million in US television rights for the 1988 Calgary Olympics. By the mid-1990s he negotiated \$2.3 billion for NBC's multi-Games contract, which runs through 2008, including this month's 2004 Olympic Games in Athens, in which the Games return to the city of their founding in 1896.

By now it was two o'clock in the morning, but Samaranch had insisted that I call him when there was a result. I woke him up. "Is there a decision?" he asked. "Yes," I replied, "ABC beat NBC." "How much?" he asked. "\$309 million," I said. "Is too much," he said, and I agreed but said I had not been able to stop the escalation. Samaranch was right. ABC ended up losing money on the Calgary Games. That is not good for Olympic business. We want our partners and sponsors

to be pleased with their Olympic experience.

In retrospect, it was fortunate that we had insisted on signed contracts before the bidding. I can barely imagine the grief we would have had in the face of a winning network that thought it had paid too much and had been misled in the bidding process. Now, even with a fully negotiated contract in hand, ABC still asked for a reduction in the rights fee, but we did not agree. The projected advertising rates did not materialize for ABC and

inflation abated somewhat before 1988, so ABC incurred a loss that it estimated in the range of \$75 million, despite successful Games in Calgary.

By the time we had prepared the host city contracts that were to be signed between the IOC and the winning cities for the 1992 Games, we had altered the arrangements even further, to provide that the rights would be negotiated by the IOC "in consultation with" the organizing committees. This put the legal power clearly in the hands of the IOC, but did not altogether solve the political tensions with the hosts, especially Barcelona, which still considered the television rights as theirs and the IOC as meddling in their affairs. On the other hand, by now there was at least grudging respect for the ability of the IOC to negotiate attractive contracts on their behalf. The winter rights — which went, as predicted, for considerably less than the Calgary rights — came in at \$243 million, with CBS winning and with tepid interest by ABC and NBC.

But, for the Barcelona Games, NBC outbid the other networks by adding the anticipated revenues from a cable package concept called a Triplecast that it had developed. The Triplecast plan would be funded in advance, which enabled NBC to bid considerably more than a traditional network could afford to bid (which would probably have been in the neighborhood of just over \$300 million), and it won with a bid of \$401 million. The idea was brilliant: offering cable customers an opportunity to subscribe to one of various levels of "packages" — bronze, silver or gold — each containing access to expanded Olympic programming. The Triplecast proved to be an artistic success, but it was a financial failure. The marketing was run by television network personnel, who were not much interested in the success of a cable venture, and I think

they were generally quite content for it to fail.

This did, however, drive home to us that there was great potential for additional coverage of the Games, and our contracts now require that the network broadcasts be supplemented by cable coverage. The change makes a lot of sense when

I brought my laptop from my own office. We set about drafting a letter of intent governing our arrangement, with me typing. The agreement was long on substance and short on boilerplate. The entire agreement, with obligations in excess of \$1.25 billion, was contained in five pages.

you realize that there are some 3,000 hours of events during a Summer Games, and only a tiny portion can be included in traditional network coverage. If a broadcaster were willing to televise a full 18 hours of Olympic coverage per day for 17 days, that would still only amount to about 300 hours. If you allow for commentary, summaries, replays, interviews and commercial breaks, there might be about 150 hours of actual sports event coverage. This means that only about five percent of the sports action will be seen on the network broadcasts. Whole sports are regularly ignored and never seen at all by the viewing public.

By comparison, the US rights negotiations for the 1994 Games in Lillehammer, Norway, were relatively simple. We were now fully in charge of all negotiations, although we made certain that the organizing committees were kept informed and involved. CBS was happy with its Albertville rights and there would be only a two-year delay before it was back on the air with another Winter Games.

We had decided to stagger the Games, to give the Winter Games more prominence and to relieve some of the pressure on networks and sponsors, who had been having to finance two Games — Summer and Winter — in the same year. At the time of the decision to change the cycle, we had a

number of good winter candidate cities, so the easiest solution was to inject a new Winter Games between the Albertville/Barcelona Games and Atlanta in 1996.

We told CBS the amount we had in mind and got indications that they would be willing to step up to it, although no commitments were made. So we told the other networks that we

were ready to negotiate, at the \$300-million level. Both NBC and ABC said that level was too high (ABC was still nursing its financial wounds from Calgary, and NBC was only mildly interested in winning — as long as the deal was extraordinarily low). This left only Fox, which Rupert Murdoch was in the process of turning into a network that aimed to deliver a strong sports component. He was interested in bidding, but Fox had never televised a single sports event to date and I was not willing to risk a bid from the network. So we were then free to talk with CBS alone and agreed on a price of \$300 million, a considerable increase over Albertville and approaching the aberrational result of Calgary, where the Games site had been in North America. This was a good deal for CBS, since it allowed the network to keep its winter team together and would give it a chance to establish itself as the Winter Games network, with two Games in two years.

In comedy, timing is everything. This seems to be true of life in general, including most television rights negotiations. In that, Atlanta was no exception. We had a significant difference of opinion about when the US rights negotiations should be held. My view, the reverse of the Calgary situation, was that the longer we waited after



Courtesy Dick Pound

Dick Pound and IOC President Juan Antonio Samaranch share a happy moment at Paris City Hall in 2000. As chairman of the IOC Television and Marketing Committee, Pound negotiated TV rights deals that rose to the billions, enabling host cities to build most of their facilities out of television rights revenues.

Atlanta's selection as a host city in 1990, the better. These were the next Games on the horizon after Lillehammer, and most of the United States had not really focused on the 1996 Games by the early nineties, let alone the fact that they would be in Atlanta, so no real excitement had been generated yet in the American public mind. This included the potential advertisers, whose enthusiasm would drive the value of the television rights. At that time as well, the sports television market was only gradually improving from dismal to less dismal and would probably get better in the months to come.

**T**he Atlanta Committee for the Olympic Games (ACOG) saw

things differently. Apart from that, because it was an organizing committee that had no public sector financial support, it needed firm financial contracts upon which it could borrow funds to meet its operating and capital commitments. For example, it needed the US television deal in order to finance the construction of the Olympic Stadium — and the construction plans left almost no room for any delays if the stadium was to be ready for the Games. Both Barry Frank, acting as ACOG's consultant, and I believed that it would be best to wait, but the Atlantans were caught between a rock and a hard place and finally decided that they could not wait. We warned them that not waiting would mean leaving significant amounts of money on the table. They insisted.

The television negotiations were held in New York in July 1993. We had the usual instant expertise of the organizing committee to deal with. Their television gurus, investment bankers Goldman Sachs, knew nothing about Olympic television and had some completely impractical ideas. As well, the organizing committee's lawyers completely rewrote the contracts we had been using, slanting them, of course, entirely in favour of ACOG and against the networks. This was contrary to all the advice we could give them about the "real world" of negotiating such contracts. We had now been through several Games and had developed forms of contract that were fair to both sides, and the networks were happy with the level of contractual detail

and the ability of the IOC and the organizing committees to deliver the commitments they made. But, since we have to work with the organizing committees on a cooperative basis, I did not want to be seen to be preventing ACOG from giving the matter its best shot. So we let their lawyers draft away in their splendid theoretical isolation, knowing full well what would happen when the networks got to see the draft con-

the Triplecast-inflated Barcelona figure and, therefore, an amount approaching \$600 million. By the time we got to the negotiations, ACOG had reduced the expectation, grudgingly, to \$500 million.

Atlanta Olympics chief Billy Payne said, soulfully, that it had been the worst day of his entire life. I rolled my eyes. Neither he nor ACOG had paid attention to the warnings that came from all the net-

call from Samaranch — who was in Sweden for the world athletics championships — saying he had just met with Dick Ebersol, Alex Gilady and Randy Falco (“this other man”) of NBC and that they had made a most impressive proposal to him. He did not describe it and said only that he had told them they must speak to me and that, as I knew, he was not a person who was easily impressed. Would I be available to meet the NBC people the following morning in Montreal?

How do you negotiate agreements that are likely to run to billions of dollars when you do not know the key elements: the location of the event to be televised, the state of the world at the time the events will be held, the economic conditions that will exist, or the technological changes that will most certainly occur within an evolving industry? In the end, the US rights deal involved some \$2.3 billion stretching to 2008. It provided stability for the IOC, the potential host cities, the Olympic organizing committees, and for NBC. The long-term nature of the deal helped spread the risk around for everyone.

tract. Sometimes you have to let people make their own mistakes before they will accept that they have been dead wrong.

In due course and after a great deal of unnecessary work, we got the networks back on track and the negotiations took place. NBC was fully represented and held the firstround lead, with a bid of \$456 million and a promise of revenue sharing if gross advertising sales were to exceed \$900 million.

The \$456 million was the largest Olympic contract in history, and a 50 percent increase over the “real” value of the recent Barcelona Games (that is, with the phantom Triplecast profits removed from the equation). This increase reflected the fact that the Games would be in the eastern US time zone and, more importantly, in the United States itself. Believe it or not, ACOG was very disappointed with this result. Atlanta had been looking for a 50 percent increase over

works, which acknowledged that the real value of the Barcelona Games was not the \$401 million paid for them, but something in the order of \$300 million, given the failure of the Triplecast experiment. More extraordinarily, with the application of some bizarre logic, it became, in ACOG’s tiny collective mind, the IOC’s fault that their unrealistic forecast had not been achieved. I expect that ACOG’s refusal to follow our suggestion and delay the negotiations probably ended up costing between \$50 and \$100 million. It was particularly galling for ACOG when, a year prior to the Atlanta Games, we sold the US television rights to the 2000 Sydney Games in a much smaller market, halfway around the world, for \$705 million.

Those Sydney Games negotiations were the occasion for what I would describe as a paradigm shift in the IOC’s approach to Olympic television rights. It came as something of a surprise in August 1995 to get a

In Montreal, they explained the offer. NBC would acquire the US rights for both Sydney and Salt Lake City. There would be a combined network and cable presentation of the Games and they promised cable penetration of close to sixty million homes. In addition, NBC would offer a certain value of promotional spots to the IOC and the two organizing committees. The financial offer was the unheard-of sum of \$1.25 billion. They would leave the allocation to us, but had tentatively suggested that an appropriate split might be \$650 million for Sydney and \$600 million for Salt Lake City. They did not know what I knew regarding the Fox network and a potential offer of \$700 million for US rights to the Sydney Games. Regarding the allocation, I said I would prefer that the split be \$700 million for Sydney and \$550 million for Salt Lake City. NBC was willing to accept that split. We had until five o’clock that afternoon to decide, the NBC people said.

I called Samaranch from another conference room and he asked me what I thought of the offer. I said I thought we should take it. I told him of the revised allocation I had suggested and he had no problem with that. We agreed that I should call the Sydney and Salt Lake City organiz-

ing committees and the USOC to advise them of what we intended, in a manner that was not to invite discussion but was to generate enthusiasm. As well it might, since the amounts allocated to each Games were well in excess of the organizing committee's budgeted amounts for US television.

In the meantime we adjourned to the last smoking boardroom at Stikeman Elliott, the law firm in which I am a partner. I brought my laptop from my own office. We set about drafting a letter of intent governing our arrangement, with me typing. The agreement was long on substance and short on boilerplate. The entire agreement, with obligations in excess of \$1.25 billion, was contained in five pages.

As summer ended in 1995 we had the, by now, customary difficulties with the USOC in the negotiations of the detailed contracts, as the national committee began not only looking the extraordinary gift horse in the mouth but trying, resolutely, to become its dentist. The USOC delayed and prevaricated over the contracts until the last moment, even to the night before the scheduled formal signing in Lausanne in late September 1995. But we got it done and had a pleasant dinner that evening at the Lausanne Palace Hotel. Before the dinner and unknown to me, Ebersol had mentioned the possibility of further multi-Games arrangements to Samaranch, who took me aside after the dinner and said he would like me to consider the possibility of negotiating a further two-Game package with NBC.

Since that would have meant the Games for 2004 and 2006, it seemed to me that this would only complicate our arrangements with sponsors involved in The Olympic Program, whose contracts tracked the standard four year Olympiad cycle. I said to Samaranch that I would be happy to consider the idea,

but that I thought we should go out to 2008, so that we would track all our other contracts and complete the Olympiad. "For me, it is the same," he said, "if you can do three Games, that is fine." I said I would see what I could do, but that it would be different from most negotiations, because we would be talking about Games whose locations had not yet been determined and would not be decided, in the case of the 2008 Games, for more than six years.

"Yes, but for us, is much better to have the negotiations completed before there are organizing committees in existence to complicate the situation," he said. I told him that the biggest problem at this stage was not the organizing committees, since we had demonstrated that we knew what we were doing, but the USOC. I did not want the USOC to be involved, not only because of the interference, but also because it could not be trusted to keep the discussions confidential. "Leesten, Deek," he said. "These are to be secret discussions. Not confidential. Secret. You understand?" I understood.

Easy to say, of course, but how do you negotiate agreements that are likely to run to billions of dollars when you do not know the key elements: the location of the event to be televised, the state of the world at the time the events will be held, the economic conditions that will exist, or the technological changes that will most certainly occur within an evolving industry? I met with Ebersol, Falco and Gilady the next day to see how we should proceed. We began by discussing general principles and getting agreement on them. We exchanged lists of significant points and hammered out questions such as years covered and other technical details. In the end, the US rights deal involved some \$2.3 billion stretching to 2008. It provided stability for the IOC, the potential host cities, the Olympic organizing committees, and for NBC. The long-term nature of the

deal helped spread the risk around for everyone.

One other important dynamic has changed as a result of the new long-term television arrangements. The IOC can now advise candidate cities of the amount they would receive as their share of television rights even before they make their bids to host the Games. Thus, Athens knew in advance of its selection that it would receive in excess of \$700 million from the worldwide sale of television rights. This knowledge fills in a large gap or question mark in the revenue budget of any host city and constitutes about half the total cost of organizing the Games. The IOC could also indicate with reasonable certainty that Athens would receive about \$200 million from the IOC's international marketing program and that, with the IOC's permission to use the five-ring symbol for marketing purposes, it should be able to raise at least \$400 million from other sponsors and at least \$200 million from ticket sales. That leads to a total of US\$1.5 billion, without a single dollar being required from the taxpayers of the host country. This makes the Olympics unique as a sports event: the Games can pay for themselves.

*Lawyer and author Dick Pound is a member of the International Olympic Committee, and as senior vice president of the IOC negotiated its lucrative television and marketing contracts for more than 20 years. A senior partner in the Montreal office of Stikeman Elliott, he is also chancellor of McGill University. Among his books, Five Rings Over Korea tells the story of the 1988 Summer Games in Seoul. He is also chair of the Montreal-based World Anti-Doping Agency (WADA). Excerpted from Inside the Olympics: A Behind-the-Scenes Look at the Politics, the Scandals and the Glory of the Games, published by John Wiley & Sons, New York and Toronto, by permission of the publisher.*