

EURO 2012 in Poland as a catalyst for change and testing ground for new urban management tools

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1 ABSTRACT

UEFA decision from April 2007 to grant the hosting of EURO 2012 to Poland and Ukraine came not only as a significant benefit but also as a considerable challenge for Polish Authorities. The enormous organisational task including construction of new stadiums in four major cities as well as modernisation of transportation and urban infrastructure has to be accomplished in a relatively short time span. Not surprisingly the authorities branded EURO 2012 as a “civilizational project” considering the championship as a stimulus for the development of the country. A series of special legal, organisational and fiscal mechanisms have been implemented in order to facilitate provision of the required development. Municipal governments of the participating cities are also trying to take maximum advantage of the given chance by managing complex infrastructural projects and promoting designated areas in close proximity to the stadiums. Yet the key question of long-term economic and social effects after EURO2012 remains open for debate.

The presentation focuses on the overview of special legislation, organization and financing of EURO 2012 development agencies. The key development projects in major cities of Warsaw, Gdansk, Wroclaw and Poznan will also be discussed in the context of management, implementation and problems concerning large-scale complex urban projects as well as their relationship with their regional and local context.

2 INTRODUCTION

2.1 Euro 2012 as a catalyst of the procedural change

The UEFA European Football Championships EURO 2012 to be hosted by Poland and Ukraine allow to critically examine how the new, extraordinary implementation mechanisms introduced to enable the organization of a mega sport event (Preuss, 2005) affect urban policy in post-socialist countries. Specific context of this event is reflected by the rethorics of Polish authorities describing EURO 2012 as ‘civilizational boost’ or ‘civilizational chance’. In such context a sport event becomes accelerating power for development of infrastructure and reduction of the existing civilizational underdevelopment (in comparison to the Western countries). Similar processes occurred as part of preparations to the Olympic Games in Athens in 2004 or football championships in Portugal 2004.

Examination of this point of view leads to special development mechanisms which were created for the purpose of enabling the development of the large scale urban projects. To understand fully the degree of change it will also be necessary to study how private capital was involved in the process and how the large-scale projects, which are often autonomous urban islands of rapid development, affected the urban development policy. Subsequently, this article focuses on issues closely related to the development and investment policy: the operational, legal or physical dimension of the urban change motivated by Euro 2012 championships. It is noteworthy that in Poland this event is not only considered as a challenge but academic, political and business observers also think of it as of a testing ground for new practices.

Preparations for Euro 2012 are one of the best examples of effects of globalization on the development practice – transfer of Western practice in terms of financing, organization and management of large-scale projects. The mobilization of the skills and resources was justified by relatively short deadlines, scale and extent of the projects. Former Polish governments had bad experiences of failures and lengthy development of the past projects, such as national motorways. The pressure on the government to meet the challenge had justified introduction of extraordinary mechanisms designed to speed up delivery of the projects. This decision is similar to global practice of finding the ‘procedural shortcuts’ that were used during the organization of other mega events (Preuss, 2005).

2.2 The mega event and participating cities – the stadiums as local flagship projects

The mega event considered from the local perspective requires additional examination of how the participating cities (Warsaw, Gdansk, Poznan and Wroclaw) could benefit from the chances granted by Euro 2012. The issue of the sport grounds development is often discussed in Polish debates as important in the

context of long-term urban sustainability and vitality of these areas. In majority of the cities the stadiums are considered as 'flagship projects' and the attendant grounds as future development areas of the cities. Almost all of the Polish projects are judged against urban strategy pursued by London's ODA (Olympic Development Authority) embodied in its 2012 Olympic Park Masterplan. The overall strategic aim to ensure that 'life after mega event' of the urban districts in which the championships are to be held is often quoted as a reference in this regard.

Critical assessment of all Polish projects indicates that in contrast to British practice, their future is more likely to be determined after the games. Some of the municipalities have been struggling to establish a long-term viable strategy for the development of these lands considering them as a long-term development potential. The weakness of local and national authorities in establishing a strong long-term urban strategy is illustrated by "The Stadium City" project in Warsaw. The overall masterplan designed in 2008 has never progressed into any viable implementation strategy and its concept is still debated by the participating parties. Equally Gdansk authorities consider development of the grounds in the vicinity of Baltic Arena but this potential is still dormant. Both case studies are discussed below.

3 'SPECIAL ACTS' AND PUBLIC 'SPECIAL PURPOSE VEHICLES' AS NEW LEGAL AND ORGANIZATIONAL STRUCTURES ESTABLISHED FOR EURO 2012

3.1 UEFA EURO 2012 Football Championships Tournament Preparation Act of the 7th of September 2009

One of the most important steps in the implementation of the projects for Euro 2012 was introduction of the UEFA EURO 2012 Football Championships Tournament Preparation Act on the 7th of September 2009. This bill enabled creating new development mechanisms, which supported the work of the highly politicised Organizational Committee established by the PM Jaroslaw Kaczynski and chaired by the high ranking governmental and sports officials. New structures created on foot of the Act were focused on business-oriented and managerial aspects of the preparations.

The Act had been colloquially called as 'A Special Act' (Polish: 'specustawa') reflecting its exceptional and interventionist character in the Polish legal system. It was not the first time that the government called for the special legislative measures. One year earlier a Special Roads Act had been passed, enabling a speeded-up delivery of the roads infrastructure¹. The uniqueness of Euro 2012 Act was that it had established a legal basis for the organization and functioning of the designated Special Purpose Vehicles (SPVs). These publicly owned companies were tasked to develop key infrastructure and act as a local organizer of the local Euro 2012 events.

Establishment of these companies is in many aspects similar to the British concept of Urban Regeneration Companies (URC). Polish companies are business-like entities, staffed by professional managers and controlled by the management boards. The SPVs were created to perform specific urban development duties. They are allowed by law to purchase and develop the land, procure tenders and act as a substitutionary investor. They are accountable to the local authorities or the State. Similarly to a private market SPVs their Polish counterparts can offer increased financial flexibility. The other unique aspect of the Polish SPVs is that they are allowed to by-pass the statutory planning and Compulsory Purchase Order (CPO) procedures due to their special legal status.

The Act specified that the SPVs should be established as a publicly owned company under the supervision of the Department of Sport or in some exceptions by the municipal government of the cities organizing the event. The entities created on the foot of the Act were established to:

- coordinate the event on the national scale - PL 2012,
- design and build the stadiums and the attendant grounds - National Sports Centre in Warsaw or Bureau of Euro 2012 Development Gdansk (Polish: BIEG 2012) in Gdansk,
- develop the communal infrastructure – for example Communal Developments Euro 2012 Gdańsk (Polish: GIKE 2012);

¹ Dz. U. Nr 154 z 2000, poz. 958

One of the most important benefits of the organizational model of the Euro 2012 Act was that it granted the public bodies a possibility to engage the mechanisms of financial engineering available to the SPVs. Initially the legal status of the SPVs limited the access to the sources of financing other than public budgets. According to the initial version of the Act² the developments for Euro 2012 were to be financed primarily by the national budget, participating municipalities and EU structural funds in accordance with Long-Term Investment Plans (Wieloletnie Plany Inwestycyjne). Polish Public Finance Act of the 27th of August 2009³ limited the amount of debt that can be taken by the public authority. This particular issue created a difficulty for the municipal government of Gdansk, whose budget could not provide covering the cost of Baltic Arena stadium. The attempts to attract private investment have been unsuccessful leaving the deficit of approx. 378 billion Zlotys.

Subsequently the Euro 2012 Act was changed after successful lobbying by Gdansk authorities, enabling some substantial changes to the legal status of the SPVs. The new Act allowed the companies to change the status of their developments from the delegated public investments to their own statutory tasks. In accordance to the new Act the lifespan of the SPVs could be extended. This new status enables them to operate the stadiums that they will have built after the 31st of December 2012. These changes lended a greater financial freedom to the companies allowing them to pursue other sources of financing such as credits or emission of development bonds. Gdansk selected this route and in 2009 arranged the emission of the municipal bonds. It was the only municipal government that decided to gather the funds for completion of the stadium using this route.

It is worth mentioning that not all of the infrastructure is delivered by the SPVs. Some of the large national level projects such as motorways, national roads, railroad improvements or the airports are built by the official state-owned or quasi-public agencies such as Polish National Railways (PKP SA) or Polish National Roads and Motorways Authority (GDDKiA).

3.2 New delivery mechanisms created by the Euro 2012 Act and the changes to the legal system

The succesful organization of the UEFA EURO Championships in Poland depends on the timely delivery of significant amount of infrastructure. The projects supporting the event comprise inter alia roads network, railroads, IT networks, hotels and security networks. These infrastructural improvements are often considered as one of the long-term, ‘physical‘ benefits of the mega events (Oldenbloom, 2006). In this context the improvements to the legal mechanisms, responsible for delivery of these projects was of particular importance in Polish context.

All of the 136 key infrastructural projects have been designated and specified in the Regulations to the principal Act. The designated projects could benefit from special planning and CPO procedures, guaranteed by the Act.

The Euro 2012 Act covers four main areas of intervention, including:

- Accelerating tendering procedures
- Simplification of the planning procedures for the designated EURO 2012 projects
- Simplification of the Compulsory Purchase Order procedures
- Enabling the Public Private Partnerships and inclusion of the private projects (IT networks or Sports accomodation facilities) as Euro 2012 designated developments

Increased focus on these aspects of the investment process reflected the potential areas of contention, which could cause significant delays in the projects. The inclusion of private projects was one of the disputed topics since all of the designated project enjoyed a „public work“ status and simplified planning procedures.

Not all of the proposed improvements were introduced. One of the unsuccessful changes was an attempt to grant the SPVs the right to use simplified tender or single-source procurement procedures without having regard to the premises required for a particular type of services such as construction works. Proposed solutions were not compliant with the EU directives of fair competition. Moreover, according to the EU

² Section no. 2 of the Euro 2012 Act.

³ Dz. U. Nr 157 poz. 1240 and Dz. U. Nr 157 poz. 1241

directives the public owned SPVs were required to use tendering procedures. Finally the proposal was omitted. Review of the Public Tenders Law in 2008 resolved some of the issues. In the context of Euro 2012, one of the main risks associated with the old tendering procedures were appeal procedures. According to the 2004 Act the appeals were to be decided by the District Courts. New procedures for construction works allowed much quicker resolution of the contested matters by the National Appeal Boards. Additionally, Ministerial Regulations on Appeal Procedures of the 2nd of October 2007 specified that all the projects of the significant national importance were eligible for the quicker route.

One of the most significant improvements was the introduction of special planning decision for the designated Euro 2012 projects. The Euro 2012 Act established administrative procedures which were to act independently of the Polish planning system. Poland as other European Union member states run a 'plan-led' system requiring preparation of a valid Local Area Plan prior to development of the land. One of the main benefits of this system was that it allows to by-pass the standard planning controls. This procedure is similar to the other procedure – location decision for the public works development, allowed by the Planning and Development Act of the 27th of March 2003. The main difference between these two models is that in case of Euro 2012, the decision is granted by the Voivodship and not by the local authority. The Voivod is a regional representative of the central government and his duties include coordination and supervision of the local authorities' performance of their duties. The chances for the public participation are also greatly reduced in these new procedures.

The other equally important change included the unification of new location decision with the Compulsory Purchase Order procedures. This mechanism allowed not only to shorten the time required for purchase but also to gain the freehold of the building sites by the SPVs. In case of the land for designated Euro 2012 project a new law specifies the time required to reach the agreement with the landowner as two months. If this agreement is not reached the company can enter disputed property to commence the works.

4 FINANCING THE DESIGNATED EURO 2012 PROJECTS AND INVOLVEMENT OF PRIVATE CAPITAL

According to the initial version of the Euro 2012 Act all of the designated projects would be financed by the central and municipal budgets as well as non-refundable EU help, mainly the structural funds. Changes to the Act in 2009 created opportunity to use other sources of financing including private capital. These changes were dictated by the decision to include some of the private market developments on the designated projects list.

The way in which financing of Euro 2012 was organized enabled to involve the governmental budget in development of the large projects of the national importance – roads, railroads and airports. Significant number of these projects had been planned independently of the Football Championships. According to „The National Roads Investment Programme 2007 – 2012“ prepared in 2007 the Department of Infrastructure assigned 165 billion Zloty to the new roads projects, of which 22 billion were diverted to the designated Euro 2012 projects. Majority of the infrastructural projects could be financially supported by the EU structural funds – particularly from the operational programme „Infrastructure and Environment“ - as well as the Regional Operational Funds. The analysis of the Department of the Regional Development indicated both national and municipal projects as eligible for EU help.

Financing of the stadiums in four major cities – Warsaw, Gdansk, Poznan and Wroclaw - could not be achieved with EU funds. On the basis of initial agreements between Department of Sports and local governments, majority of the funds had to be collected by the municipalities. The National Stadium in Warsaw was the only stadium funded entirely by the central budget. Central government assigned a designated subsidy of 364 billion Zloty to support the development of the municipal stadiums. For example a total estimated cost of the Baltic Arena in Gdansk reached 645 billion Zloty, while the government assigned the subsidy of 144 billion Zloty. On average the subsidies covered approximately 20% of the total cost of the projects. The remaining amount had to be covered by the municipalities⁴.

So far the preparations to Euro 2012 proved the weakness of the procedures involving the private investment in the larger elements of the key infrastructure. This problem became apparent when none of the stadium projects did not manage to attract any private funds. One of the main reasons of this situation was general

⁴ Stańczyk J. „After the Meeting with UEFA We Have to Pay More”, www.trojmiasto.com.pl, 4th of April 2008

lack of trust to PPP procedures amongst local governments and private investors. This distrust was caused by the character of the delivery mechanism specified by the Public Private Partnerships Act of the 28th of July 2005, which was generally considered as overly complicated and prone to the charges of corruption by the public authorities. The situation improved greatly with the review of the Act of the 5th of December 2008. Nevertheless, the new act was introduced too late to have any effect on the delivery of the stadiums. The act can still help of the delivery of other public infrastructural projects as the indebted municipal governments will seek for alternative sources of funding.

The aforementioned situation required the majority of the municipal authorities to search for other methods of gaining the funds for the development of their projects, as the emission of bonds or sale of naming rights. The high estimates of the management costs of the built stadiums, which will be a burden of the future municipal budgets, also forces the local governments to pursue more active strategies for funding.

One of the examples of such attempts is illustrated by Gdansk, which sold the naming rights to the Polish Energy Group for 35 million Zlotys and considers other options including using the stadium for mass concerts. In February 2010 local Councillors invited members of Commerzbank Arena management team, responsible for a number successful large scale events for consultations. In this context the amendment of Euro 2012 Act enables some new opportunities for the management of the stadium. The analysis prepared by the Gdansk authorities highlighted at least two potential models. One of them considered the maintaining of the public character of the company owning the stadium and appointment of the private partner to manage the stadium. It is the same model as the one used by Frankfurt's Commerzbank Arena. Other option quoted by the officials was full privatization of the SPV in a similar manner to Veltins Arena in Gelsenkirchen, which is owned and managed by a sports club - FC Schalke.

It is worth mentioning that in European context local stadiums function as the sports arenas for local football clubs (Oldenbloom, 200x). Gdańsk is no different and 44,000 seater PGE Arena will be a home stadium of Polish Premier League club - Lechia Gdańsk. The question of the long term viability of this arrangement is open for debate. On average Premier League match in Poland attracts approximately 7,500 supporters.

UEFA Euro 2012 Championships will remain as a mega event, which preparation will largely be financed by the public budgets. Lack of the private investment can be explained by the absence of positive experiences of Public Private Partnerships and faulty legal mechanisms. Lack of trust in PPP, flaws in Polish legal environment of large scale investment with private funding and short deadlines led one of the prominent manager to state that „Stadium in Gdańsk is too serious matter, to experiment“.

One of the main consequences of Euro 2012 apart from improvements to the law may be the increasing cooperation between the public and private sector after the 2012 championships., given the increasing level of the public debt incurred as the effect of preparations to the tournament. Unsuccessful attempts to create a PPP mechanism was one of the reasons to improve the legislations. Some of the arguments quoted during the discussions were the foreign examples of successful PPPs including Portugal during preparation to Euro 2006.

5 SPORTS GROUNDS AND STADIUMS AS THE CATALYSTS FOR IMPROVEMENT OF BUILT ENVIRONMENT

One of the interesting aspects of the relationships between the Euro 2012 and urban policy are the proposals for the development of stadium immediate environments. The overall positive effects of the development of the sports infrastructure on the city are well documented. Some of the often cited cases include Barcelona, where Olympic Games were integrated into the city wide urban regeneration programme. (Preuss, 2005).

Analysis of the Polish examples indicates that in the case majority of the infrastructural projects supported the long term development strategies for the cities and Euro 2012 championships simply accelerated the process. Development of the stadium and the sites adjacent to it were not so obvious. Comparative look at the Polish examples of Gdansk and Warsaw illustrates that issue of long term, development strategy for these lands is still not resolved. In Warsaw case study one of the main difficulties is caused by the sharing of the competences and responsibilities, especially in relation to developments that are not directly supporting the preparation of Euro 2012. Gdansk represents a case study where location of the stadium resulted in increasing support to the adjoining disadvantaged community.

5.1 Warsaw- Stadion City

The debates about the location of the National Stadium took place during the late nineties but they were largely inconclusive. The decision to grant Euro 2012 to Poland and Ukraine gave this discussion a new impetus. Finally, in 2007 the final site selection was made. New site is located on the right bank of Vistula River on the 30 ha site of the former “Stadion Dziesięciolecia”. Parallel to the discussion about the National Stadium, other development concepts for the adjoining lands had been discussed.

As a result one of the earliest proposals included a large National Sports Centre with new stadium, sports and exhibition hall, swimming pools, sports accommodation centres as well as small number of commercial uses. Delivery of the initial concepts was delayed due to lack of agreement on funding. National government could not support the development of that magnitude alone. The local government considered the sports centre as a national project.

Situation changed when Poland became a host of UEFA Euro 2012. In September 2007 a governmental, public company – Narodowe Centrum Sportu has been established. One of the main tasks of the company, apart from coordination of the stadium development, was preparation of plans for the environs of the sports arena. Architectural competition for the development of the stadium’s environs was held in 2008. Winning team - JEMS Architects and Dawos proposed location of the new commercial development with diversified character with total floorspace of approximately 40,000 sq. m. called “Stadion City”. The overall idea of the projects was to locate three large scale venues – stadium, congress centre and modern sports hall in order to create a positive synergy. Concept was enthusiastically received by the consultants from global entertainment company AEG (Anschutz Entertainment Group). Supplementary uses included Polish Football Federation headquarters as well as private offices, administration, residential uses and restaurants. The commercialization of the sports grounds could help to balance the expenditures for the construction of the stadium.

One of the main difficulties of this project was changing political context (new Minister of Sport had been appointed), lack of decisions and lack of coordination and cooperation on the financing of the project. New Minister of Sport – Jakub Drzewiecki, nominated in November 2007 opposed the idea of provision of the commercial development on the lands owned by the State. In his opinion the lands should have flexible strategy with huge degree of “investment flexibility” rather than detailed masterplan. He also recommended omission of the sports hall from the project. Dismissal of Mr. Drzewiecki in October 2009 did not help the project. Department of Sports refused to finance any commercial project within the environs grounds of the stadium and for the local government current involvement would create a significant liability. It is more likely that the new development of this area will continue after Euro 2012.

6 GDANSK – ENVIRONS OF THE PGE ARENA AND LETNICA DISTRICT

The site for the stadium was selected in May 2005. In making the final decision some of the important conditions and issues were taken into account such as good access to the public transport, large proportion of the communal land. New site for the stadium had been located on the lands adjacent to Letnica – neglected neighbourhood in the need of regeneration. Plans to build a large stadium caused the increase interested in this neighbourhood. The city officials considered different scenarios for the development.

According to the High Buildings Location Study (SLOW) environs of Letnica could accommodate some larger scale developments. The Local Area Development Plan prepared in May 2007 for the stadium and its environs were designated as commercial services with supporting residential uses with permission to build high rise structures. The concepts about what to do with Letnica evolved into the proposed extensive development – with proposed uses such as outdoor events and concerts. Declaration caused some reaction and started a debate about the future of Letnica. Local architects such as P. Wład-Kowalski and ADS architects from Poznań tried to lobby for the idea of new, modern district. The most probable scenario the land will wait to be developed after 2012.

As mentioned above the decision to locate the development in Letnica was a pretext to start a regeneration programme of this once neglected neighbourhood. Local government assigned 75 million Złoty for the regeneration of the neighbourhood which included renovation of the streets and tenement houses, support for the social activities, local neighbourhood social facilities and open spaces.

7 CONCLUSION

Overall in summary or the long term consequences of UEFA Euro 2012 Championships on legal and organizational context of investment it is worth highlighting that the mega event gave reason for a number of significant improvements to the system. Changes included improvements to the PPP and public tender procedures. These legal acts, improved recently, will have a positive effect on the pro-development urban policy in the city.

The other important change is the debut of the SPVs as the new tool in urban development. It is the first time that such a mechanism is deployed by the public sector. Due to change in legislation, some of these agencies may still function after 31 of December 2010, opening the opportunities for privatization of some of the resources or introduction of new forms of private or quasi-public mechanisms of management.

Euro finally accelerated the delivery of the technical infrastructure too. The side effect of this intensive development strategy is that local governments are increasingly limited by their liabilities, caused by the investment. Situation of Poland is more difficult than its Western counterparts since not a single major Polish stadium was built with a help of private sector. It means that the local governments may be forced to seek for other sources financing to meet their liabilities.

Finally Euro 2012 indicates quite diversified level of involvement in management of the urban growth in conjunction with local urban policy. Development of the stadiums is seen as a technical exercise whilst the lands in close vicinity to the stadium are considered as a long term development potential. No operational plans are made to harness this opportunity. What Polish cities are lacking is the long term strategy for the development of the new districts on the basis of new facilities. Sometimes the program to improve the district can be stalled due to problems with communication between public partners or crisis in leadership as it was illustrated in Warsaw case study.

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