

LONDON 2012: THE REGENERATION GAMES (A)

As Alison Nimmo, acting chief executive at the interim Olympic Delivery Authority (iODA) and future ODA Director of Design and Regeneration, and David Higgins, future chief executive of the ODA sipped their coffees on their way to the Devon House offices of the London Development Agency (LDA)¹, they chatted about the need to rethink the overall design and delivery strategy for the London Olympic Park. It was January 2006 and six months had passed since Jacques Rogge, the president of the International Olympic Committee (IOC), had announced on July 6th 2005 that London had been awarded the Games of the XXX Olympiad in 2012. The ODA would only become a legal entity in April 2006. But with a fixed deadline to meet, Alison and David felt that the ODA needed to hit the ground running.

Alison and David were not strangers to London Olympics. Alison's involvement dated back to 2004 when she was recruited to improve London's host bid. The £30m bid (outturn costs), led first by Barbara Cassani and then Lord Sebastian Coe, had been funded mainly by public money. One of the core themes of the London's Olympic bid had been the regeneration of the Lea Valley area in East London [Exhibit 1], and Alison had been brought in as a part-time advisor to help resolve some issues with the master plan planning permission. Alison's background was in urban regeneration, and she had played a central role in the programme to rebuild the Manchester town centre after the 1996 IRA bombing and in Sheffield's 'Heart of the City' programme. After London was awarded the Games, Sebastian Coe became the chairman of LOCOG, the London Organizing Committee of the Olympic and Paralympic Games. And Alison became acting chief executive of the iODA. David Higgins was appointed ODA's chief executive

¹ The London Development Agency was the Regional Development Agency for Greater London that existed as a functional body of the Greater London Authority (GLA) to drive sustainable economic growth (business, jobs, regeneration) within London. The GLA was led by the Mayor of London, an elected politician, who along with the 25 members of the London assembly was accountable for the strategic government of Greater London. Since the creation of the role of Mayor in 2000, the position had been held by Ken Livingstone, a Labour politician

Professor Nuno Gil with doctoral student Colm Lundrigan prepared this case. The case does not intend to serve as endorsement or illustration of effective or ineffective handling of an administrative situation. We are grateful for the contributions of Diana Ioansea and of all those professionals from various organisations who kindly gave an interview for this independent research programme. The authors are solely responsible for any factual inaccuracies.

designate in December 2005 with effect from 30 March 2006 when he would step down from his leadership role at English Partnerships, the UK's largest regeneration agency. In that role, David had joined the bid's legacy committee in 2004 to understand how London 2012 could contribute to turn around East London, which in his words was a 'national disgrace, physically and socially [with] 3 million people, and no place to shop, to have decent office buildings, no big town centre'. David brought with him experience with Olympic projects having been chief executive of Lend Lease Corporation, the global Property and Construction Company that had worked on the 2000 Olympic Games in Sydney. One of the first major decisions for the iODA executives was the extent to which they should change the already revised master plan for the Olympic Park - a central feature of the original bid - before submitting a new planning application. They would need to convince the four London boroughs affected by the change, the stakeholders sitting on the ODA board, and crucially, the newly formed Olympic Board of the benefits of changing strategy. The Olympic Board controlled the scope and included the most powerful stakeholders - the Department for Culture, Media and Sport (DCMS); the Mayor of London overseeing the Greater London Authority (GLA); the British Olympic Association (BOA), and LOCOG. Most certainly, they would also need to hold talks with the IOC and with the international sports federations affected by the proposed changes. These negotiations had the potential to be complex as under Swiss law the bid book folded into a formal contract between IOC and the host city². Would all the stakeholders bite the bullet, and accept that the bid book was a speculative, marketing document that could be delivered in spirit but not in the details? For one, some venues seemed far too large to work in legacy, others seemed to be located in the wrong places and put bluntly, there were too many temporary venues which would have no long term impact on the city's regeneration efforts. Matters were arguable made worse for the iODA executives as a number of critical, potentially binding, decisions had already been made during the bid process. The design contract for an ambitious and massive aquatics centre had been awarded in January 2005 to the world renowned architect Zaha Hadid after an international competition led by the LDA. But it was hard to see how the concept, budgeted for

² The host city contract was signed by the IOC, The Mayor of London, and BOA. But LOCOG was responsible to ensure the bid commitments were met, and it had to report back to IOC every 6 months on the project progress

£73m, could work in legacy. The bid had also committed to deliver an Olympic stadium that would provide an athletics legacy after the games. But members of the premier league football community were lobbying against this plan. And in regards to the Olympic Village, the iODA team and a private consortium had already reached a hand-shake agreement that the iODA could move the Olympic Village to the Stratford city. This private consortium controlled the land and their planned residential and commercial development received planning consent at the same time that the Olympic Park master plan received planning consent. Alison explained:

“The main Southern access road to the Westfield shopping centre went right through where the aquatics centre was, and the power lines went right through the village. So basically, the first thing we had to do was to get all the teams together and actually redo the jigsaw.”

Should the ODA de-risk the programme, but eventually provoke the anger of this consortium, by extending the boundaries of the compulsory purchase order around the Stratford city?

[Exhibit 2] This could trigger a legal challenge. And then there were issues with the budget...

David and a small team had concluded the £2.3bn public subsidy was clearly inadequate - *“all we did”*, David said, *“was picking up the pages that were lying on the floor and look at the exclusions and assumptions. It didn’t take time to work out.”* An unrealistic budget would keep their hands tied in the back, and forced them to keep asking the government for more money.

Alison and David felt they were part of a relay race having been passed a strategy, from the bid team, which had already been set in motion. If the ODA dropped the baton, everyone would lose the race. But what should the ODA’s priority be? The Games date was immovable. But the Olympics act would make the ODA responsible to deliver the park for the Games and build a legacy for London. Would the ODA be able to align the practical realities of delivery whilst remaining true to the spirit of the bid? Could the ODA create a compelling narrative for change which would win over all those stakeholders who had backed the bid? And how, with so many stakeholders, would the ODA prevent potential conflicts from disrupting vital decisions?

THE OLYMPIC GAMES HISTORY

The Summer Olympic Games were a quadrennial event that had represented for the host country and cities a springboard to increase their global presence. The modern Olympic Games Movement had began in the latter part of the 19th century, with the first modern summer event

being held in Athens 1896. The event drew inspiration from the antiquated Olympic Festival held until the 4th century AD in Olympia, Greece. To manage the modern Games, Baron Pierre de Coubertin created the International Olympic Committee (IOC) on June 23rd 1894. The IOC was an international non-governmental, not-for-profit organization based in Lausanne, Switzerland. Its role was to promote and support the development of sports by co-operating with governments, sports federations, commercial sponsors, and the media.

After a tumultuous period in 1999 when the IOC had to respond to allegations of corruption, the organisation reformed the Games bidding process, and became more transparent. It also changed its constitution to include 115 members – 15 of them active Olympic athletes, elected by their peers, 15 from National Olympic committees (NOCs), 15 from international sports federations, and 70 members not linked to a specific function. IOC also abolished individual visits by their members to Candidate Cities, reduced the term of office for their president, established an Ethics Commission, started to publish reports on sources and use of income, and opened their sessions to the media. Jacques Rogge, a former Olympian, was elected to the IOC Presidency in 2001. And in 2002, following recommendations of an internal report, the IOC amended the Olympic Charter to emphasise the importance of the Games legacy in host cities.

Since 1999, the Olympic bidding process had two stages. First, NOCs nominated a city from within their national territory to put forward their application to the IOC. From these applicant cities, the IOC executive selected a number of candidate cities who were deemed capable of hosting the Games. The candidate cities then had a chance to further develop their bids before making a final presentation. The bids were often tied in with wider political or social motives. Host cities were selected by a majority vote from a secret ballot. If no city received a majority, then the lowest ranked candidate was eliminated and a further round of voting took place.

THE HISTORY OF THE GAMES IN THE UNITED KINGDOM

With two Games hosted in 1908 and 1948 and a further three unsuccessful bids, the UK was no stranger to the Olympic Games. London's last Games in 1948, the first Olympic Games hosted after the end of World War II, came to be known as the 'austerity Games' because of the tough

economic climate in which they were held. By the 1980s, the U.K. sport community was eager to bring the Games back to the country but was seeking an alternative city to host the Games. And in the mid eighties, the British Olympic Association³ (BOA) sponsored an unsuccessful bid to host the 1992 Olympic Games in Birmingham, but lost it to Barcelona. They (BOA) next attempted, in 1990 and 1994, to put Manchester forward for the 1996 and 2000 Games respectively. But again lost both times, first for Atlanta and then for Sydney. Amidst these failures, in 1995, the BOA worked with Manchester in a successful bid to host the 2000 Commonwealth Games, regaining the enthusiasm for submitting a new Olympics bid. Feedback from IOC indicated that London would be the only British city able to attract enough votes to win. But bidding for the Olympics had become very expensive and required government backing. In 1997, the BOA received a vote of confidence when the newly elected Labour Party committed to bringing back the Olympics to the UK in its manifesto. And the BOA began work on a feasibility study for a London bid. But the bidding process was soon derailed after major controversies surrounding a new national stadium at Wembley. With construction planned to start in 2000, the scheme was beset by political skirmishes around the vision, involving the Football Association, the BOA, and the central government. A thorny issue related to whether the new stadium should be designed to host only football and rugby events, or host as well the future Olympic ceremonies and athletics events. After a few years of fraught negotiations, the plans for a dual-purpose stadium were ditched. And in 2000, BOA submitted a feasibility study to the Government containing options for a London Olympics. BOA had found in the newly elected Mayor a major ally. It estimated a £1-2.5bn public investment required if the bid was successful to pay for enhancing London's transport system and build Olympic infrastructure.⁴

BIDDING FOR LONDON 2012

In June 2001, the central government set up a Key Stakeholders' Group whose membership included two government departments (DCMS, HM Treasury), the GLA overseen by the Mayor of London, Ken Livingstone, and the BOA; a Steering Group was also formed to include the

³ The BOA was the National Olympic Committee for Great Britain and Northern Ireland. It was privately funded, and included as its members the thirty-three National Governing Bodies of each Olympic sport. Its mission statement read "The BOA is the strong, independent voice for British Olympic Sport and is responsible for promoting the Olympic Movement throughout the UK."

⁴ Campbell, D. (1999). £2.5bn bill threatens Olympic bid. The Observer.

Stakeholders Group plus the London Development Agency (LDA), UK Sport⁵, Sport England⁶, and the Cabinet Office Performance and Innovation unit (observer status). In November, a confidential report by surveyors Insignia Richard Ellis Ltd on land availability commissioned by the Key Stakeholders Group identified four main sites, all in East London, on the basis of the IOC criteria and a study of previous Olympic bids. By then, it became clear that the Games could be a major catalyst to accelerate the LDA's plan to regenerate a vast industrial wasteland near East London that had been heavily bombed during World War II, and create a residential and commercial quarter in a new urban park stretching along the cleaned-up River Lea Valley.

With plans for the Olympic bid beginning to take shape slowly, British sports celebrated winning their bid to host the 2005 World Athletics Championship in London. However, in October 2001 celebrations turned to embarrassment as the proposed plans for a £100m athletics stadium in London were abandoned. Despite efforts to relocate the World Championship to Sheffield, Britain was forced to withdraw their winning bid casting serious doubt over their Olympic Games ambition. Embarrassment notwithstanding, work continued on the Olympic bid, and in January 2002 the Key Stakeholders' Group commissioned Arup, an independent firm of designers, planners and engineering consultants, to assess the overall costs and benefits of staging the 2012 Games in the Lower Lea Valley in East London. Arup was tasked with assessing the physical development requirements, the wider economic and other impacts, legacy issues, the bidding process, and the implications of not bidding for the 2012 Olympic Games.

After the IOC issued the provisional deadlines for selecting the host city in March 2002 [Exhibit 3], Arup in association with Insignia Richard Ellis published the report on May, 21st 2002, which took the form of an outline proposal for a 'specimen' games with four legacy venues. Building on the consensus at the time on what the content should be, Arup's report outlined the economic implications of London 2012, highlighting the wider economic, social, sporting, and

⁵ Established by Royal Charter in 1997, UK Sport was responsible for investing around £100 million of public funds each year – from both the National Lottery and the Exchequer – in high performance sport. The ~90 people, London-based organisation was accountable to the Department for Culture, Media and Sport (DCMS), and had a remit at the 'top end' of Britain's sporting pathway, with no direct involvement in community or school sport.

⁶ Sport England was another non-departmental public body under the DCMS. It was organised in nine regions, and its remit was to grow the number of people doing sports from all diverse backgrounds and help them move up to the elite level by working with national governing bodies of sport, and other funded partners.

cultural benefits. It considered that the projected transport flows could be accommodated without delays and without unacceptable disruption to normal travel in London. But it also pointed to a perception that there was no scope for the London's rail and road networks to accommodate additional demand. The firm explained that it had not conducted stakeholder consultation, and had not factored in the effects of inflation on the figures for public and private investment [Exhibit 4]. The summary cost-benefit analysis estimated (in 2002 prices discounted to present value at 6%) that the net cost of bidding was £6m, and the total cash flow including benefits amounted to expenditure around £1899m for an income around £1651-1981m. The capital investment was estimated around £403m⁷ for venues and infrastructure (including a £59m Aquatics Centre and a £263-283m Olympic Stadium that could leave a football or athletics legacy). The figures included a £109m risk contingency that accounted for 5% risk of cost escalation in bidding and staging, and 30-50% escalation in capital costs. The figures excluded the regeneration costs of the Lower Lea Valley and assumed that the Olympic Village would be wholly private financed. The report suggested the creation of an Olympic Development Agency to deliver the capital investment and of an Olympic Transport Agency to plan and manage all aspects of transport for the Games. It also noted that a delayed bid would be unattractive politically given the urgency and expectations for regenerating East London. In the same year, the DCMS commissioned the Institute of Commercial Management Research to conduct a survey of public opinion regarding a potential bid for the 2012 Games which produced encouraging results for the politicians [Exhibit 5].

In the summer of 2002, with the top brass of the sport community and UK politicians rubbing shoulders at the Manchester Commonwealth Games, the largest multi-sport event ever to be held in the UK at the time, the idea of the 2012 bid gained further traction. Notwithstanding the fourfold increase in the final price tag for the Manchester Commonwealth games relative to the £150m initial budget,⁸ the event had propelled the city's reputation globally. It had also left behind high-quality sports infrastructure including a £32m aquatic centre and a £111m athletics

⁷ The report recognised international comparisons were difficult, but noted that the infrastructure cost of Sydney had been around £1.2bn based on figures from an IOC official report and ministerial statements in the press

⁸ Cost escalation was attributed to a conflation of factors including added security costs, increased games expectations after the 1998 games in Kuala Lumpur, inaccurate budgeting, and inexperience of the organising committee; (outturn) costs were £320m in venues/infrastructure; £225m regeneration; £125m in transports

stadium. The stadium was planned to convert into a football stadium and act as catalyst for the regeneration of East Manchester, an area left derelict after the departure of heavy industry decades before. Importantly, sports authorities used the Manchester event to reassure the government of the UK's capability to deliver large sporting events. This was helped after the IOC President declared that the Manchester's Games had gone a long way to restoring Britain's credibility for hosting large sporting events. The idea for a London bid was well anchored now.

In January 2003 at request of the DCMS, PricewaterhouseCoopers validated the Arup's cost analysis. Their subjective probabilistic assessment suggested a higher capital investment, and introduced capital costs for transport [Exhibit 6]. The results suggested an expected £1.61bn base case public subsidy (with inflation) if the Olympics bid was successful with a 5% chance that outturn costs could be above £3.55bn and the public subsidy above £1.88bn. Subsequent revisions of the figures of costs and revenues undertaken by the DCMS during 2002 for the Olympic Evaluations final report involved a critical appraisal of risks and contingencies, a probability analysis, and benchmarking against the Sydney 2000 Games. After adding inflation to the Arup cost figures, the outturn costs for hosting the Games increased to £3,558M. And when this figure was combined with contingencies for risks, the total expenditure rose to an estimated £4,674M with a total revised public subsidy set at £2,624M [Exhibit 7].

By then, public concerns were mounting that the cost figures could balloon further. On January 23rd 2003, for example, the House of Commons Culture, Media and Sport Committee published a Report on the London 2012 bid. The Committee monitored the policy, administration and expenditure of the DCMS on behalf of the House of Commons and the electorate, and conducted inquiries into areas of interest within its remit.⁹ The Committee described the Arup report as being of 'limited use for purposes of accountability', noting that the report itself admitted it was a hybrid between a cash flow business plan and a conventional cost-benefit analysis. But it conceded that the Arup's conclusions offered a good baseline for long-term public expenditure. In response to the issues raised by the Committee on the evolution of the cost estimates from the Arup Report to the latest figures, DCMS explained it had inflated the

⁹ The Committee was independent in choosing its own subjects of inquiry and sought written oral evidence from a wide range of relevant groups or individuals. At the end of each inquiry, it produced a report setting out its findings. The Government had 2 months to respond to each of the report's recommendations

Arup's figures using an assumption of 2.5% a year through to the end of the Olympic project period, and also undertaken a critical appraisal of risks and contingencies, a probability analysis, and benchmarking. DCMS had left unchanged the Arup assumptions of a five percent staging contingency and a capital contingency of 30-50 percent across the period 2009-12. DCMS recognised that a few elements were still unresolved including the possible diversion of funds from other schemes and projects, the most effective way to deliver the Games and the role of the Government, the transport arrangements that would be necessary, and the potential for a premiership football club to take on the Olympic stadium. The key stakeholders were nonetheless clearly excited with the potential legacies for elite and grassroots sport, the impact on the Thames Gateway Regeneration plan for Stratford City and the whole Lea Valley area, and the potential socio-economic impact for the UK of staging the games in their view.

Encouraged by confidence in the new figures and boosted by a 'winability' study submitted to the Government by UK Sport,¹⁰ the Government and the Mayor of London signed a Memorandum of Understanding (MoU) agreeing to back a London bid in January 2003. When the IOC invited BOA to submit a bid in May 2003, the country was ready to respond. And the Government and Mayor entered into a Funding MoU which outlined a public sector funding package (PSFP) of £2.375bn for the Games, plus an additional £1.044bn set aside for non-Olympic infrastructure work on the site of the park to fund the costs of undergrounding two main power lines and cleaning up the land. The public sector funding package was the sum of a £1.5bn funding from the government raised through a Olympic National lottery game, £625m from GLA (raised from a council tax surcharge), and £250m from the LDA. The government committed to underwrite contingency liabilities. It was time to form a bid team [Exhibit 8].

In June 2003, Barbara Cassani, an American businesswoman, founder of the low-cost carrier 'Go Fly' and the 2002 Veve Clicquot Businesswoman of the Year, was appointed by the stakeholders group to chair the bid team. Tessa Jowell, then Secretary of State for Culture, Media and Sport, declared: *"Barbara Cassani has the skills, business acumen and drive to give London the best chance to bring the Games to the UK. We are confident that she will forge a team capable of beating off the stiff competition from our rivals. The prize is worth chasing."*

¹⁰ Established by Royal Charter in 1997, UK Sport was responsible for investing around £100M of public funds, from both the National Lottery and the Exchequer, each year in high performance sport.

*Barbara Cassani is the woman to lead the chase*¹¹. A few days after Cassani's appointment, IOC formally nominated London as a potential candidate for the 2012 Games. And in July 2003, the LDA committed up to £15m for London 2012 to prepare a bid. This was the time when "*the Olympic bid company was little more than three people and a mobile phone*", recalled Jason Prior, Vice President of EDAW, the consultancy brought in to work on the Olympic master plan¹². The LDA also committed over £478m to purchase land at the site of the future Olympic park. The commitment was approved by the Government's Central projects review group, but the government limited the LDA spending to £298m for land up to 6th July 2005 and postponed the approval of the balance pending the bid decision. In September, Keith Miles, an English entrepreneur and football aficionado, was appointed CEO of London 2012 Ltd.

With less than 6 months to submit a formal proposal by the 15th January 2004, the London 2012 bid team had no time to waste. Under Cassani's stewardship, the bid team grew to a staff of 80. It appointed a raft of engineering and architectural consultants; and Sport England committed £51m to support the Aquatics Centre and the Velodrome. The world-acclaimed architect Zaha Hadid, an Iraqi-British architect, was then selected to design an iconic aquatics centre – a decision that appeased the powerful London-based architectural community which was lobbying for making world-class design a London2012 imperative. With technical support from the LDA, the Cassani's team developed a master plan for the bid which listed where events would be held, what infrastructure would be built, and provided an updated budget. In January 2004, London 2012 submitted both the London's bid to IOC and an outline planning application for the Olympic and legacy master plan to four boroughs. As Jason Prior said 'If London can say it's got planning permission for the Olympics, then it puts us ahead at the start of the process.'

In May, the IOC ranked London's proposal in third place from nine entries. London had become a candidate city, and the results suggested that the British bid was not lagging that far behind their rivals in Paris and Madrid. Other selected candidate cities were New York and Moscow. Feedback received from the IOC suggested however that the lack of quality of the master plan and inadequate transport plans had raised doubts over the UK's commitment. Still, by then, the

¹¹ Local Government Chronicle, 19 June 2003

¹² 2012 Olympics – Key Decision Today, New Civil Engineering, 9 September 2004

thought of 'what if we win?' rang alarm bells in other government departments, notably the Treasury, which had had up to that point limited input in the bidding process, arguably because they had until that point believed that the London bid had a very low chance of winning.

The bid team now had approximately 10 months to dramatically improve the final submission. On May 17th, 2004, Cassani announced that she was stepping down in favour of Olympic Gold medallist and politician Lord Sebastian Coe. Cassani justified her choice saying that she felt the bid had reached a stage where Coe's track record in the Olympic movement would be more useful to the bid than her technical and managerial experience.¹³ Cassani stayed with the bid team, serving under Lord Coe as Vice Chairman responsible for technical aspects of the bid. Lord Coe's contract explicitly tasked him to produce a bid within the public sector envelop already set out by the Government and the Mayor [Exhibit 9]. In October 2004, the bid team was granted outline planning application for an Olympic and Legacy master plan. And on 15 November, 2004, London submitted their final bid document. In the candidate file submitted, the overall capital investment had spiralled to £9.87bn, including £7.1875bn in transport; the budget for the private organization LOCOG was set at £1.54bn. The outturn costs of the future ODA amounted to approximately £3.6bn, including £971m in venues, £89m for venues legacy conversion, £640m in Olympic park infrastructure, £466m for transport infrastructure, £1.044bn for regenerations costs (assumed as costs that would be incurred as part of the planned regeneration of the lower Lea valley), and £234m for others (which included £190m for security costs). The size of public sector funding package (£2.3bn) did not change due to a number of assumptions. The bid assumed that around £738m in project finance deals could be implemented for utility, infrastructure, and regeneration projects. It also assumed the village would be privately financed, and the Home Office would fund most security costs; and that the £1bn for the regeneration works could be funded out of existing government programmes. Finally, the bid excluded VAT at the request of IOC for bids to be tax neutral [Exhibit 10].

Once the bid was submitted it triggered a frenetic lobbying period led by the high-ranking sportspeople and top UK politicians including Tony Blair, the UK's prime minister. Supporting

¹³ As Sir Bob Scott, chairman of the Manchester Olympic Bid Committee's in 1996 and 2000, and the successful bid to host the Commonwealth Games of 2002 put it [to succeed, the leader must be] "sharp, shrewd and knowing, but unthreatening as well. This is a world in which a lot of kissing goes on, lots of 'how are you's?'"

the adept lobbying was a story interweaving the regeneration of East London with 'changing the face of British Sport'¹⁴. There was also a promise that the games would set new standards of inclusive (encompassing the whole life experience of disabled people) and sustainable design in sporting facilities, residential developments, transport, and service delivery [Exhibit 11]. Between February and March 2005, the IOC evaluation commission made 4-day visits to each candidate city. In London, they were hosted a gala dinner by Her Royal Majesty the Queen at Buckingham Palace. And the confidence in London's chances to win the bid increased although many recognised it would be a neck-and-neck race with the rival bids. After presentations by the Candidate Cities and a 48 hour visit of Tony Blair to Singapore, the bids from London and Paris emerged as the favourites with London leading by one vote in the first round of a secret ballot on July 5th 2005. And after 4 rounds of votes, London was chosen with 54 of 104 votes [Exhibit 12].¹⁵ Once appointed Minister for the Olympics, Tessa Jowell, the DCMS secretary declared "'We have come from nowhere to win the Olympics and that is quite something'¹⁶, whilst Seb Coe, the bid team chairman told Jacques Rogge 'We won't let you down'.¹⁷

THE GOVERNANCE OF LONDON 2012

Celebrations over the success of London's bid were marred by the tragic terrorist attacks in London the day after, which immediately invalidated the assumptions in the bid around security. It was time now to turn thoughts to the practicalities of delivering an Olympic Games. The bid document provided a plan for the delivery of the Games, but there was now a need to create the organisational bodies which would take ownership of the Games post-award.

On July 14, 2005, the government introduced the London Olympics bill to parliament which would grant powers to the future Olympic Delivery Authority (ODA), and in August the London Development Agency (LDA) accepted to take the leadership of a transitional role after the Mayor proposed an overall transitional system of governance [Exhibit 13]. The LDA would host an interim ODA (iODA) – the Olympic Delivery Group or Committee - for which Alison Nimmo was appointed acting chief executive with executive support from Transport for London (TfL)

¹⁴ Lord Coe, The Guardian, 6 July 2005

¹⁵ And the running joke was that when they said London, lots of people said 'oh, shit, what's going to happen?'

¹⁶ The Guardian, 6 July 2005

¹⁷ BBC Sport, 6 July 2005

and the LDA. Immediately after the award, the first priority for the iODA team was to reconcile the London 2012 planning permission with the private-led planning permission for Stratford City. The two applications had been granted planning consent but had ignored each other so the private-led plan could progress independently in the event of the London 2012 bid failing. But they now needed to be merged into one coherent scheme. To facilitate the reconciliation, the deputy prime minister issued a letter of direction for English Partnerships to carry the necessary financial and legal arrangements. This, as David Higgins put it, was “the oxygen to fuel the commercial development of Stratford”. And through a number of workshops it led to a handshake agreement about how the two schemes could be married in November 2005.

Unlike LOGOC, the ODA was planned to be an entirely publicly funded body and as such accountable to the Treasury. The ODA would be granted compulsory purchase order (CPO) powers to lay claim to the land of the Olympic Park, and local authority planning rights to build the Games infrastructure; the ODA would also be responsible to develop the transport plans for London 2012. And it would also be up for the ODA to negotiate how to fold the bid commitments into design briefs that could be tendered, and to ensure the long-term sustainability of the Olympic facilities. The ODA executive would report to an independent ODA board of executive and non-executive directors that would give representation to the numerous organisations that had endorsed the bid. There was an ongoing debate however as to the number and diversity of stakeholders to invite to the ODA board, which could range from the GLA, TfL, rail companies, the city of Manchester, sports organisations, disability organisations, utility companies, and various professional bodies.

With the Olympic bill awaiting passage through Parliament, and the recruitment processes for the ODA chairman and chief executive ongoing since September 2005, the governance structure of the interim ODA was refined [Exhibit 14], and the iODA started to make demarches to recruit a Director of Procurement. This role would oversee the procurement of a master plan designer for the Olympic Park, of an infrastructure and a programme manager; it would also let the most urgent contracts. Amongst those, was the need to confirm the Aquatics Centre architect Hada’s appointment for the delivery stage. The iODA/LDA team also felt urgent to issue a compulsory purchase order (CPO) over subterranean cylinders of land in order to start

undergrounding the two overhead power lines with total route length of 13km that existed on the future Olympic park [Exhibit 15]. As part of a 'first 90 days' action plan, the iODA planned to let contracts before the end of 2005 to achieve an active switchover in the summer 2008; the project was estimated around £191m. The LDA also commissioned KPMG to reassess its financial commitments. And by October 2005, the KPMG Project Wells report told LDA to expect its base costs (land assembly, remediation, underwriting, bid support)¹⁸ to be closer to £1.164bn+VAT (£600m alone for land acquisition), a price tag significantly above the estimated £15m for bid support, £250m for underwriting, and £450m for land assembly. By November 2005, the LDA had submitted the CPO statement to the undergrounding project.

The IOC regulation also required the creation of a separate entity to manage the hosting of the events. The Games were expected to cater for 26 Olympic Sports and 20 Paralympic Sports, 14,700 athletes, 21,000 people media and 10.8M ticket-holders, numbers equivalent of staging 46 World Championships simultaneously. And on October 5th 2005, the London Organising Committee of the Olympic and Paralympic Games (LOCOG) was founded. LOCOG was a private company, limited by public guarantee, created by the BOA, the Mayor of London, and the DCMS. The LOCOG's remit was to manage the hosting of the event including ticketing, sponsorship, and broadcasting. As the face of the Olympics, the LOCOG undertook the legal obligation to deliver the Olympics according to the bid book and IOC technical requirements. No changes to the commitments made in the host city contract could be made without consulting LOCOG. As such, many people in the original bid team joined the LOCOG. Lord Coe was appointed LOCOG chairman, and Keith Mills was appointed Deputy Chairman. The DCMS remained ultimately accountable for the success of the Games and their legacy.

An Olympic Board that held executive power over the entire London 2012 enterprise including both ODA and LOCOG was also created. This Board consisted of the Government appointed Olympics Minister; the Mayor of London; the Chair of the BOA; and the Chair of LOGOC. The Board would meet monthly, with the chair alternating between the Mayor and the Secretary of State. The Olympic Board would be in ultimate control over the scope of the ODA activities. It would be advised by an Olympic Board Steering Group (OBSG) and supported by an Olympic

¹⁸ The outturn cost of the bid had evolved into £30m

Programme Support Unit (OPSU). To oversee the use of public funds by the ODA it would create an Olympic Projects Review Group (OPRG), a group that would bring together all the funding bodies including GLA, DCMS, the Olympic Lottery Distribution Fund, the National Lottery Distribution Fund, Sport England, UK Sport, LDA, and HM Treasury. And to oversee the activities of the Olympic board, the government would create within DCMS a Government Olympic Executive (GOE). The GOE would bring together not only the funders, but numerous other stakeholders including the Home Office, National Audits Office (NAO), Parliament, the Cabinet, and the Department for Transport. As the iODA waited for the approval of the Olympics bill, it became clear the budget needed to be revised again. And in October 2005, the DCMS appointed KPMG to work with the future ODA on an Olympic Cost and Funding Validation study. By December, David Higgins was selected as ODA chief executive and Jack Lemmon, former chief executive of the Chanel Tunnel, as chairman. In a harbinger of what was going to be a tense relationship¹⁹, they both claimed ownership to the core rule underpinning the delivery strategy for the Olympic park - the 2-4-1 formation: The first two years would be for planning: *“get ourselves really well organised, a bit like the Japanese do”*, recalled Alison, *“build the delivery machine, the procurement, get all planning permissions, rail possessions, statutory purchases, develop delivery plans, get the choreography right”*; then 4 years to build; and then hand over the park to LOCOG to give them one year to run the test events.

Delivering the London 2012 Olympic Park

The venues that would host the London 2012 games were predominantly located within London although some venues, such as the Weymouth and Portland National Sailing Academy or the Eton College Rowing Centre at Dorney Lake were located by necessity outside the boundaries of Greater London [Exhibit 16]. Similarly, football events were going to be staged at several grounds around the UK with the finals for football competition planned for Wembley.

Within Greater London, the locations for the venues that would host the London 2012 games were divided into three zones: the Central Zone, the River Zone, and the Olympic Zone. Beach volleyball, for example, was planned to take place at the Horse Guard's Parade in central

¹⁹ Jack Lemmon had also applied for the chief executive job

London, whereas near the river, the Dome would stage gymnastics, and the ExCeL exhibition centre would host boxing, judo, taekwondo, weightlifting, and wrestling.

But undoubtedly, the centrepiece of the bid was the Olympic zone. The bid commitment was to regenerate waste and industrial land at the site of the future 200-hectare Olympic Park, and contribute to regenerate the neighbouring Stratford city and the Lower Lea Valley. Stratford city would see a key property development that would include the Olympics Athletes Village and the International Broadcast/Main Press Centre. After the Games end, the Olympic park would be transformed into one of the largest urban parks in Europe. As Alison put it:

"If we had all the time in the world, it would take 25 years to do this, and we would do things in a nice, obviously sequential phasing way, build a bit, sell a bit. But we will have to squeeze those 25 years of regeneration and civil [engineering] and venues into seven, and will have to do a lot of parallel working."

A key part of the success of the Olympic park would be determined by the long term success of the sporting facilities. After the Olympiad, some venues would be dismantled, others would be repurposed, and some would remain as they had existed during the games. The 200-hectare Olympic park would house five permanent venues: a 25,000-seat athletics stadium pared down from the 80,000-seat Olympic stadium, an aquatics centre, a velodrome, a hockey centre, and an indoor sports centre. Other venues such as the sports complex to stage volleyball, basketball, and handball would be dismantled or relocated after the games. All the venues would be located within walking distance to the Village which would provide 17,320 beds to accommodate all athletes and accredited officials, and to an International Broadcast/Main Press Centre. After the games, the Village would become a district of the Stratford City, and be converted into 3,600 apartments; a new use would need to be found for the press centre.

The plan would be a boost to East London. But it would be unlikely that all of the land owners and tenants would agree with the proposed enforced purchase of the land, which would spark conflict with the ODA. There was a real risk someone could trigger a legal battle if they refused to accept the compensation to leave the land. And new places would need to be found for occupiers such as allotment holders and Traveller communities. Beyond the 200-hectare Olympic park and the Stratford city development, hosting the Games was set to act as a catalyst for the wider regeneration of the Thames Gateway, the 40-mile stretch of mainly brownfield land earmarked by the government as a growth area where 200,000 homes were planned. The

Government had committed to redevelop the Lower Lea Valley, including the construction of the Lea Valley White Water centre in Hertfordshire. Estimates suggested that the delivery of the Olympic Park would create 7,000 jobs in the construction industry, and the bid document predicted that around 12,000 jobs would be created from the post-games legacy.

The bid had also committed to a massive investment in transport, accelerating an investment programme that was already underway. The Jubilee line that linked North West London through Central London to the Olympic park was expected to see a 25% increase in capacity with more and longer trains. The capacity of the North London line would treble and that of the Great Eastern lines would double. The Docklands Light Railway, the automatically-driven light rail network in east London, would be extended to London City Airport and Woolwich. And the high-speed Channel Tunnel Rail Link that connected King's Cross St Pancras to continental Europe would be extended to the Stratford International Station at the Olympic park. This shuttle service, dubbed the Olympic Javelin, would bring the Stratford city within seven minutes of central London and provide transportation capable of transferring 240,000 people per hour.

The Olympic Stadium

The Olympic Stadium was planned to host some of the Opening and Closing ceremonies, and the athletics. As the centre piece of the Olympic Park, the stadium had remained a point of contention long before the BOA had formally nominated London for the 2012 Games. In 1999, as the BOA conducted feasibility studies of the Olympics, plans were unfolding to construct a new national football stadium at Wembley. The Football Association (FA) who controlled the stadium had lobbied the government for funding, and had been awarded a £120m Lottery grant conditional on building a stadium that could also stage major athletics events. The FA then commissioned Sir Norman Foster architects to produce plans for a 90,000 seats football stadium that could fall to 67,000 for athletics events as parts of the lower seating tier being covered by a 6m high temporary platform supporting a track. This proposal rejected the government's preferred solution for building retractable seating on the stadium's lower tier, and was received with dismay by the BOA which argued that the FA's proposed stadium would be too small to meet the IOC requirements. BOA also stated that sight lines for athletics seating were unsatisfactory as spectators in the lower tiers would be unable to see the running track

properly. The controversy prompted the DCMS Secretary of State in December 1999 to commission an independent report on Norman Foster's proposed design to consultant DLA Ellerbe Becket. The report confirmed that the sightlines would be too poor for many spectators²⁰; it also stated that football could not be played for two years around the Olympics because the track had to be ready for trials one year in advance, and at least four months would be needed to raise the platform. This meant that the FA would be facing significant loss in revenue over that period. The report also raised issues as to whether the stadium roofing could create difference in shadow between tracks that would make it harder to beat world records. It pointed that in ideal conditions, the athletics axis demanded a 45 degrees from north summer time orientation to prevent glare in runner's eyes, whereas football needed a wintertime north-south axis. Furthermore, the report argued that with such concept, the sightlines equivalent to those at the Atlanta Olympics could not be achieved for running events. Subsequently, in February 2000, the Culture Secretary, Chris Smith, vetoed plans for a £20m temporary athletics track. Ken Bates, a former football club chairman charged with heading the Wembley project, blamed interventions by the Government at the behest of BOA for derailing the project saying: *"There is no reason why athletics could not be staged at Wembley. What we've got is the Olympic tail wagging the national stadium dog."*²¹ But Chris Smith, the DCMS minister rejected these claims stating: *"We decided in December that Wembley should focus on football and rugby league and we should look elsewhere for a good athletics venue"*. On March 24th 2000, plans were announced for a new athletics venue at Picketts Lock in the Lea Valley. This was followed by an announcement on April 3rd 2000 that the 2005 World Athletics Championships would be held in this 43,000 seat dedicated athletics venue. With an initial cost of £87m, the Picketts Lock Arena seemed an attractive proposition for athletics organizers when compared to the costly Wembley venture. But in a rush to provide a location for the World Athletics Championship the full cost of the hosting an international event at the Picketts Lock Arena had not been considered. And on October 4th 2001 Sports Minister, Richard Caborn, stated that the plans for the World Athletics Championships at Picketts Lock were to be scrapped because of the increased costs: *"It would have cost almost a quarter of a billion*

²⁰ New Civil Engineering, 9 Dec 1999

²¹ <http://news.bbc.co.uk/1/hi/sport/627280.stm>

pounds to stage it at Picketts Lock and we could not justify that... It's an awful lot of tennis rackets, an awful lot of sports coaches and an awful lot of football pitches". Despite attempts to move the World Athletics Championships to Sheffield, U.K athletics was forced with much chagrin to withdraw its bid, casting serious doubts over the country's ability to host an Olympic Games. With the abandonment of Picketts Lock, plans re-emerged for a multi-function Wembley stadium. One alternative would borrow from the Stade de France in Paris which used massive movable stands to cover much of the athletics track during football and rugby events. But with the costs at Wembley already spiralling²², the idea was ditched in January 2002.

When Arup completed their investigation into the feasibility and costs of a London 2012 Olympic bid in May 2002, its specimen bid assumed the development of a new 80,000 seat stadium – the capacity was a IOC design requirement. And one of the key legacy claims in the bid was that the Olympics would provide a long term athletics legacy in London, by reducing the 80,000 seats stadium post games to a dedicated 25,000 seat athletics stadium [Exhibit 17]. But from the onset, the politically powerful premiership football community questioned the practicalities of a 25,000 seat athletics only stadium in London. They raised questions about its commercial sustainability in the long term, even comparing the decision to previous public venues such as London's Millennium Dome which had failed to meet its projected crowds and were perceived by some as a waste of public money. They noted that in the UK, athletics did not typically generate the crowds or sponsorship money that Britain's football clubs did; if ODA insisted in keeping to the bid commitment, weren't the government simply funding another infamous white elephant? Several Premier League football clubs in London had stadiums nearing the end of their lifecycle. Couldn't the Olympic stadium be designed so one of these clubs could become a long term occupier of the Olympic Stadium through a lease deal?

Based on the Wembley experience, the ODA reckoned that any potential premiership club would balk at the idea of leaving a permanent athletics track separating fans from the football pitch. And they were likely resist as well to the French model of a dual-purpose venue. Football clubs disliked the costs and time spent protecting the track to roll over the seating and vice

²² After a 3-year delay, the old stadium was only completely demolished in February 2003 and planned to open in 2006. But by 2005, the project had run into a major dispute between the contractor and the client, and the construction costs were spiralling to over £700m

versa to switch between types of events, and argued that solution led to seats with poor lines of sight over the pitch. On the other hand, suggestions to demolish the Olympic Stadium post games and rebuild a dedicated football stadium would completely disenfranchised athletics. A football stadium with the regular influx of 60,000 supporters was also perceived to impact negatively the regeneration strategy. And surely such a change to the vision of the bid would anger those LOCOG members like Lord Coe who had fought to have athletics placed at the centre of the urban regeneration scheme. Alison Nimmo was wary of the situation becoming fractious as it had in the Wembley Arena: *"nobody wanted a Wembley situation"*. Meanwhile David Higgins, an Australian fan of rugby, felt passionate about keeping the athletics legacy:

"It [athletics track] was always a permanent commitment in the bid... What's wrong with leaving an international athletics centre? What's the matter with that as a brief? Why do we always have to have a football club? Why do we have to publicly subsidize the richest clubs in the world? Why? It's public land, it costs a fortune to accommodate, and you've got 200 schools in this valley, public schools, that have very limited public playing fields, public sports facilities...don't renege on your responsibility to public sport and public participation"

But the premiership football clubs were not ready to give up. West Ham, a club based in the borough of Newham where the future stadium would be located, was positioning itself as a serious contender and was not ruling out a solution that kept the field and track in legacy. West Ham was in the process of finalising a deal with an Iceland consortium fronted by former UEFA executive committee member Eggert Magnusson to buy the club for £85m, also involving Billionaire Icelandic owner Bjornolfur Gudmundsson. Another contender was Tottenham Hotspur/AEG, a rival premiership football club, but less interested in the idea of retaining a permanent athletics track. Interestingly, LOCOG deputy chairman and former CEO of the London 2102 bid company, Sir Keith Mills, was a follower of Tottenham Hotspurs for many years.²³ And Sir Keith Mills was a vocal critic of the idea of keeping a running track inside the Olympic stadium so long as an athletics legacy was created elsewhere in London. He was sceptical that the solution could stack up commercially. For the ODA executive, the sixty-four thousand dollars question was: how could they get the Olympic board to agree a brief which would enable ODA to go to the market to procure a design-build consortium for the stadium?

THE AQUATICS CENTRE

²³ Sir Keith Milles would later that year be appointed non executive director of Tottenham Hotspur plc.

The Aquatics Centre was another of the permanent venues in the Park. The IOC requirements at the time of Arup's report demanded a facility complex with a minimum capacity for 17,500-seated spectators for speed and synchronised swimming in the 50m competition pool, 10,000-seated spectators for diving events in the diving pool, two additional training 50m pools, and back of the house facilities. The idea of building a landmark aquatics centre as part of East London regeneration immediately gained traction and a group of stakeholders agreed the project should go ahead irrespectively of the result of the London 2012 bid. The venue should be designed to accommodate the IOC requirements through a combination of temporary and permanent facilities. The stakeholder group behind the project, some of which promised to make funds available, included the LDA, the DCMS, the London 2012 bid company, Sport England, the London Borough of Newham, the Lee Valley Regional Park Authority, the Amateur Swimming Association, British Swimming, and the University of East London. If the London bid was successful, the aquatics centre after the Games would convert into a smaller 2500-seated facility with one 50m competition pool, one 50m training pool, and a diving pool, making it easy for community and elite swimming use. It would also include a health and fitness area.

A stroke of marketing genius was the selection of the Iraqi-British architect Zaha Hadid with engineering experts Ove Arup and Partners and top swimming pool architects S&P in January 2005 to design the Aquatics Centre. The selection was made through an international competition run by the LDA for a site that LDA owned at Stratford. Zaha, who had been the first woman to be awarded the prestigious international Pritzker Architects Prize in 2004, proposed with her team a massive but highly seductive design with a sinuous, undulating roof that charmed the jury, co-chaired by Lord Richard Rogers, another world-renowned London based architect and Lord Carter of Coles, Chair of Sport England²⁴ [Exhibit 18]. The powerful London architectural community had been lobbying London 2012 for investment into architectural masterpieces and good design at the Olympic Park, and the London 2012 bid team agreed that

²⁴ The other members of the Panel that chose the design were Observer architecture critic Deyan Sudjic, Ray Jupp, Chair of Newham Swimming Club, Shaun Dawson CEO of Lee Valley Regional Park Authority, Tony Winterbottom, Executive Director LDA, Ricky Burdett of the Greater London Authority's Architecture and Urbanism Unit and Francine Houben, Mecanoo Architecten.

at least one asset needed the 'wow factor' to contrast to the other more standard venues, making the overall bid more compelling. As Keith Mills, Chief Executive of London 2012, said²⁵:

"This is an outstanding design that will create a spectacular building, delivering the essential 'wow' factor for the 2012 Olympic Games and Paralympic Games. It will then be cleverly transformed following the Games by taking away the majority of the 20,000 seats, which will not be needed, turning it into more intimate spaces suitable for community use. It gives the community a lasting sporting legacy."

After the Games, the £73m Aquatics centre (bid book budget) would become a facility for the local community, clubs and schools, as well as elite swimmers, attracting over 800,000 visitors a year. It would also cater for national and European events, with regular events such as Triathlon England and British Swimming. The ODA executive did not dispute the aesthetic and technical quality of the design concept of the Zaha's team, but noted that it would be very hard to make the concept work in legacy financially. Not only was the budget inadequate, but the concept was far too ambitious for the physical site: *"when you look to the physical site"*, explained David, *"and try to fit the original design to the site of course you know it does not fit... but having been selected for the site, it was going to be challenging to get the architect to change... to explain [to the architect] why the concept would not work."*

THE ATHLETES' OLYMPIC VILLAGE

During the Games, the Athletes' Olympic Village would be the hub for athletes from all over the world. It would be located within the Olympic Park and neighbouring the Stratford city. This was important since the bid committed that 80% of athletes would be within 15-20 minutes of their events and 97% would be within 30 minutes of their events. To meet the IOC requirements, the 35-hectare village would provide accommodation to 16,800 athletes and officials in one- and two-bedroom apartments in elevator-serviced blocks at eight storeys or less, with a further 1,000 possible. It would also include a main dining area with capacity for 6,000 at any one time, and a range of other services including shopping centres, cinemas, banks, and medical facilities. The bid committed that all athletes would be able to stay at the Village. After the games, the Olympic Village would become East Village, and would be transformed into new 4,000 homes with a mixture of affordable tenures and shared equity, and facilities for the local community. Kitchens would be installed, along with new carpets and timber floors. Right from the offset,

²⁵ Zaha Hadid chosen to design first Olympic venue", Greater London Authority press release, 31 January 2005

the bid assumed like in Sydney that the village would be funded by a private developer as part of a larger redevelopment project at no cost to the public. But David argued *“well, that’s not realistic, is it? It’s going to cost something.... we need to buy the land, put infrastructure in... if we need to build 4,000 apartments, we may need a subsidy of £50k per apartment, that will cost £150-200m.”* There was also a plan that the development could unfold in two stages, with a second stage after the games aimed at further expanding the facilities. The Olympic Village’s accommodations would be the most spacious in the Olympics history. Each apartment would include internet access and wireless networking and other state-of-the-art technology.

The ODA executives were mindful, however, that they needed to secure first the land of Stratford City site where they would like to locate the Village in order to integrate it better with the Olympic park master plan. This was not a trivial task. By November the ODA had reached a hand-shake agreement with the private consortium that controlled a large chunk of Stratford City and had got planning consent for a major residential and mixed use scheme. According to this plan, the residential component of the Stratford City would become the Olympic village, and the multi-story car park planned for the Stratford City site would support the Games, enabling the ODA to drop the bid plan to build a temporary car and coach parking site. Still, Alison felt there were strong players in the property market seeking to make large profits by attempting to hold the government to ransom over the Village. The ODA could undercut their moves by extending the boundaries of the CPO to include Stratford City. This was going to be politically sensitive. But could the ODA afford not to do it? Most of the Stratford City land was Crown land in the hands of the London & Continental Railways. The LDA/English Partnerships did not have powers to acquire Crown Land, but the Olympic Act would give that power to the ODA. But if the private-led commercial development, which included the massive Westfield shopping centre, did not go ahead, could the Olympic Park and Village work in legacy? Were people really ready to concede a bit of ground to come up with a better plan? Would they understand the need to reshuffle the deck chairs? To complicate matters, local businesses were unhappy that the bid master plan encroached on a large swathe of land south of the main park. Should the iODA team explore folding the original master plan into a more compacted plan?

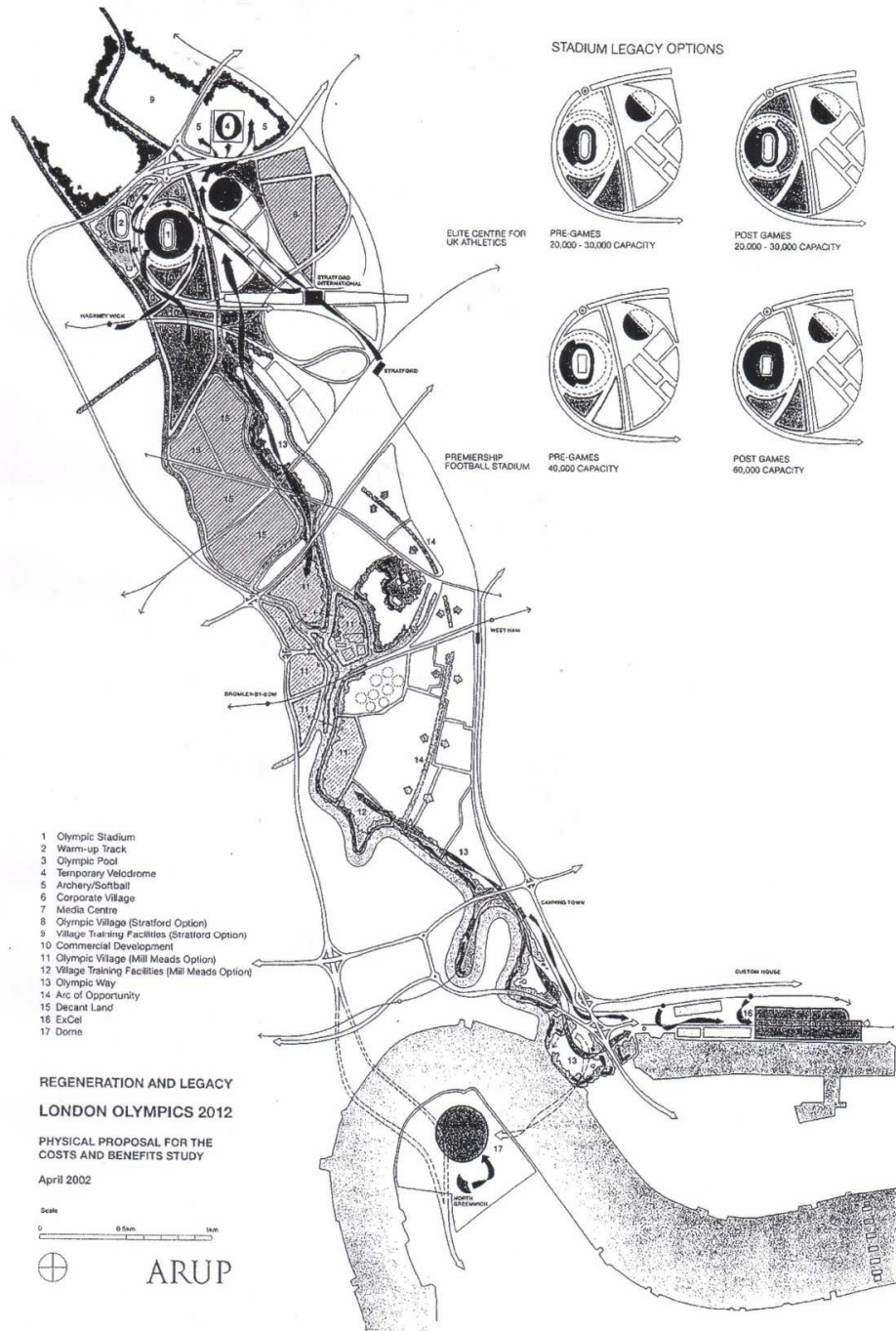
Should they remove the south area from the CPO, moving more facilities into the core site and others into other London venues? These issues seemed to be potential showstoppers.

The ODA executive found that not much could be learned from the previous games. The history of the Olympics planning and construction stages was not one of harmony to the extent that David could not recall a Games “where the equivalents of ODA and LOCOG had not got at each other throats, and had not had multiple changes of CEOs in both companies”. Athens, the last city to host the Games, had become renowned for experiencing massive problems in the run up to the games in 2004. The programme delivery ran late and the costs increased threefold from €4.5bn to €13bn. The games were also expected to leave derelict facilities due to lack of integration of the bid with a legacy strategy. Sydney 2000 was also understood to be a poor example to follow. There had been a considerable number of problems passing control from one agency to the other, and the delivery body and SOCOG, the LOCOG equivalent, had a fraught relationship with other stakeholders, explained David. And as for Beijing, the city that was going to host the games in two years time little had been revealed about how the process was unfolding. But observers perceived that the Chinese organisers were running on a what amounted to an unlimited budget²⁶, building impressive assets such as the awesome ‘Bird's Nest’ Olympic Stadium and the ‘Water Cub’ Aquatic Centre. There was no way London would match that. This seemed to leave the ODA executive with no alternative but to try to change the master plan, the budget and the delivery strategy. But would all the stakeholders bite the bullet? And how resistant would LOCOG be to renegotiate the bid commitments before the Beijing games? After all, it was necessary to continue to improve the design of the venues to increase chances of breaking world records, and perpetuate the mystic around the Games.

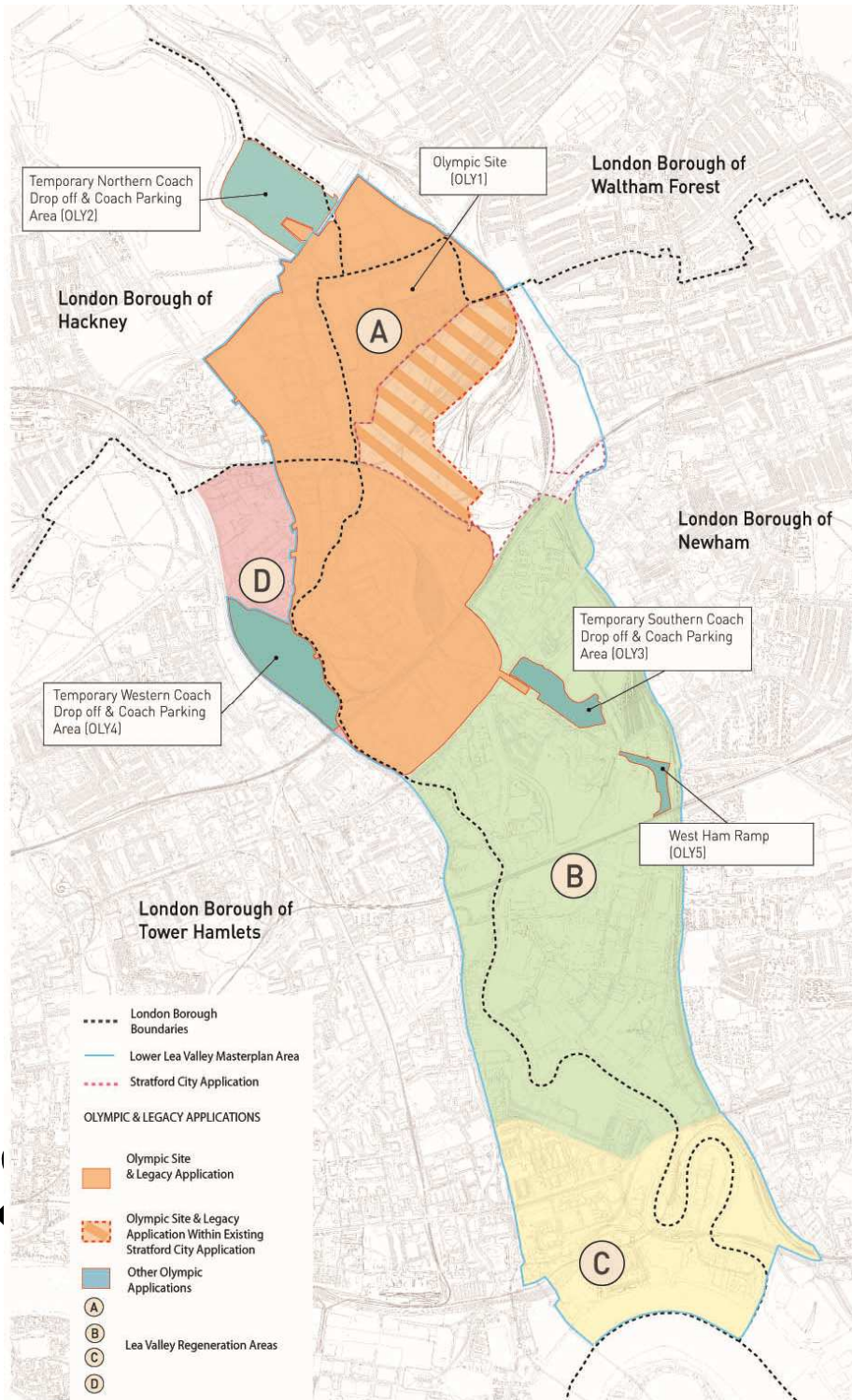
²⁶ The budget was later rumoured to be above £20bn

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Exhibit 1 – Proposed Olympic Site and Lea Valley Regeneration Area



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Exhibit 2 – Proposed boundaries for the Compulsory Purchase Order (2005)

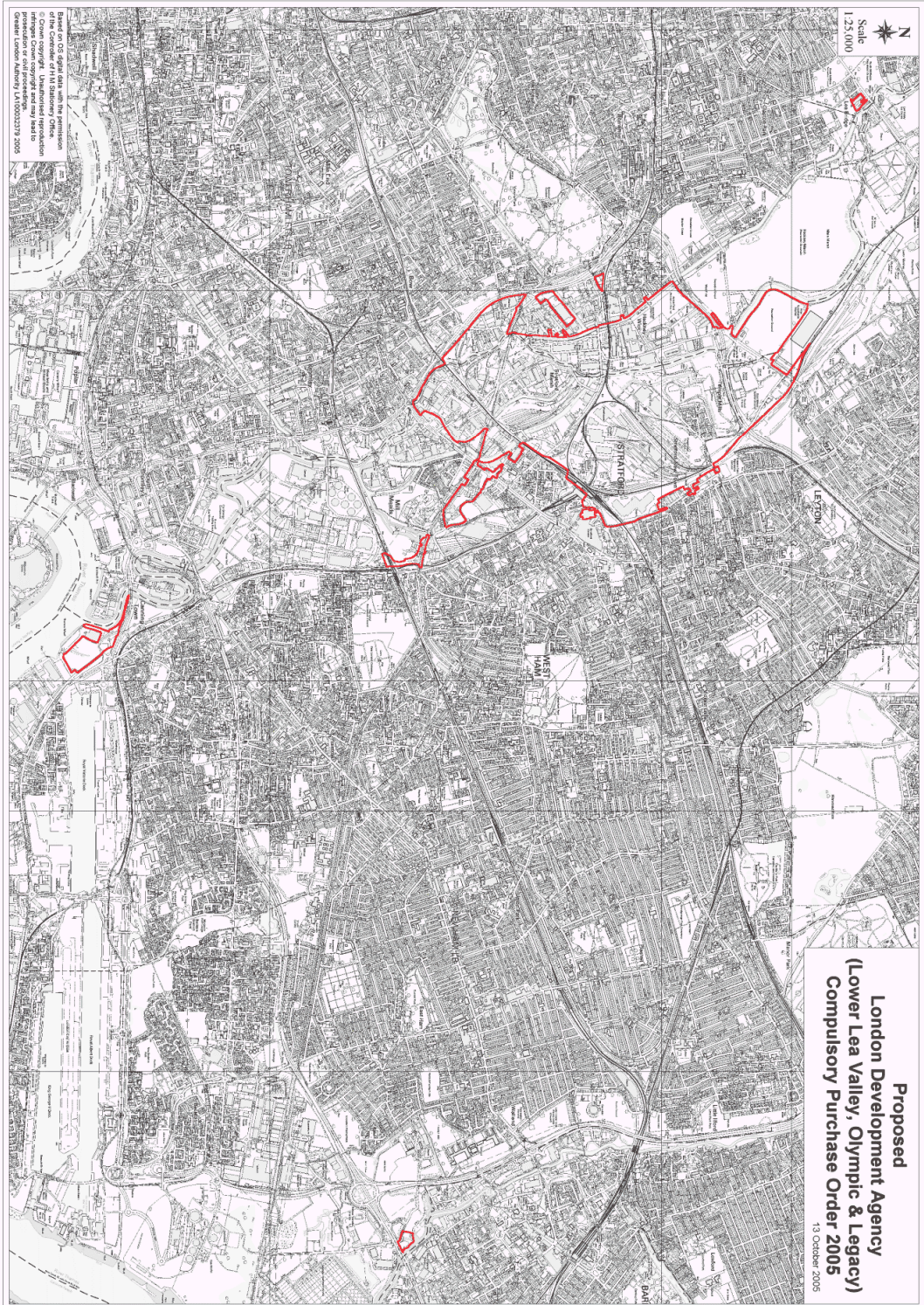


Exhibit 3 – Provisional IOC bidding table (published in 2002)

2003	
May (early)	IOC circular to BOA inviting to submit UK Applicant City.
15 Jul	BOA informs IOC of Applicant City (London).
2004	
15 Jan	Applicant City's IOC Questionnaire submitted.
May/Jun	Acceptance of Candidate Cities by IOC.
13-29 Aug	Athens Olympic Games.
Jun/Nov	Preparation of Candidate Files.
15 Nov	London Bid (Candidate Files) to IOC.
Nov/Jan (est)	IOC analysis of Candidate Files.
2005	
Feb-Mar	IOC Evaluation Commission visits Candidate Cities.
May (early)	Evaluation Commission report.
Jul	Election of Host City for 2012 by IOC Session.

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**Exhibit 4 – Attributable costs and incomes for bidding, preparing, and staging the Games
(Arup report 2002)**

<i>Bidding and staging</i>	<i>Expenditure</i>	<i>Income</i>	<i>Balance</i>
Bid	13	7	- 6
Staging	779	864	85
Elite sport development programme	167	0	- 167
Capital investment in facilities	403	0	- 403
Land purchase (residual value)	325	431	106
Sub-total	1,687	1,302	- 385
Risk	109	0	- 109
Total	1,796	1,302	- 494
<i>Wider benefits</i>	<i>Expenditure</i>	<i>Income</i>	<i>Balance</i>
Additional tourism	103	280 to 610	+280 to +507
Other benefits	0	69	69
Grand total	1,899	1,651 to 1,981	- 145 to +82

212

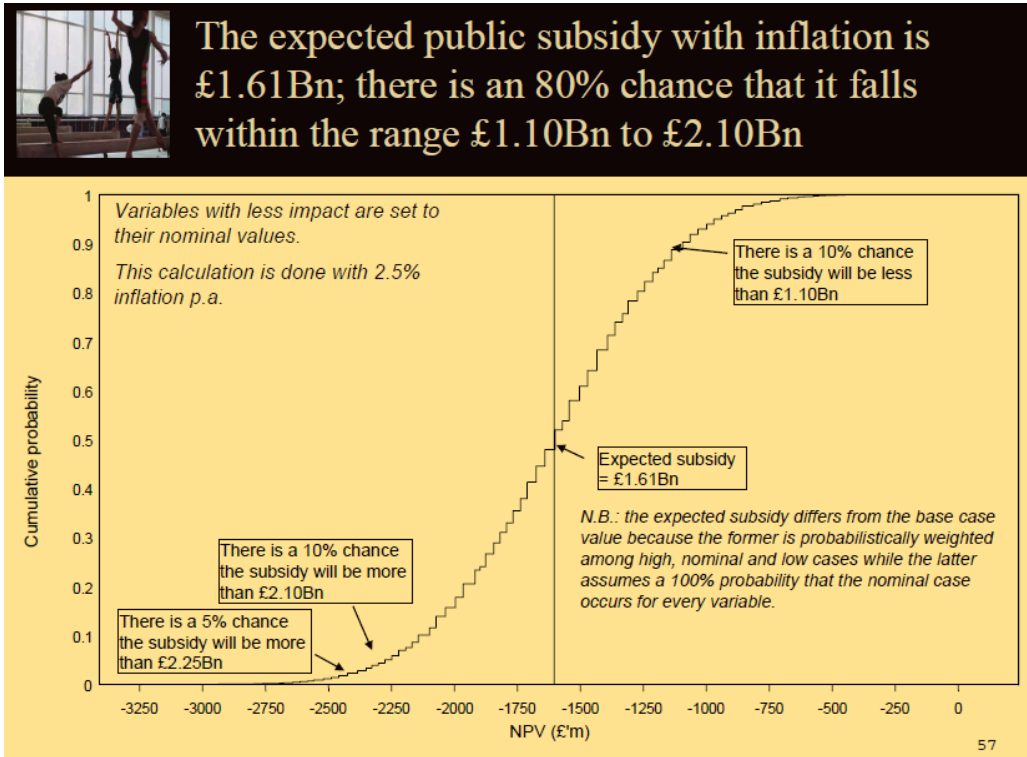
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Exhibit 5 - Research into Public Opinion by the DCMS (Source: House of Commons, Culture, Media and Sport Committee – Third Report of Session 2002-03 p. 24)

Figures in bold were given in the DCMS summary of the survey	Agree strongly	Agree strongly & agree slightly
<i>Negative</i>		
Money better spent on grassroots/school sport in communities	30%	56%
Majority of the investment, for example in sporting facilities, will be in London therefore no gain for the rest of the UK	27%	51%
<i>Positive</i>		
Hosting Olympics will bring UK prestige and 'feel good' factor	70%	94%
Commonwealth Games in Manchester proved UK to have the experience and track record to run a successful Games	71%	92%
The hosting of the Olympic Games will bring economic benefits such as more employment and more investment	60%	90%
A London Olympic bid will leave a legacy of a redeveloped East London with excellent sporting facilities - figure given: 60%	45%	81%
The hosting of the Olympics will create more sporting opportunities for young people	65%	88

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Exhibit 6 – Conclusions from PwC’s report (January 2003)



- ### Conclusion - summary
- The expected cost without inflation is £3.14 billion with an 80% chance of it falling between £2.81 billion and £3.48 billion.
 - The expected cost with 2.5% inflation is £3.80 billion with an 80% chance of it falling between £3.40 billion and £4.20 billion.
 - The expected revenue without inflation is £1.80 billion with an 80% chance of it falling between £1.53 billion and £2.08 billion.
 - The expected revenue with 2.5% inflation is £2.20 billion with an 80% chance of it falling between £1.85 billion and £2.54 billion.
 - The expected public subsidy without inflation is £1.33 billion with an 80% chance of it falling between £0.90 billion and £1.77 billion.
 - The expected public subsidy with 2.5% inflation is £1.61 billion with an 80% chance of it falling between £1.10 billion and £2.10 billion.
 - The NPV of the Olympics bid at a 6.0% discount rate is -£0.87 billion with an 80% chance it is between -£1.15 billion and -£0.60 billion.
 - The NPV of the Olympics bid at a 3.5% discount rate is -£1.04 billion with an 80% chance it is between -£1.37 billion and -£0.72 billion.

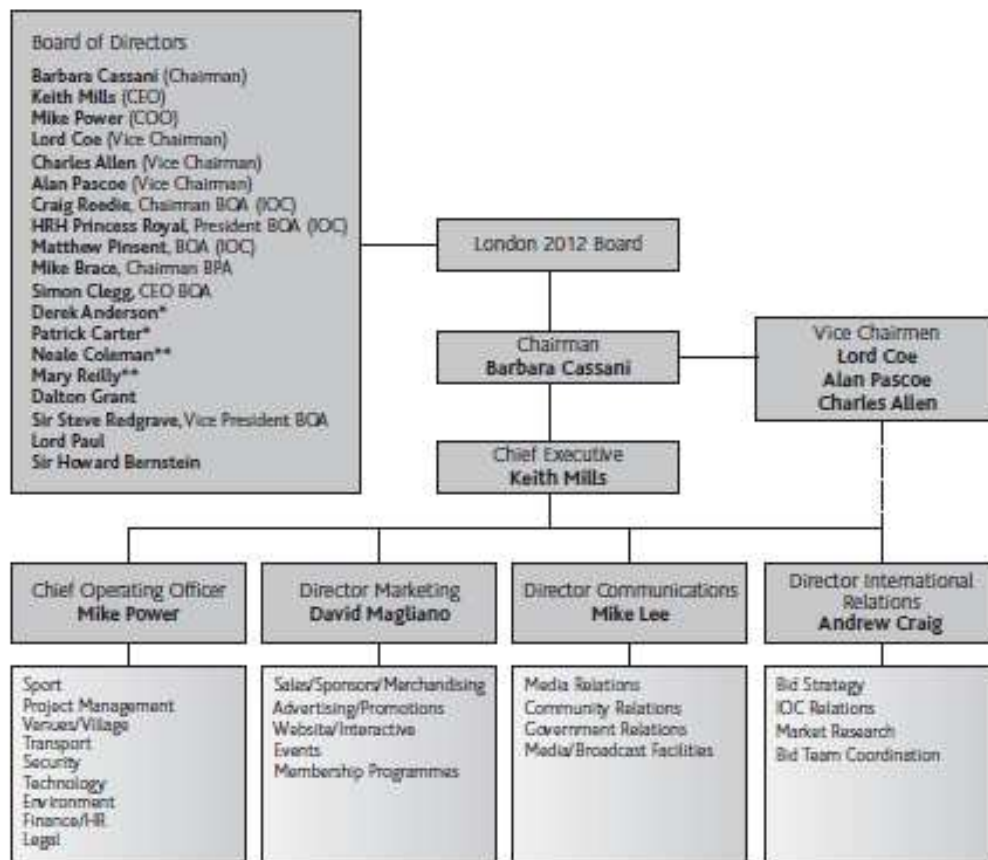
Exhibit 7 – DCMS’s revised costs and revenues (outturn prices) (Source: Third Report of Session 2002-2003, House of Commons, Culture, Media and Sport Committee, 2003, p. 16.)

DCMS’s revised costs and revenues (outturn prices)	£m ²⁷
<i>Arup cost baseline</i>	3,558
Increased allowance for <i>construction contingency</i> .	26
An extra 10 per cent on Arup’s <i>staging contingences</i> reflecting a “general concern” about uncertainties in a complex 10 year project—in line with New York’s 2012 bid assumptions)	225
The uprating of Arup’s Sydney-based costs to reflect <i>price parity</i> between London and Sydney	70
An allowance for street dressing and cleaning to improve the <i>Look of London</i> based on spending in Manchester on the Commonwealth Games	40
The high-end estimate for additional investment in station capacity and service enhancement to enable <i>transport</i> requirements to be met	500
Allowance reflecting updated estimates for <i>land</i> acquisition from the London Development Agency	55
Allowance for a risk that suitable indoor competition <i>venues</i> and training centres in East London will not be available without further investment	50
Allowance for higher than estimated <i>administration costs</i> to attract the right number and quality of Games administrators	150
DCMS revised total costs	4,674
<i>Arup revenue baseline</i>	2,450
Allowance for a 16 per cent shortfall in revenue against estimates on the basis that Arup’s assumptions about ticket prices and sales were relatively high.	400
DCMS revised total revenues	2,050
<i>Arup public subsidy estimate</i>	1,108
DCMS revised total public subsidy	2,624

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Exhibit 8 – London2012 Bid Company Board Management Structure [from Response to the questionnaire for cities applying to become Candidate cities to host the 2012 Games]



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Exhibit 9 - DCMS letter to Lord Sebastian Coe, 17 May 2004

Department for Culture, Media and Sport
From Sue Street, Permanent Secretary

2-4 Cockspur Street
London SW1Y 5DH
www.culture.gov.uk

Tel: 0207 211 6254
Fax: 0207 211 6259

DRAFT

Lord Sebastian Coe

Your Ref

Our Ref

17 May 2004

UV 2012

LONDON 2012 BID CHAIR

Further to our telephone conversation earlier today, I am writing, on behalf of the Stakeholders, to invite you to accept the post of Chairman of London 2012. The Prime Minister has endorsed your appointment, and the Mayor and the BOA Chairman are also content. We are all most grateful for your willingness to take over in this crucial role. I do hope you can confirm your acceptance quickly, so that we can move to an announcement on Wednesday morning.

I enclose copies of the Joint Venture Agreement and Responsibilities of the Chairman, which were agreed by your predecessor. I trust that you will be content to accept the terms of these arrangements, which were, of course, drawn up and agreed with the stakeholders a matter of months ago. If so, we will update the paperwork accordingly for your signature.

I am also recording here some ancillary points which have arisen in your telephone discussions on this matter with me and with the Secretary of State. You affirmed that you would maintain until the Bid is determined the withdrawal from active party political campaigning which you had already undertaken following your

appointment as a vice-chairman of London 2012. You accepted that London 2012 will need to work with the stakeholders to produce a Bid within the public funding envelope already set out by the Government and the Mayor. You explained that you would consider placing in abeyance during your Chairmanship your interest in Fast Track, and make explicit the safeguards you have, or will, put in place in relation to the other interests we discussed.

Should you have any further questions, please feel free to contact me (on the above number) or Paul Bolt, Director of our Olympic Games Unit, on 0207 211 6503.

I am copying this letter to Simon Clegg at the BOA, Neale Coleman at the GLA and Keith Mills at London 2012.

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Exhibit 10 – Estimates at the time of the bid of the cost to be covered by the Public Sector Funding Package for the 2012 Games National Audit Office report 2007 *Preparations for the London 2012 Olympic and Paralympic Games – Risk assessment and management, REPORT BY THE COMPTROLLER AND AUDITOR GENERAL, HC 252 Session 2006-2007, 2 February 2007*

	Candidate File estimates – 2004 prices in US \$	Candidate File estimates – 2004 prices in £ sterling ²	Outturn estimates at bid submission
	US \$ million	£ million	£ million
Venues	1,132 ³	708	971
Venues legacy conversion	n/a	n/a	89
Olympic infrastructure	800 ⁴	500	640
Transport infrastructure	600 ⁵	375	466
Transport operating costs	n/a	n/a	234
Support for elite and community sport	n/a	n/a	300
Paralympics	72 ⁶	45	54
Other	n/a	n/a	238 ⁷
Total	–	–	2,992
Less Expected private sector funding (see Figure 6)	–	–	(738)
Total to be met from the public sector funding package	–	–	2,254

Sources: London 2012 Candidate File; outturn estimates taken from paper prepared by the Department for Culture, Media and Sport in September 2004

NOTES

1 n/a – not applicable as International Olympic Committee instructions on completion of Candidate City File did not request this information.

2 The costs were estimated in pounds sterling and converted into US dollars for the Candidate File, using an exchange rate of £1=\$1.6.

3 This Figure includes the cost of sports venues (\$917 million) and the International Broadcast Centre/Main Press Centre (\$215 million) shown in the Candidate File. It does not include the cost of the Olympic Village (shown in the Candidate File as \$1,040 million) which was expected to make use of a planned \$1 billion public-private partnership.

4 The cost of Olympic infrastructure is included within the \$2,100 million shown in the Candidate File for Olympic Park infrastructure. The total of \$2,100 million also includes \$1,300 million of investment in 'non-Olympic' infrastructure, which was to be covered by Exchequer funding (see paragraph 51).

5 \$600 million represents the amount the Olympic Delivery Authority was expected to spend on transport infrastructure and was included within the \$11.5 billion shown in the Candidate File for capital investment in roads and railways.

6 The \$72 million shown for the Paralympic Games represents half of the total marginal cost of the Paralympics (shown as \$144 million in the Candidate File). Under the Host City Contract, the state is required to fund 50 per cent of Paralympic costs, with the other 50 per cent to be funded by LOCOG.

7 Other costs include £190 million of security costs (see Figure 6).

8 This Figure does not include the costs incurred by LOCOG in staging the Games. LOCOG's estimated costs are set out in Appendix 6.

Source	£ million	£ million
National Lottery		
■ Proceeds from designated Olympic lottery games – from the Olympic Lottery Distribution Fund	750	
■ Spending by the sports lottery distributors	340	
■ General lottery proceeds – from the National Lottery Distribution Fund	410	
National Lottery total		1,500
Greater London Authority – council tax precept		625
London Development Agency		250
Total		2,375

Source: Department for Culture, Media and Sport

NOTE

Of the £340 million from the sports lottery distributors, £50.5 million will go towards the costs of the Olympic venues. The remaining £289.5 million will be spent by the distributors on continuing support for elite athletes and coaches, facilities for elite and community use, and community programmes.

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Exhibit 11- Bid book Mayor of London's letter of endorsement

GREATER LONDON AUTHORITY

Mayor's Office

City Hall
The Queen's Walk
London SE1 2AA

Date: 1 November 2004

212

Count Jacques Rogge
President
International Olympic Committee
Château de Vidy
C.P. 356
CH-1007 Lausanne
Switzerland

Dear Mr President

The Olympic Games and Paralympic Games offer a unique opportunity for people from across the world to unite in a celebration of sporting excellence, cultural diversity and fair play. Nowhere can offer a better location for the Games than London: the city that people of all faiths, cultures and languages can call 'home'. We are proud of our diversity – of people, of buildings and neighbourhoods, of museums and shops – and every year celebrate it with visitors from every continent.

London offers the Games excellent facilities, transport and accommodation, backed with the enthusiasm of our sports fans. All levels of government are united behind the concept of a Games where world-class quality is matched by a commitment to global environmental responsibility.

Only minutes from London's historic centre, we will deliver a compact and sustainable Olympic Park, which will transform one of London's most neglected areas and re-connect it to the rest of London and to Europe. This will kick-start regeneration in east London, while bringing all parts of our city together to celebrate the unifying force of Olympism.

Staging the 2012 Games in London, against the backdrop of this vibrant mix of new and old, will provide world-class facilities for athletes, a beacon of excellence for our communities, and a social, environmental and economic legacy that will enhance the lives of generations.

We believe that the 2012 Olympic Games and Paralympic Games would enhance both our city and the Olympic Movement. I commit unreservedly to working with the International Olympic Committee to deliver the most successful Games ever, and fervently hope that the IOC will put its trust in London by bringing the world's greatest sporting and cultural festival to our city.

Yours sincerely


Ken Livingstone
Mayor of London

Direct telephone: 020 7983 4100 Fax: 020 7983 4057 Email: mayer@london.gov.uk



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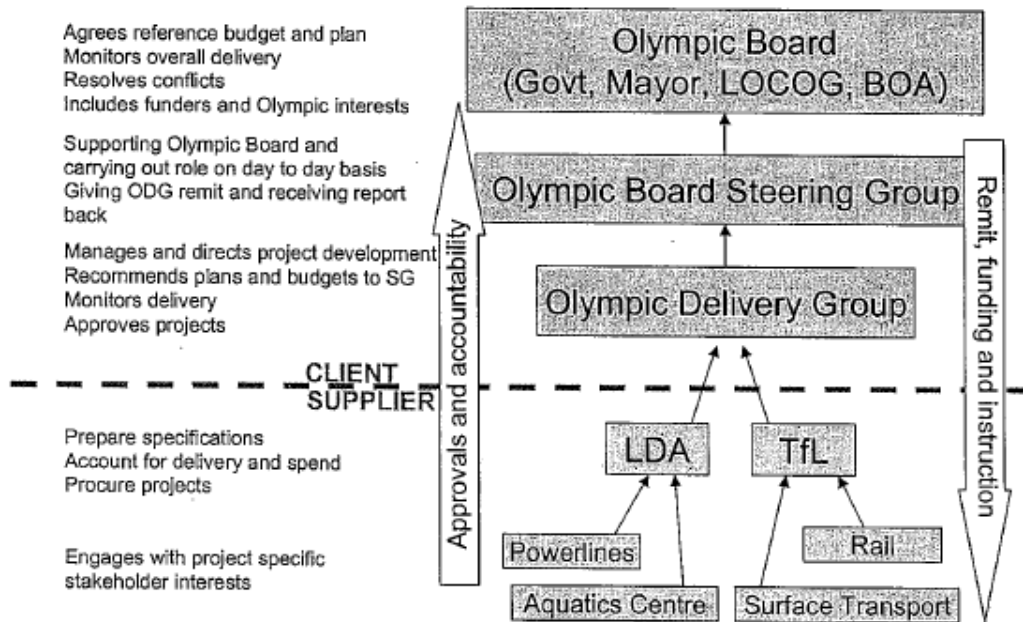
Exhibit 12 –IOC’s Rounds of voting

Rounds of Voting	1	2	3	4
Paris	21	25	33	50
New York	19	16	-	-
Moscow	15	-	-	-
London	22	27	39	54
Madrid	20	32	31	-

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Exhibit 13 – Overall transitional system of relationships and the chain of accountability [9 August 2005
 Letter from the Mayor of London to the Chief Executive of the London development Agency on the
 “Direction and Delegation to the London Development Agency”]

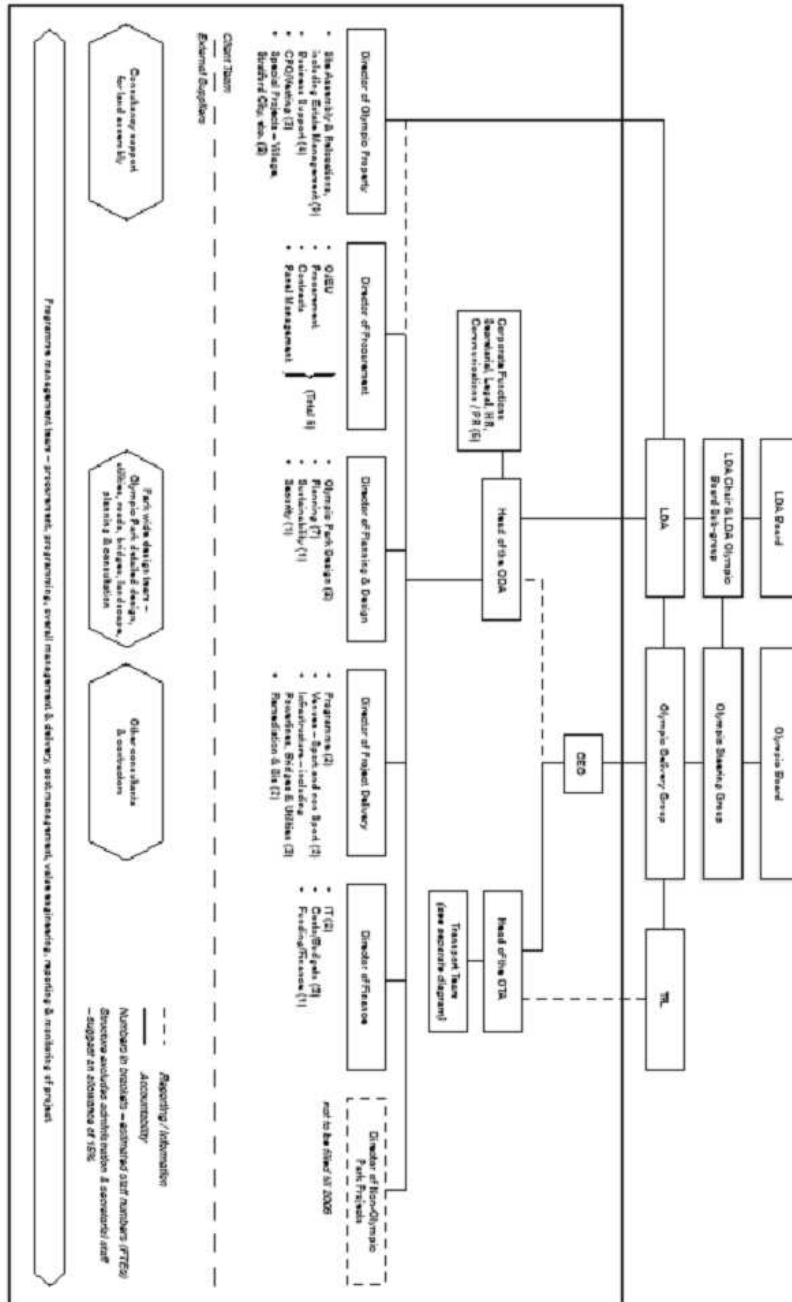


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Exhibit 14 - iODA Proposed structure [LDA report No. 6 to Olympic Delivery Committee, August 2005]

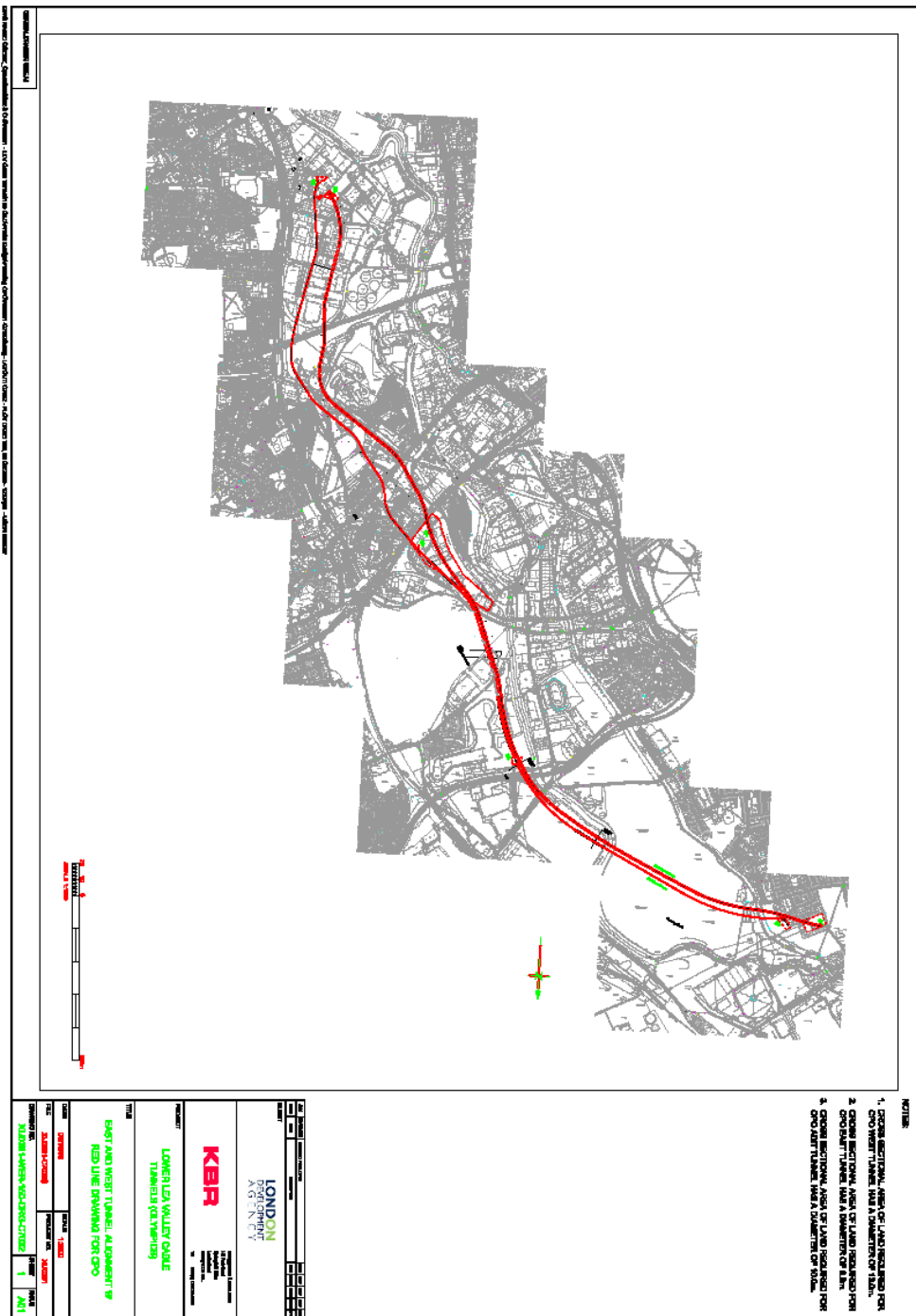


Interim iODA Proposed Structure



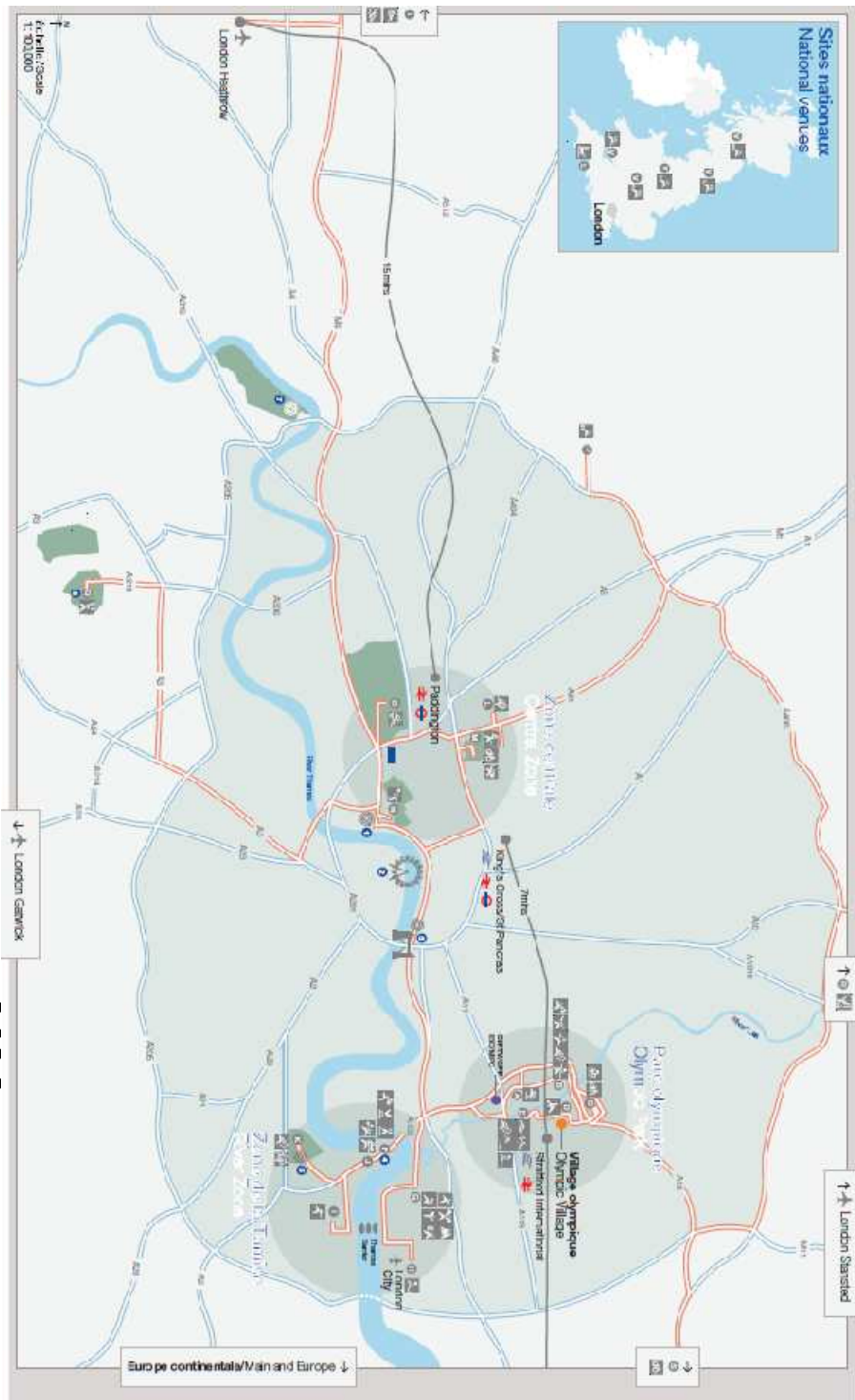
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Exhibit 15 - CPO boundaries for project to underground two sets of overhead power lines



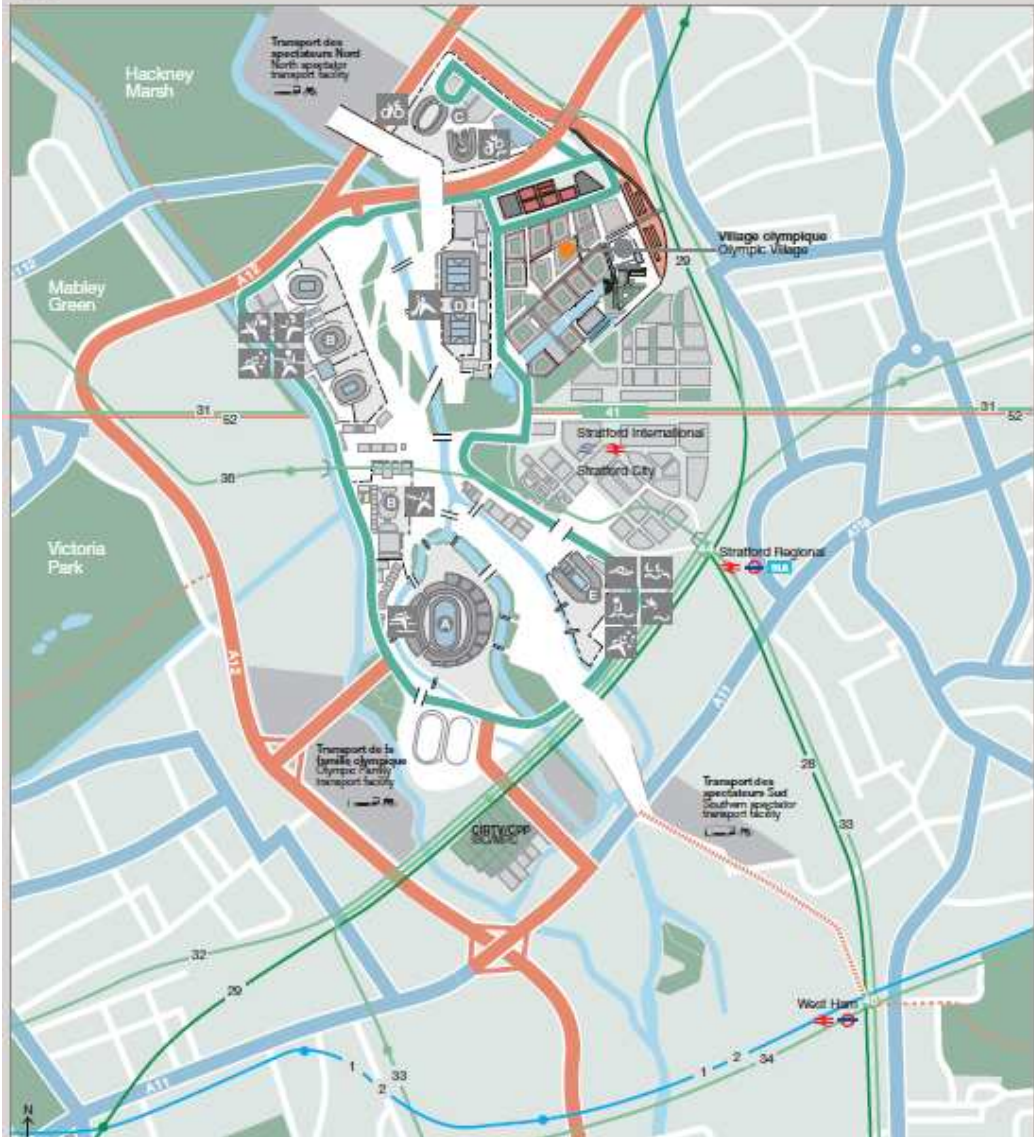
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Exhibit 16 – Conceptual Map and Olympic park (London 2012 bid book)



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Parc olympique
Olympic Park



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Exhibit 17 –Olympic stadium and park (London 2012 bid book)



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Exhibit 18 – The Aquatics centre (renderings produced for London 2012 bid book)



Aquatic Centre

The London 2012 Aquatics Centre.

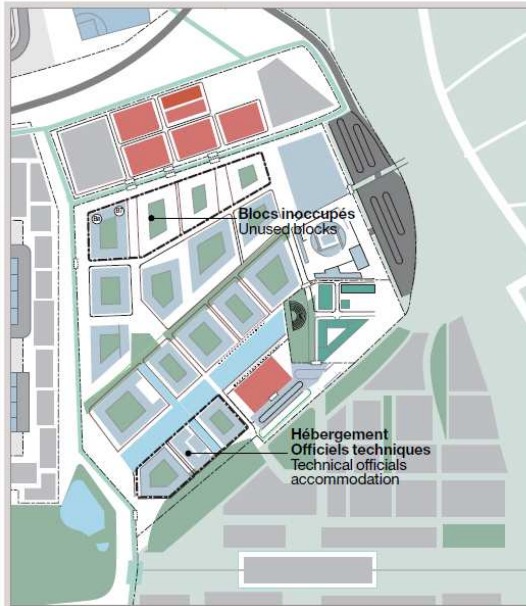
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Exhibit 19 - Olympic Village (London 2012 bid book)



Plan du village paralympique/Paralympic Village plan



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