

House of Commons
Culture, Media and Sport
Committee

**A LONDON OLYMPIC
BID FOR 2012**

Third Report of Session 2002–03

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House of Commons
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**A LONDON OLYMPIC
BID FOR 2012**

Third Report of Session 2002–03

*Report, together with
Proceedings of the Committee,
Minutes of Evidence and Appendices*

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CULTURE, MEDIA AND SPORT COMMITTEE

Remit

The Culture, Media and Sport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Culture, Media and Sport and its associated public bodies.

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http://www.parliament.uk/parliamentary_committees/culture__media_and_sport.cfm.

A list of Reports from the Committee since 1997 is set out inside the front cover.

Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the page number, for example, 'Ev 10'.

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THIRD REPORT

The Culture, Media and Sport Committee has agreed to the following Report:

A LONDON OLYMPIC BID FOR 2012

I SUMMARY

Conclusions and recommendations

1. Our conclusions and recommendations are summarised below.

Transparency

- (i) The process followed by Government has produced in public no more than an anaemic 12 page summary of a 250 page document containing only impenetrable, estimated, aggregate costs. We were grateful to receive confidential copies of the full report containing financial estimates for a “specimen” Games. However, this was of limited use for the purposes of accountability and none whatsoever with regard to public debate. (Paragraph 9)

Costs

- (ii) There are three key questions that the Government needs to answer before being able to commit itself to a bid (and any such commitment will be all the better, easier and the more convincing to the IOC for this work having been done):
 - that the costs and risks are understood as far as is possible at this distance from the event, can be afforded, and are justified in comparison with other sporting and wider spending demands on Government;
 - that the challenges and implications of delivering the necessary facilities and infrastructure developments on time are understood and catered for; and
 - that any infrastructure legacies created will be free from on-going, possibly open-ended, subsidy necessary from the public sector. (Paragraph 17)
- (iii) We are confident that the Government has undertaken more and better appraisal than previous bidders in order to tackle the vagaries of estimating the costs for a huge and complicated project nine and a half years away from the final delivery date. We trust that the IOC will take note of the implications of all this effort in any future judgements it may make on a London bid. Crucially, we expect the Government to finalise, and reconcile, the various strands of its appraisal work and to be able to set out clearly and in detail what its conclusions are, their bases, and how they influenced its decision on whether to bid or not. (Paragraph 25)

Legacy

- (iv) London might well end up with a stadium at Wembley, specifically built with the capability to host the Olympics without legacy issues, and another in East London, actually built to host the Games, with an uncertain future. If this duplication were in fact to occur much of the responsibility would lie with the sporting bodies and agencies whose discussions with each other, and with Government, have led to this confusion. (Paragraph 28)
- (v) The most serious and creative thought needs to be given to the long-term future of an East London stadium before a single word of the design brief is written. All options should be considered from temporary construction and subsequent demolition, to a full range of alternative uses after the Games. Such uses could include sporting, retail, leisure or residential adaptation (or any combination thereof). We recognise, therefore, that there could be a creative legacy option developed in due course. However, we recommend that, for the purposes of the bottom line of the bid, the Olympic stadium be costed on the basis of construction and demolition. (Paragraph 30)

- (vi) First, however, the Government must satisfy itself that the fundamental proposals for a privately developed village and construction of any kind of stadium are in principle realisable and deliverable between 2005 and 2012. (Paragraph 31)

Delivery

- (vii) We cannot insist strongly enough that, whatever new agencies are established, leading unequivocally from the centre should be a Minister, located in the Cabinet Office or even No. 10, and with an explicit cross-governmental remit and the power and personality to make things happen. This should be established from day one, 31 January 2003, and should include arrangements for liaison between that Minister and the Prime Minister as a matter of course. The leadership issue cannot be allowed to languish for one minute if a positive decision has been taken. (Paragraph 35)

Transport

- (viii) The Government must provide clarity on transport issues if announcing a decision to go forward with a bid:
- what capital projects are required for, or before, 2012;
 - what investment will be required in measures to improve levels of service;
 - the costs involved and the risks of their escalation (always greater when the pace of construction is being dictated by an external deadline);
 - the risks of non-delivery and related contingency plans and/or resources;
 - a strategy, in outline at least, for the “unprecedented” management of the London transport network (including demand management) recommended to cope with Olympic transport needs; and
 - any apportionment of these costs, or elements of them, to the Olympic balance sheet. (Paragraph 38)

Conclusions

- (ix) It is clearly desirable in principle that London should host an Olympic and Paralympic Games. But it should not do so at any price. (Paragraph 39)
- (x) The Government must assure itself, before deciding to support a bid, that it understands what it is committing itself, London and the country as a whole, to spend and to deliver. (Paragraph 40)
- (xi) The Government could have been much more transparent in this process; reflecting the recommendations of our predecessor Committee. The Arup summary published, for what it was worth, was an abridgement too far. The Government should publish Arup’s work in full, as well as its own subsequent calculations on costs and delivery of facilities and infrastructure, before a decision is taken. If release is not possible in the time available then the Government must publish a full account of the facts and figures on which it has based its decision, to allow the proper degree of scrutiny and accountability to take place. (Paragraph 42)
- (xii) In answer to the question as to whether 2012 was London’s only chance to host the Olympics for the foreseeable future, possibly ever, the Secretary of State said “... you are not categorically right in what you say, but there are certainly judgments that would support your view.” We took this as a “yes”. (Paragraph 43)
- (xiii) If we are right in interpreting the evidence of the Secretary of State to mean that 2012 is indeed the last chance to host the Olympic Games in this country, the decision to be made by the Cabinet next week is of fundamental importance. We therefore urge the Government to take full and careful account of the issues set out in this Report. (Paragraph 44)

II INTRODUCTION

The inquiry

2. We decided on 17 December 2002 to hold a short inquiry into the Government's decision-making process on whether to support a London bid for the 2012 Olympic Games. Over 14 and 15 January we took oral evidence from: Mr Mark Bostock, Project Director, Mr Sam Higginson, Project Manager, and Mr Nick Banks, Senior Consultant, *Arup*; four London boroughs, Mr Max Caller, Chief Executive of *Hackney*, Mr Simon White, Chief Executive of *Waltham Forest*, Mr Norman Turner, Director of Culture and Leisure, *Newham* and Mr Ray Gerlach, Corporate Director of Customer Services, *Tower Hamlets*; Mr Craig Reddie, member of the *International Olympic Committee* (IOC); Mr Reddie also appeared subsequently in his separate role as Chairman of the *British Olympic Association* (BOA), accompanied by Mr Simon Clegg, Chief Executive, Sir Steven Redgrave, Vice-President, and Mr David Luckes, London Olympic Bid Co-ordinator; Rt Hon Tessa Jowell MP, Secretary of State for Culture, Media and Sport, Rt Hon Richard Caborn MP, Minister for Sport and Mr Robert Raine, Head of Commonwealth Games Division, *Department for Culture, Media and Sport*; Mr Richard Sumray, the Mayor's representative on the 2012 Olympic Bid Stakeholders Group, *Greater London Authority* (GLA), Mr Tony Winterbottom, Director of Strategy Implementation and Project Development and Mr Michael Ward, Chief Executive, *London Development Agency* (LDA), Mr Jay Walder, Managing Director, Finance and Planning and Mr Barry Broe, Director of Strategic Planning, *Transport for London*; Sir Rodney Walker, Chairman, and Mr John Scott, Director of International Relations and Major Events, *UK Sport* and Mr Roger Draper, Acting Chief Executive, and Mr Ian Fytche, Director of Strategy, *Sport England*.¹

3. We were grateful to our witnesses, and those who submitted written memoranda, for their efforts at relatively short notice.² We sought evidence from the Organising Committee of the Athens 2004 Games but unfortunately this could not be arranged within the time available.

4. To achieve expeditious publication of our conclusions, all the written evidence we received—apart from that submitted in confidence—is published together at the back of this volume after the oral evidence. The transcripts of the oral evidence have been available on the Parliamentary website since 16 January.³

The Olympic Movement and the Olympic and Paralympic Games

5. The Olympic Movement brings together all those who agree to be guided by the Olympic Charter and who recognise the authority of the International Olympic Committee (IOC): the international federations of Olympic sports; the national Olympic committees and associations; ad hoc organising committees (such as Athens 2004); athletes and other sports men and women; judges, umpires and referees; associations and clubs; as well as other partner organisations and institutions recognised by the IOC. The IOC itself, established in 1894, is an international, independent, non-governmental, non-profit making organisation owning all rights to the Olympic symbols, flag, motto, anthem and Olympic Games. Its main responsibility is oversight of the organisation of summer and winter Games, a process which includes selection of the host city. By agreement between the IOC and the International Paralympic Committee (IPC), the Olympic and Paralympic competitions are hosted each Olympiad by the same city.

¹ See Ev 1-50

² See Ev 51ff

³ <http://www.publications.parliament.uk/pa/cm/cmcmds.htm>

6. The modern Olympic and Paralympic Games are one of the largest regular international gatherings of any kind in the world, let alone the sporting world. For athletes, and for host cities, it is sport's richest prize. It is also the most expensive.

Host city, date and cost — £m 2002 prices ⁴					
Munich	1972	1,430	Atlanta	1996	1,481
Montreal	1976	2,436	Sydney	2000	2,534
Moscow	1980	2,622	<i>Athens</i>	<i>2004</i>	<i>3,937</i>
LA	1984	567	<i>Beijing</i>	<i>2008</i>	<i>9,775</i>
Seoul	1988	3,746			
Barcelona	1992	8,057	<i>London</i>	<i>2012</i>	<i>2,614⁵</i>

The Games together involve about 15,000 athletes and an almost equal number of coaches, officials and members of the 'Olympic family'. Twenty thousand media representatives, 7,000 thousand sponsors and, of course, the equivalent of nearly 500,000 spectators a day are also likely to attend.⁶ In the background about 60,000 operational personnel will be working to keep everything running smoothly. This event is awarded, seven years in advance, by the IOC to the Candidate City which puts forward what the 126 active IOC members vote to be the best bid against a range of criteria.

⁴ The comparisons are approximate. Some cities have incorporated infrastructure costs in their Olympic expenditure and others have not. For Barcelona and Beijing (planned) the figures include substantial associated development and redevelopment across the cities concerned. Exchange rates and purchasing price parity issues also apply—at London prices the Sydney Games would have cost about £3,248 million. See Ev 53.

⁵ This is the Arup baseline forecast (using Mills Mead village and athletics stadium legacy options and without discounting). The latest DCMS estimate for total cost, at 2002 prices, is £3,822 million.

⁶ From London Olympics 2012, Costs and Benefits, Arup, 21 May 2002, published summary, November 2002, p2 - hereafter "The Arup summary".

III BACKGROUND

Development of a London bid for the Olympics

7. The timetable of key events and decisions relating to bidding for the 2012 Olympics is summarised in the table set out below.

Date	Event/action	Comment
Sept 1993	Sydney awarded the 2000 Olympic and Paralympic Games. Manchester fails for a second time, having bid also for the 1996 Games. Third loss for a British bid (Birmingham beaten by Barcelona for 1992).	The Olympics have been held in the UK in London in 1908 and 1948 (when the Stoke Mandeville Games began which grew into the Paralympics).
1995	National Olympic Committee of the BOA (representing 35 sports governing bodies) decided that the next bid would be from London.	A review of IOC members in 1994 indicated London as the only British city able to attract enough votes to win a bid.
1997	Manifesto commitment by the Labour Party to bring the Olympics to the UK. The BOA decided to focus on 2012 as the next possible date for a bid.	BOA felt that a European host for 2004 and a strong Beijing candidacy did not augur well for the UK in 2008.
1997 – 2000	<p>Feasibility study of a London Olympic bid conducted by the BOA and London International Sport: village, transport, facilities and sustainability examined.</p> <p>Largely in parallel, proposals for a new national stadium at Wembley emerge and develop. Progress of the design and financial arrangements, including a £120 million Lottery grant, was and remains the subject of controversy.</p>	<p>Report delayed by withdrawal of athletics in 1999 from proposals for a new Wembley national stadium.</p> <p>Originally designed for dual use (field sports and athletics). The Funding Agreement includes obligations for the stadium to be available for major athletics events including the Olympics.</p>
1999	The IOC responded to allegations of corruption with an inquiry by a special IOC Commission. The Commission recommended reform and punishment of offenders: there were four resignations, six expulsions and ten official warnings. Reform centred on the bid process, transparency of financial matters and changes to the constitution of the IOC: 115 members (under the age of 70)—15 active Olympic athletes elected by their peers, 15 from the national Olympic committees, 15 from international sports federations and 70 individual members.	<p>Other particular measures included:</p> <ul style="list-style-type: none"> – abolition of visits by IOC members to Candidate Cities; – a reduced term of office for IOC president; – establishment of an IOC Ethics Commission; – publication of reports on sources and use of the Olympic Movement's income; – IOC Session opened to the media for the first time.
15 Dec 2000	Confidential report submitted to the Government by the BOA on options for a London Olympics.	East and West London options were assessed (but not an East/West village/stadium mix).
Feb – May 2001	Presentations of the BOA report to a range of stakeholders and other parties.	These include, in March, one to the new Mayor of London.
Nov 2001	Confidential report by surveyors Insignia Richard Ellis to a "Stakeholders Group" (Government, GLA/LDA and BOA) on land availability for a London Olympics.	The report identified 4 main sites all in East London (on the basis of IOC criteria and study of previous Olympic bids).

Date	Event/action	Comment
Jan 2002	Arup commissioned by the Stakeholders Group to estimate the costs and benefits of a London Olympic and Paralympic Games in 2012. The Government began its analysis.	Arup was asked to assess the implications of a Games staged in the Lower Lee Valley, East London.
May 2002	Submission of Arup's conclusions to the Stakeholders Group	—
May 2002 – Jan 2003	<p>Government seeks to clarify its position, assessing:</p> <ul style="list-style-type: none"> – the costs and revenues identified by Arup as a basis for long-term public expenditure planning (involving a critical appraisal of risks and contingencies, a probability analysis, and benchmarking against the Sydney 2000 Games); – the possible diversion of funds from other schemes and projects; – the most effective delivery vehicle for the Games (including the role for Government); – transport arrangements based on existing infrastructure and traffic management (and costings where possible); – the potential for a football club to take on the new main stadium; – legacies in former Olympic host cities; – potential legacies in the UK for elite and grassroots sport; – the impact of the Games on the current Thames Gateway Regeneration plan for the Stratford area; – the economic impact for the UK of staging the Games; – the likelihood of London winning the bid; and – public opinion 	
Sept 2002	Submission of “winnability” study by UK Sport to Government.	Government's other key tests are: cost, delivery and legacy.
26 Sept 2002	Wembley National Stadium project achieved financial close and work commenced to clear the site for construction.	Original multi-sport design, and contractual obligations regarding athletics, remain in place.
1 Nov 2002	Publication of Arup study summary	Limited detailed information.
28 Nov 2002	Interim report to IOC Session from its Olympic Games Study Commission (remit: the means by which the costs, complexity and size of the Games can be controlled).	The report recommended amending the Olympic Charter to emphasise the importance of the Games legacy in host cities.

Transparency

8. Both the Secretary of State and the Minister for Sport suggested that the Government had followed the Committee's process as recommended in previous Reports.⁷ We do not altogether agree. A key factor in the recommendations of the previous Committee was the timely publication of the relevant material for the purposes of clarity in public debate. The previous Committee recommended that, in advance of any decision to bid for a London Olympic Games, the Government should:

- seek and publish the views of Sport England and UK Sport on the BOA's Olympic Games feasibility study of December 2000;
- set out its overall rationale, the objectives of staging the Games and the strategy to ensure enduring economic, social and regenerative benefits;

⁷ QQ 162 and 152

- publicise its views on where in London an Olympic bid should be concentrated and be explicit about how to preserve the opportunity to use the identified sites, while not jeopardising regenerative development there;
- publish an assessment of the facilities for a London Olympics, specifying for each facility the likely sources of funding;
- set out its proposals for a main stadium including specifics about the site, funding arrangements for both stadium and surrounding infrastructure, proposed design concept and long-term use and viability;
- publish an assessment of the transport and wider infrastructure changes required, clearly distinguishing between investment that would be justified on other grounds and costs specific to the Games; and
- commission and publish independent analysis of the likely total cost of a London Olympic Games, accompanied by a statement from the Government about the extent of the Exchequer commitment both to meet these costs and to underwrite the Games.⁸

9. At the time the Government welcomed the Committee's views on what should inform the decision on whether to bid for the Olympics as helpful and timely. It noted the Committee's decision not to make definitive recommendations at that stage and appreciated the range of relevant issues identified. The Government stated that it would "assess the viability of any BOA bid before giving support and ... work closely with the Government Office for London, the Mayor of London, the GLA, and the BOA" in doing so.⁹ **So far the process followed by Government has produced in public no more than an anaemic 12 page summary of a 250 page document containing only impenetrable, estimated, aggregate costs. We were grateful to receive confidential copies of the full report containing financial estimates for a "specimen" Games. However, this was of limited use for the purposes of accountability and none whatsoever with regard to public debate.** At our request the Department submitted, for publication, a supplementary memorandum on its own further analysis of Arup's high level cost estimates (and this material is discussed below).¹⁰

⁸ Third Report, 2000-01, *Staging International Sporting Events*, HC 286, see pages xlixff

⁹ Government Response to the Third Report from the Committee, Session 2000-2001, Cm 5288

¹⁰ See Ev 60ff and, below, paragraph 20

The timetable to 2012

10. The timetable of IOC deadlines, planned developments in London and other relevant events from now, in 2003, until 2012 is set out below (entries relating to the IOC schedule for the 2012 bidding process are in *italics*).

Date	Action/event
30 January 2003	Cabinet deadline for a Government decision on whether to support a bid. If Government decides to back a bid, work will need to start immediately to meet the November 2004 deadline for submission of the required file.
<i>May 2003</i>	<i>Invitation to National Olympic Committees to nominate Applicant Cities.</i>
<i>15 July 2003</i>	<i>Deadline for nomination of Applicant Cities.</i>
<i>15 January 2004</i>	<i>Deadline for submission of response to Applicant Questionnaire (end of phase one process).</i>
<i>May/June 2004</i>	<i>Selection of Candidate Cities by the IOC Executive Board (start of phase two process).</i>
13-29 August 2004	Athens Olympic & Paralympic Games.
<i>15 November 2004</i>	<i>Deadline for submission of full bid (Candidate File).</i>
<i>February-March 2005</i>	<i>IOC Evaluation Commission visits Candidate Cities.</i>
<i>May 2005</i>	<i>Evaluation Commission report to IOC.</i>
<i>July 2005</i>	<i>Election of Host City for 2012 by IOC.</i>
5-14 August 2005	World Athletics Championships, Paris.
2006	(i) Planned opening of Wembley National Stadium. (ii) Central Line upgrade to deliver increased peak services. (iii) Possible date for completion of upgrade to Stratford regional station (subject to availability of funds).
11 June 2006	Last possible sitting day, under statute, of the 2001 Parliament.
2007	Planned date completion of the Channel Tunnel Rail Link, St Pancras to Stratford International.
25 July -10 August 2008	Beijing Olympic & Paralympic Games.
2008	Planned date for completion of the extension of the DLR to Stratford (subject to availability of funds).
2009	Planned date for completion of the Jubilee Line upgrade (including replacement of the signalling system) leading to 45 per cent increase in capacity.
May 2012	Planned date for commencement of Crossrail Line 1 train service assuming a November 2003 start to the programme (Line 2 planned to be operational in 2014).
August 2012	Summer Olympic & Paralympic Games of the XXX Olympiad.

IV BIDDING FOR THE OLYMPICS

The benefits of hosting the Games

11. The potential for significant benefits to flow from hosting the Olympic and Paralympic Games was the subject of much of our evidence. Sir Steven Redgrave, Vice-President of the BOA, and Olympic gold medallist said “it is not just the legacy that is left from the material things that the Games will deliver ... If we deliver a successful Games then people will be interested in being involved in those sports.”¹¹ The British Paralympic Association wrote that “a London bid will enhance the growing reputation of Great Britain’s elite disabled athletes and firmly demonstrate HM Government’s commitment to their sporting success. The present administration’s current commitment to sport and the legacy it leaves through social inclusion, health, education and facilities can have few clearer illustrations than in supporting a Paralympic Games in London. The benefits that would accrue to Great Britain’s disabled people through the demonstration of national commitment to their sports would be immense and tangible.”¹²

12. The BOA’s evidence sets out a great number of areas that would benefit from staging an Olympic Games: a feel good factor across the nation as a whole; increased elite sporting performance, grassroots participation and facilities; the reduction of youth crime; the promotion of education¹³; a new culture of volunteerism; social inclusion; regeneration in the form of new housing and better transport infrastructure; employment (with about 9,000 new jobs, of which 3,000 would be in the local economy); tourism and the convention industry; UK investment and exports; and all British cities through the preparation and training camps for overseas teams as well as the football and sailing competitions.¹⁴

13. Representatives from the London boroughs of Hackney, Newham, Tower Hamlets and Waltham Forest made a variety of points on the impact of the Games. Mr Max Caller, Chief Executive of Hackney, and Mr Simon White, Chief Executive of Waltham Forest, argued that the pressure and profile of the Olympic Games could act as a catalyst for action on moribund regeneration plans, especially transport infrastructure, where issues “keep turning up and they keep on never getting a decision.”¹⁵ Mr Norman Turner, Director of Culture and Community at Newham, pointed to an array of positive social and health gains that might be extracted and sustained from the culture clash between 11,000 of the world’s best athletes performing in areas with some of the country’s worst rates of mortality and coronary heart disease.¹⁶ Mr Ray Gerlach, Corporate Director of Customer Services at Tower Hamlets, also referred to the opportunity to celebrate the cultural diversity of the borough as well as to shift the centre of gravity in London a little “so that the East End did not just see this as a one-off ... and then disappear; we are looking beyond the Games”.¹⁷

¹¹ Q 92

¹² Ev 74

¹³ See also Mr Duncan Goodhew’s evidence on the positive impact of exercise on children’s cognitive performance, Q 80, HC 418, 2001-02.

¹⁴ Ev 67-68, paragraphs 24ff

¹⁵ Q 37

¹⁶ Q 35

¹⁷ QQ 35, 40 and 41

14. We received three memoranda from local community groups which disagreed with the concerted local authority stance. The Southern Lea Valley Federation and the Hackney Environment Forum and the New Lammas Lands Defence Committee argued vigorously against siting the Olympics in the Lee Valley as they regarded the area, not just as ‘derelict land needing restoration’, but rather a ‘tranquil and precious green lung’ close to central London.¹⁸ The importance of consultation with, and involvement of, the local community in a project of this nature should not be under-estimated no matter how enthusiastic are the relevant local authorities. Experience in Manchester with regard to the Commonwealth Games bears this out.

15. We would disagree with very little that we heard or read in regard to the potential for benefits from hosting the Olympic and Paralympic Games. Indeed our predecessor Committee concluded in 1998 that “International sporting events can bring considerable gains to a nation. They can promote economic and social development and bring a ‘feel good factor’ to the host country. There is no doubt that seeking to stage events is worthwhile. Indeed, this country cannot afford not to attract and stage international sporting events.”¹⁹ The fact remains that a substantial amount of these benefits will rest on public expenditure on an extremely large scale.

Preparing to bid

The Government’s approach to costs

16. The Government’s approach appears to be twofold: seeking to pin down costs and reduce the range of uncertainty on estimates to a minimum; and making a judgement about the affordability of the identified spend, and the implications of its under-writing of the project risks in relation to its other priorities for sport and other policy areas. This attitude seems entirely appropriate for this stage of the project. So long as Ministers can manage a racing gear-change to full-on enthusiasm and commitment in the event of support for a bid being agreed in Cabinet, the Government can—and indeed must—be as hard-nosed and sharp-eyed in crawling over the estimated figures as it likes. However, we can say little about the Government’s actual performance and implementation of this approach at this stage because of the lack of transparency over the detail, as we have discussed above.

17. We believe there to be three key questions that the Government needs to answer before being able to commit itself to a bid (and any such commitment will be all the better, easier and the more convincing to the IOC for this work having been done), namely:

- **that the costs and risks are understood as far as is possible at this distance from the event, can be afforded, and are justified in comparison with other sporting and wider spending demands on Government;**
- **that the challenges and implications of delivering the necessary facilities and infrastructure developments on time are understood and catered for; and**
- **that any infrastructure legacies created will be free from on-going, possibly open-ended, subsidy necessary from the public sector.**

¹⁸ See Ev 105, 106 and 107

¹⁹ Fourth Report, 1998-99, *Staging International Sporting Events*, HC 124, paragraph 47

18. The bedrock for the Government's analysis is the assessment of the costs and benefits of a London Olympics in East London undertaken by Arup between January and May 2002. Arup developed a "specimen" Games and undertook an estimate of the costs and revenues based on the information available. We were concerned by the term "specimen" with its hypothetical overtones. In fact the "specimen" identified by Arup is the culmination of all the relevant feasibility work going back to 1997; a "prototype" London Games might capture the meaning better. Mr Richard Sumray, representing the GLA, told us "the specimen proposal is not going to be exactly what the end result is, and, in fact, if you look at the history of bids, the end result is never quite what is even bid for. It is pretty well there or thereabouts and we believe that what Arup has come up with is actually sustainable and robust."²⁰ Of course the Mayor of London's department is so far committed to providing, at most, a tiny fraction of projected expenditure. Arup themselves were confident that the financial profile of the Games presented in their report could be improved upon in development²¹; but how late in the process that might be is not clear.

19. Arup describes its appraisal as a hybrid between a cash flow business plan and a conventional cost benefit analysis. Arup calculated "attributable costs and incomes for bidding, preparing and staging the Games, made provision for risk, and estimated the residual value of assets created", generating a total direct cash flow for a prospective organising committee and the public sector agencies involved.²² Arup said that the resulting deficit must then be justified by additional benefits, both quantified and unquantified.²³ The Arup figures, including some quantifiable additional benefits are set out below.²⁴

<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

²⁰ Q 166

²¹ Q 9

²² The Arup summary, p4

²³ The Arup summary, pp4 and 11

²⁴ Drawn from the Arup summary, pp5 and 6

20. The Government described the Arup conclusions as “a good baseline” and said that it had re-examined them as a basis for long-term public expenditure planning using three techniques: critical appraisal of risk and contingency; probability analysis; and benchmarking.²⁵ Adding the effect of inflation to produce outturn figures increased the figure for the cost of the Games by £1,762 million from Arup’s total of £1,796 million to £3,558 million (and of course did the same for revenues: from Arup’s £1,302 million to £2,450 million). Critical appraisal by the Department turned up a number of additional items and risks, adding a further £1,116 million to estimated costs and reducing estimated revenues by £400 million. The resulting total outturn cost was £4,674 million²⁶ with public subsidy set at £2,624 million by the DCMS. The table below sets out the changes in more detail.

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

²⁵ Ev 51 and Ev 60

²⁶ This estimate would be £3,822 million if turned back into 2002 prices

²⁷ Ev 60-1

21. Arup disagreed with some of the Department's further work²⁸ but overall Arup emphasises that a full appraisal of the project must include an assessment of wider benefits as these will always be the deciding factor given the inevitability of a significant funding deficit.²⁹ Arup said that the potential public subsidy must be considered in the context of quantifiable benefits but also the range of non-quantifiable benefits which were identified in its report but not incorporated into its figures. Of course, "quantifiable" expenditure will turn out to be a precise sum. Wider benefits, even those described as quantifiable, are far less precise and much more subjective.

22. Despite this work on critical appraisal and the resulting estimate for total public subsidy of £2,264 million, the probability analysis undertaken led the Department to indicate, later in the same memorandum, that "the key figure is the assessment of a 90 per cent probability that the public subsidy would be no more than £2.1 billion".³⁰ We realise that very different appraisal techniques are being used to assess the project but we find the Department's apparent inconsistency peculiar.

23. The Secretary of State emphasised in oral evidence the risks involved in budgeting for the Games with reference to the experience of Sydney and Athens. She said that both had found their outturn to be about double their estimated costs.³¹ We asked the DCMS what work had been undertaken to assess and avoid the failures of Sydney and Athens in predicting costs. The DCMS reported the New South Wales Auditor General's opinion that the assumptions within the Sydney bid were "superficial", with the work undertaken being primarily aimed at winning the competition to host the Games. We were amazed to see that Sydney's budget had excluded capital costs for facilities, infrastructure and security as well as post-Games costs such as redundancy payments and indirect costs. The estimated public sector contribution to the Sydney Games turned out to be about six times greater than the figure in its original bid. Similarly, Athens undertook no detailed cost benefit analysis for the 2004 bid but worked off the baseline provided by the figures for its unsuccessful 1996 bid.³²

24. The Commonwealth Games in Kuala Lumpur, and the Sydney Olympic and Paralympic Games were said to have "raised the bar" for Manchester in 2002, which contributed to its budgeting difficulties. We were concerned lest there were any potential for a similar effect before 2012. The DCMS told us that the technical specifications for the Olympics were far more tightly defined than was the case for the Commonwealth Games and that a Beijing Olympics was likely to be very different in style to any London Games and thus unlikely to bear direct comparison.³³

25. We hope to have explained the apparently ludicrous range for the estimated total costs of the Games, often quoted erroneously in the media, as anywhere between £1.8 billion (2002 net present values) up to £5 billion (2012 outturn costs plus the maximum risk provision). We do not criticise the Government for taking a cautious attitude to risk. The perceptions of the project in the media will be critical to its progress (despite vigorous campaigns to secure a positive outcome to this first stage in some quarters). An estimate, for example, of £2 billion where outturn soon looks like £3 billion, has the potential to inhibit progress, winnability and success in a way that an estimate of £5 billion, and a likely outcome of £4 billion, would not—despite the balance of absolute expenditure. **We are confident that the Government has undertaken more and better appraisal than previous bidders in order to tackle the vagaries of estimating the costs for a huge and**

²⁸ Memorandum submitted by Arup, Ev 64

²⁹ The Arup summary, pp4 and 11

³⁰ Ev 61, table 1, and Ev 62

³¹ Q 128

³² Ev 62-3

³³ Ev 63

complicated project nine and a half years away from the final delivery date. We trust that the IOC will take note of the implications of all this effort in any future judgements it may make on a London bid. Crucially, we expect the Government to finalise, and reconcile, the various strands of its appraisal work and to be able to set out clearly and in detail what its conclusions are, their bases, and how they influenced its decision on whether to bid or not.

Legacy

26. The heart of a modern Olympic bid appears to be the binary development of the main stadium and Olympic Village and their inter-relationship. UK Sport was adamant that a bid that did not contain a compact stadium and single village concept was doomed to fail, as it did not reflect the Olympic ideal of 'bringing the world together'.³⁴ Sir Steven Redgrave told us that coming together to live and compete in, more or less, a single location was what distinguished, for athletes, the Olympics from a series of world championships held in rough proximity.³⁵ Both John Scott from UK Sport and Sir Steven also referred to the practical, and ever more important, issue of maintaining a high level of security; something that is obviously easier with fewer perimeters.³⁶

27. The Arup report contains no provision for village development as it is assumed that the construction would be undertaken by others for the legacy on a commercial basis and that therefore only the land cost/value is attributable to the Olympic budget.³⁷ We have no evidence that this proposal has been researched or market-tested beyond looking at what other Olympic hosts have done. Confidence over delivery of the village development in this form cannot therefore be assumed.

28. An East London Olympic bid needs an 80,000 seat athletics stadium but East London itself does not. The Government gave us evidence of the difficulties faced by a number of former hosts of the Games in relation to their legacy stadia.³⁸ We were concerned about the role of a new Wembley national stadium whose capability of hosting athletics, including the Olympics, was one very controversial strand in a web of dispute and contention during that project's development. The evolution of both projects, Wembley and an Olympic bid, is set out in supplementary memoranda from Sport England and from the BOA, reflecting their respective interests and priorities.³⁹ From these it is clear that there was, to say the least of it, some shortfall in strategic thinking across the two projects. **London might well end up with a stadium at Wembley, specifically built with the capability to host the Olympics without legacy issues, and another in East London, actually built to host the Games, with an uncertain future. If this duplication were in fact to occur much of the responsibility would lie with the sporting bodies and agencies whose discussions with each other, and with Government, have led to this confusion.**

29. It was unclear from the evidence we received whether the timetable for design and construction of an Olympic stadium in East London would fit with the timetable for decision on the bid set by the IOC. It is essential that the Government assure itself as to these schedules in order to avoid being left with significant work done in relation to a stadium for which it has no use.

³⁴ QQ 203 and 205

³⁵ Q 103

³⁶ QQ 103, 203 and 205

³⁷ The Arup summary, p5

³⁸ Q 147

³⁹ Ev 69ff (BOA) and Ev 88-9 (Sport England)

30. **The most serious and creative thought needs to be given to the long-term future of an East London stadium before a single word of the design brief is written. All options should be considered, from temporary construction and subsequent demolition, to a full range of alternative uses after the Games. Such uses could include sporting, retail, leisure or residential adaptation (and any combination thereof). We recognise, therefore, that there could be a creative legacy option developed in due course. However, we recommend that, for the purposes of the bottom line of the bid, the Olympic stadium be costed on the basis of construction and demolition.**

31. **First, however, the Government must satisfy itself that the fundamental proposals for a privately developed village and construction of any kind of stadium are in principle realisable and deliverable between 2005 and 2012.**

Choices and opportunity costs

32. Clearly, the point of the financial and economic scrutiny was to assess the scope of the guarantee that the Government would have to give and the risks that all or some of this guarantee would be called upon. The Secretary of State told us that “we have to accept that at the end of the day the provider of last resort is the taxpayer and that is why we are looking at this...as being potentially a major public expenditure commitment that would have to be set alongside the commitment to building new hospitals, new schools and so forth, all the priorities that our Government was elected to deliver.”⁴⁰ Tessa Jowell pointed to the opinion polling which showed the Olympics to have a higher priority amongst the general public than reducing taxes but came below schools, hospitals and pensions.⁴¹ She said “if we decide to bid...we have decided because, in full understanding of the consequences, this is such a great thing for Britain; and if we do not bid it will be because we have decided after rigorous examination that the costs are just too great and other very precious priorities, not just of the Government but of people up and down the country, would have to suffer if we were to do this.”⁴²

33. Another choice was whether to pursue regeneration in East London, in part at least, by way of an Olympic Games. Tessa Jowell told us that the cost of directly delivering the estimated regenerative benefits of a Lee Valley Olympics, without actually bidding for and staging the Games, was estimated at £300 million.⁴³ The Secretary of State made the point that Barcelona and Beijing had been clear that they were going to use the Olympics to drive the regeneration (with commensurately higher ‘Games’ costs). She contrasted this with the position of East London where there was a plan and regeneration was going to take place “anyway”.⁴⁴ As we have set out above, this is not the perception of the borough officers, who told us that a catalyst or accelerator was necessary: “for this bid to succeed, the day Government says, ‘yes, we want to do it’, is the day they have got to go forward on the transport infrastructure, or it will not be built.”⁴⁵

Organisation and the role of Government

34. For the effective delivery of a bid for, and the staging of, the Olympic Games, the management, decision-making and administrative mechanisms have to be absolutely right. The strategy and objectives have to be clear, as does the allocation of responsibilities. We do not believe that the Government can adopt a hands-off or arms-length approach. We were encouraged to hear from the Secretary of State that “If we decide we are going to go for it we will go hell-for-leather to win and all the commitment of Government will be

⁴⁰ Q 142

⁴¹ Q 148

⁴² QQ 142, 148

⁴³ Q 127, but see Q 185

⁴⁴ Q 131

⁴⁵ Q 37

deployed”.⁴⁶ The DCMS submission said: “Work on the structure of the organisation required for both the bid and staging is being undertaken. This will examine, amongst other things, whether the organisation should be run centrally by the Government, should be at arm’s length from Government or should be set up according to another model”.⁴⁷

35. We cannot insist strongly enough that, whatever new agencies are established, leading unequivocally from the centre should be a Minister, located in the Cabinet Office or even No. 10, and with an explicit cross-governmental remit and the power and personality to make things happen. This should be established from day one, 31 January 2003, and should include arrangements for liaison between that Minister and the Prime Minister as a matter of course. The leadership issue cannot be allowed to languish for one minute if a positive decision has been taken.

Transport

36. A key challenge of the Games is transport: within the Olympic zone; throughout the city; and the links with terminals for inbound overseas visitors. Getting everyone to the venues, between venues and away again in the context of a congested and busy city like London should not be under-estimated. The East London site was selected because of the conjunction of empty land and existing and planned transport infrastructure. Mr Jay Walder, of Transport for London, told us that the “site that has been selected benefits from four tube lines, two national rail lines and the Docklands Light Railway. That is a very, very significant transport capacity.”⁴⁸ On transport, Arup said that London could cope with the 125,000 extra ‘Games’ commuters, even without Crossrail, if the network was managed to “an unprecedented degree”.⁴⁹ Mr Walder said “the Olympic Games would add about one per cent to the daily transport flows that we deal with in London, a range that the system has to accommodate on a fairly regular basis. The real issue in terms of transport is...the concentration of activity in a very small area. That will likely necessitate some improvements...nowhere near the complexity of the other items that you have mentioned.”⁵⁰

37. We were concerned with conflicting views of the timescale for progress with Crossrail and its inter-relationship with staging the Olympics. There were so many versions of the place of Crossrail in providing communication to an East London Olympic venue that it is impossible to know which to believe. The Arup study looked at the Games both with and without Crossrail concluding that the link could not be relied upon.⁵¹ In November 2002 the Mayor of London stated that “without Crossrail you would [not] want to run the risk of trying to move everybody around the city [for the Olympics]”.⁵² On 14 January he was quoted in the press as stating: “I am more confident than I have ever been that within a few months we will have the go-ahead for the development of Crossrail”.⁵³ However, Crossrail itself does not expect to have prepared the *application* for statutory consent for Crossrail line 1 before November 2003; although it hopes that this is the start of a programme and timetable that will lead to completion of construction in 2011 (subject to obtaining powers, finance and procurement). On this schedule the Line 1 train service itself would be in place by May 2012, *i.e.* in time for the Games.⁵⁴ On the other hand Transport for London have ruled Crossrail out from their assessment of available transit

⁴⁶ Q 139

⁴⁷ Ev 52, paragraph 15

⁴⁸ Q 170

⁴⁹ The Arup summary, p5

⁵⁰ Q 169

⁵¹ The Arup summary and Q 3

⁵² London’s Bid for the 2012 Olympic Games, London Assembly’s Culture, Sport and Tourism Committee, January 2003, paragraph 4.4, quoting the Mayor’s Advisory Cabinet, 12 November 2002.

⁵³ The Evening Standard, 14 January 2003

⁵⁴ Ev 80

links for a Games in 2012 and this view was endorsed by the Secretary of State.⁵⁵ We wonder which, if any, of these views is accurate?

38. With regard to the overall transport situation, the Secretary of State agreed with the thrust of both the Arup report and of Transport for London's evidence. She stated that the Government's position was that "transport is not an obstacle to a bid, and I think it is very important to be clear about that."⁵⁶ We are not convinced that this would be the view of many regular users of London's public transport networks or congested roads. It does not seem to have been the view, two days earlier, of the Minister for Sport, Rt Hon Richard Caborn MP, who was reported by UK Sport to have said "on the transportation, it's a major factor moving people around. We've been looking at a number of cities that have hosted the Olympics and that's the one thing they say to us 'get the transport right'. Everyone knows that there are major problems with moving people around in London, therefore that's got to be a serious consideration."⁵⁷ **The Government must provide clarity on transport issues if announcing a decision to go forward with a bid, namely:**

- **what capital projects are required for, or before, 2012;**
- **what investment will be required in measures to improve levels of service;**
- **the costs involved and the risks of their escalation (always greater when the pace of construction is being dictated by an external deadline);**
- **the risks of non-delivery and related contingency plans and/or resources;**
- **a strategy, in outline at least, for the "unprecedented" management of the London transport network (including demand management) recommended to cope with Olympic transport needs; and**
- **any apportionment of these costs, or elements of them, to the Olympic balance sheet.**

⁵⁵ See Q 169

⁵⁶ Q 133

⁵⁷ UK Sport Newsletter, 14 January 2003

V CONCLUSION

39. Great Britain is a fully signed up member of the Olympic movement and London has hosted the Games on two previous occasions in 1908 and 1948. London is a “world” city in every sense.⁵⁸ It is the wealthiest city in Europe, the most culturally diverse in the world, as well as the most popular destination in terms of inbound visitors.⁵⁹ We are a sporting nation and both our athletes and armchair enthusiasts deserve the practical advantage and sheer euphoria that an Olympics on home soil would entail. The potential boost from a successful Games—well-hosted and with a goodly haul of medals—to civic and national pride, prestige and well-being, to a more active lifestyle throughout the nation and, arguably, to the wider economy was the subject of much of the evidence submitted to us. Partly in recognition of these factors, and partly to demonstrate them, **it is clearly desirable in principle that London should host an Olympic and Paralympic Games. But it should not do so at any price.**

40. The question is whether a bid for the Games in 2012 can go ahead on 30 January 2003. Those submitting evidence to us were almost unanimous that it should; a recent report from the London Assembly’s Culture, Sport and Tourism Committee also gave it the thumbs up;⁶⁰ and public support for the proposal, according to DCMS research, is extremely strong, at between 73 and 81 per cent across the UK.⁶¹ However, hosting the Olympics, the most ‘mega’ of mega-events, is a challenge and involves a substantial commitment of funding, attention and energy over an extended period and, crucially, the whole-hearted backing and financial under-writing of it all by the Government.⁶² The bulk of these resources, and of course the overall guarantee, will be from taxpayers’ money for which the Government is accountable to Parliament and this Committee. Nine and a half years out we could not, and do not, expect the bill to be calculable down to the last penny with delivery of each facility signed off, but **the Government must assure itself, before deciding to support a bid, that it understands what it is committing itself, London and the country as whole, to spend and to deliver.**

41. It is our role to scrutinize the uses to which public money has been, and will be, put and to examine closely the basis on which decisions are to be made. As we have discussed above, it has been a peculiar feature of this inquiry that almost all the significant information is under wraps—contrary to the firm recommendations of our predecessor Committee. This seems to have been because of a perceived need to protect normal market conditions over prospective sites, the integrity of any eventual tender processes and, uniquely, details that may be useful to competing cities in rubbishing a London bid. We have acquiesced to the confidentiality of a number of relevant documents provided to us. As often is the case, public discussion has been clouded, rather than informed, by partial disclosure of some details and figures in the media (with consequent partial rebuttals from stakeholders). We do not blame the press for this but rather the absence of authoritative documentation on which to base open debate.

42. This Report therefore identifies the questions that we believe must be asked and answered by the Government before it can decide that the country and its taxpayers will seek to put on the greatest sporting show on earth—writing effectively a blank cheque. **The Government could have been much more transparent in this process, reflecting the recommendations of our predecessor Committee. The Arup summary published, for what it was worth, was an abridgement too far. The Government should publish**

⁵⁸ Ranked, with New York, Tokyo and Paris, as an “Alpha” world city by Loughborough University’s *Globalisation and World Cities Study Group and Network*.

⁵⁹ Barclays Private Clients, 16 May 2002. London First, 9 December 1999. Travel Business Partnership, City Profiles, No. 6, November 2002.

⁶⁰ London’s Bid for the 2012 Olympic Games, London Assembly’s Culture, Sport and Tourism Committee, January 2003

⁶¹ See annex to this report and <http://www.icmresearch.co.uk/reviews/2003/dcms-olympic-bid-dec-02.htm>

⁶² See, for example, Q 139

Arup's work in full, as well as its own subsequent calculations on costs and delivery of facilities and infrastructure, before a decision is taken. If release is not possible in the time available then the Government must publish a full account of the facts and figures on which it has based its decision, to allow the proper degree of scrutiny and accountability to take place.

43. We raised with Ministers the option of deferring a bid to a time later than 2012. Given that London was the only British city likely to be considered seriously by IOC members, and given the limited availability of suitable sites within the M25 and other plans for their use, the question arose as to whether 2012 was London's, and therefore the UK's, only chance to host a Games for the foreseeable future, possibly ever. The Secretary of State said that: "In looking at the balance sheet for and against...the aspirational balance sheet, the actual costs in the balance sheet, the opportunity costs in the balance sheet, the legacy benefits in the balance sheet, that is obviously a factor."⁶³ When asked the question again, Tessa Jowell replied "It is a judgment rather than a fact. The judgment is that it is in East London that you get the synergy between the space required for Olympic development and the planned regeneration, so that is correct, yes. It is also likely that after 2012 if those sites are not used for Olympic facilities they will be developed for other purposes. There is a third element, which again is more art than science, there is a feeling, a belief dependent on decisions like where the 2010 Winter Olympics will be held, that 2012 will be a European Games and after that the IOC will move to another continent. So you are not categorically right in what you say, but there are certainly judgments that would support your view."⁶⁴ **We took this as a "yes".**

44. If we are right in interpreting the evidence of the Secretary of State to mean that 2012 is indeed the last chance to host the Olympic Games in this country, the decision to be made by the Cabinet next week is of fundamental importance. We therefore urge the Government to take full and careful account of the issues set out in this Report.

⁶³ Q 155

⁶⁴ Q 156

ANNEX: THE PRESENTATION OF RESEARCH INTO PUBLIC OPINION BY THE DCMS

The Department's summary of the ICM opinion poll on the merits of the 2012 bid, which appears on the ICM website and which was submitted to this Committee, is inconsistent to say the least. In the summary there were ten findings identified. In eight out of these ten, different strengths of response applied (*i.e.* statements were offered and respondents were invited to agree or disagree, strongly or slightly). Two of these eight findings can be characterised as negative towards a bid for the 2012 Olympics and six as positive. For the two negative findings, the 'strongly' and 'slightly' categories were added up together to give the figure for the summary. In relation to five of the six positive findings, only the figure for 'strong' agreement was given in the summary. In one case, legacy in East London, the figure suggested was just plain wrong. The detail is set out below. We do not believe there to have been any malign intent in these infelicities; especially in view of the free availability of the full survey data on the ICM website and reference to that fact within our memorandum. However, the Department needs to take more care with such matters to avoid the appearance of incompetence or worse. We trust that the Government's conclusions on the other matters on its long list of analyses will be much more carefully and accurately presented and explained.

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