

A Marathon not a Sprint?

Legacy lessons for London

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Executive summary

The London 2012 Summer Olympic and Paralympic Games have been a major success, generating a remarkable buzz and uniting the country behind the Team GB athletes. Now, with the flame moving on and the Olympic Park vacated, the focus switches to the long-term “legacy” benefits of the Olympics for London.

The first step towards a successful legacy has already been achieved: the Games are internationally regarded as a success. This provides a great foundation for Olympic legacy as London can benefit from newly created facilities, urban spaces and raised international profile.

In order to make the most of the economic opportunities that the Games have brought, **London should learn from the legacy successes and failures of previous Olympic host cities.**

Findings from previous Olympic cities reveal that:

- **A consistent legacy vision appears to be a crucial condition for success.** London’s legacy strategy and objectives have changed significantly since the Olympic bid was first prepared. The focus on an economic legacy in London only came to the fore during the downturn, and challenges remain over the growth strategy both for the Olympic Park and for wider East London.
- **Even the most effective host cities have struggled to convert Olympic success into directly linked social benefits.** A high profile legacy aim is to transform East London but direct physical benefits are concentrated within the boundaries of the Olympic Park, and much needed social benefits will require a new focus on employment, education and skills.
- **Making the most of the Olympic Park requires a clear plan.** The Park presents the clearest legacy opportunity from the Games. In the longer term, successful redevelopment of the Olympic Park may have knock-on effects for surrounding areas, but this will require significant, continuing investment and the offer to both residents and business will need to be made clearer if they are to choose East London over other parts of the city.

In order to make legacy aspirations a reality the Greater London Authority, the Olympic boroughs and the London Legacy Development Corporation should learn five lessons from the experience of recent host cities:

- 1. Create a 25 year plan and stick to it.** The Government, the Mayor of London, the London Legacy Development Corporation, and the Olympic Boroughs should redefine and commit to a long-term strategy that ensures the Olympic legacy contributes to the future success of London as a whole.
- 2. Make a long-term commitment to fund the Olympic legacy.** The Government, the Mayor of London and the London Legacy Development Corporation need to ensure they continue to fund and support long-term legacy objectives.
- 3. Develop a clear legacy vision for the Olympic Park.** A major task for the Mayor and the London Legacy Development Corporation is to address questions about how the Olympic Park will attract business and residents.
- 4. Do more to deliver a social legacy for East London.** The Boroughs and the Mayor need to invest over the long-term in the people of East London, targeting education and skills needs to help local people access jobs.
- 5. Learn from success:** The Government should roll out the best Olympic ideas, for example the CompeteFor initiative, which could level the playing field for small and medium sized businesses on government contracts.

Introduction

Now the London 2012 Olympic and Paralympic Games are over, the focus is shifting to the post-Games benefits and the much discussed “legacy” for London and the UK. While the city should look back with pride on what has been achieved to date, it must now recommit to delivering on the long-term legacy objectives of the Games.

It took seven years and over £9 billion of public spending to prepare for and deliver the Olympics. It seems reasonable to expect that such a remarkable concentration of effort and resources will pay off, leading to lasting economic benefits for at least the host city (the benefits for the rest of the UK is a matter for debate beyond this paper). But is this assumption supported by precedents?

The experiences from previous Olympics show that the Summer Olympic Games can, at least in some circumstances, be a catalyst for change in host cities. Barcelona 1992 and Sydney 2000 are the clearest examples of Olympic cities that successfully used the Games as a means to achieve local economic objectives after the Games had ended.

So how far can the experiences of previous Olympic cities help us assess London’s potential Olympic legacy?

By comparing London with the likes of Barcelona or Sydney we can start to gauge the potential of the Olympic Games to: provide a long-term legacy; understand what London can expect; and look at how potential benefits can be delivered.

This report looks at how London’s legacy plans compare to past Olympic host cities; identifies what the Olympics have and have not delivered so far; and investigates the challenges involved in providing major improvements for East London and creating a new role for the Olympic Park.

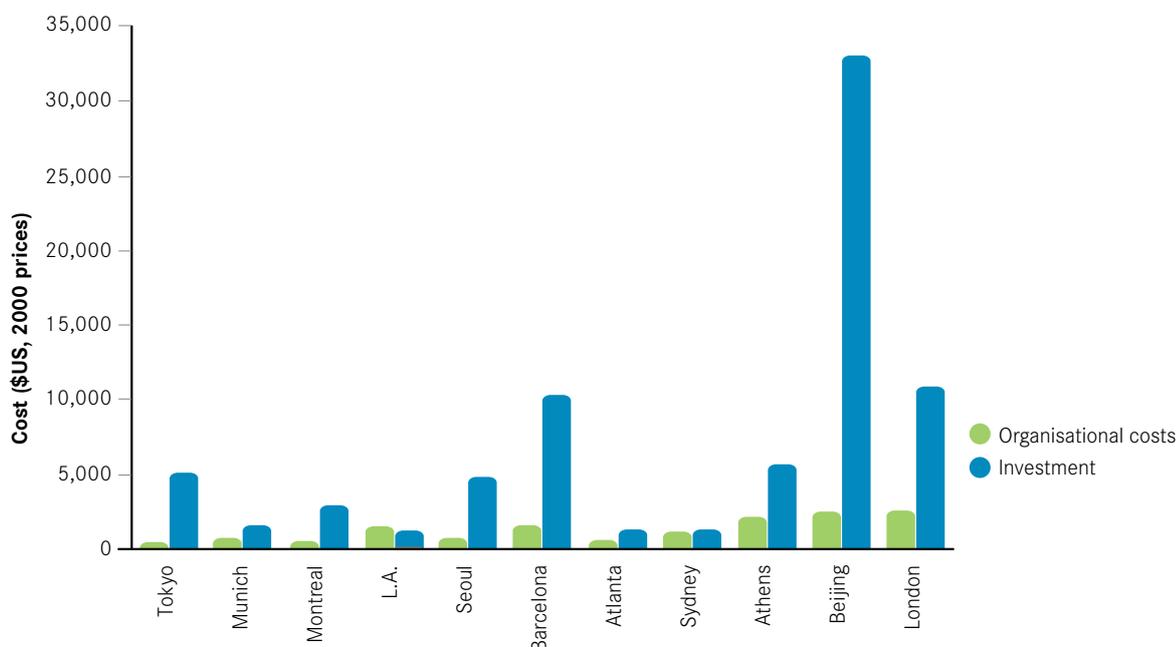
1. How does London compare to previous Olympic Cities?

Cities are willing to wager on the Olympics because, since the success of Barcelona in 1992, a firm belief has taken root that the Summer Olympics can revitalise a city.

In 1984, Los Angeles was the only city willing to host the Olympic Games. Two decades later, Athens had to compete with 11 other cities for the right to stage the 2004 Olympics. Nine cities competed with London for the 2012 Games, including New York, Paris, Madrid and Moscow.¹

Whilst the scale and the global status of the Games have been more or less constant over the last 35 years, the cost of Olympics' on their host cities has differed significantly. While the operational costs of the Games have not varied much, significant differences in the capital investment associated with them (Figure 1) can be used to divide the Olympics of recent decades into three categories:

Figure 1: Olympic Budgets (US dollars, 2000 prices)²



Sources: Brunet F (2005) *The economic Impact of Barcelona Olympic Games 1986-2004*; Russel E (2008) *Connecting the Rings: Beijing's Massive infrastructure investment goes far beyond the Games*; Penney P (2009) *Beijing Olympics: Over Budget but still Profitable*; Olympic Legacy delivery Authority (2012) *The Finishing Straight. The annual report and accounts*; House of Commons Committee of Public Accounts (2008) *The Budget for the London 2012 Olympic and Paralympic Games*.

Low impact Games: Los Angeles 1984 and to a certain extent Atlanta 1996 chose a minimalist approach, using existing sports facilities where possible, putting athletes into student accommodation and limiting infrastructure upgrades. Both Olympics were a commercial success, while Atlanta '96 also delivered valuable improvements to the declining downtown.³

1. See : <http://www.gamesbids.com/english/bids>

2. The methodology used by Brunet in *Economy of the 1992 Barcelona Olympic Games* is adopted for this graph. The total budget of Organisational Committees for particular Games is taken as organisational costs, and no distinction is made between private and public sector costs. The investment costs are taken as public sector spending. In cases when a special organisation was formed to lead the Olympic regeneration and construction, its budget is taken as an estimate. The ODA budget is taken as a proxy for investment-related to London Olympics. Currency conversion rates for the 1st of January of relevant year are used. US CPI index is used for conversion of values over time. No data is available for either Mexico 1968 or Moscow 1980.

3. See <http://clatl.com/gyrobase/atlantas-olympic-legacy/Content?oid=5849123&showFullText=true>

High impact Games: Seoul 1988, Barcelona 1992, Athens 2004 and Beijing 2008 can be classified as high impact Olympics. These cities implemented significant city-wide regeneration programmes, reflected in the size of their respective investment budgets (Figure 1).

Mid impact Games: Sydney falls somewhere between these two groups. The 2000 Sydney Olympics did not include major citywide regeneration projects, but focused on a derelict industrial site on the city fringe. Emphasis was placed on promotion, marketing and networking activities for business.

How does London compare?

Directly comparing the costs and long-term outcomes of the London Games with Olympic cities of the past is difficult because of the greater economic scale of London. London's population and economy are significantly larger than in Barcelona, Sydney, Athens or Atlanta (Figure 2). This means that on a city scale the Olympics are bound to have a more marginal impact in London than in other recent Olympic cities.

Over the last 25 years the host cities have been regional rather than global centres. By comparison London is already a global city and has an established reputation with tourists and investors around the world. This means it is harder for London to tell a new story about itself as other cities have done through the Games.

Box 1: What have the London Olympics cost?

The London Organising Committee of the Olympic Games (LOCOG) budget covered the organisational and operational costs of the Games. It was financed by the International Olympic Committee (IOC) and by revenue from ticket sales and merchandising. This budget was planned at £2.2 billion.⁴ Added to this, the contract between London and the IOC states that losses incurred by LOCOG will be covered by the public sector, an important condition of London's Olympic bid.⁵ So far £251 million of public money has been contributed to the LOCOG budget.⁶

The widely publicised £9.3 billion figure for the total cost of the Games refers to those costs directly incurred by the public sector. This includes the Olympic Delivery Authority (ODA)'s budget of £6.76 billion, covering all the regeneration and construction work in the Olympic Park. It also includes a contingency allowance, security costs and wider programmes related to the Olympics (e.g. city preparation and tourism promotion) that fall outside the ODA budget.⁷

The £9.3 billion budget does not include the cost of acquiring land, or Government department costs related to the Games. This means that a realistic public sector cost for the Games is hard to estimate, but is undoubtedly higher than £9.3 billion.⁸ According to some estimates, a more realistic cost could be as high as £24 billion.⁹

4. See: <http://www.telegraph.co.uk/sport/olympics/8327363/London-2012-Olympics-Games-2.164bn-operating-budget-feels-the-strain-as-report-warns-of-financial-risks.html>

5. See: <http://www.vanityfair.com/culture/2012/06/international-olympic-committee-london-summer-olympics>

6. Olympic Legacy Delivery Authority (2012) *The Finishing straight. Annual report and accounts 2011-2012*. London: ODA

7. House of Commons Committee of Public Accounts (2008) *The Budget for the London 2012 Olympic and Paralympic Games*; Olympic Legacy delivery Authority (2012) *The Finishing Straight. The annual report and accounts.*, London: ODA

8. House of Commons Committee of Public Accounts (2008) *The Budget for the London 2012 Olympic and Paralympic Games*

9. See: <http://www1.skysports.com/olympics/story/15234/7454487>

Funding has come from three main sources:¹⁰

1. Central Government (the Department for Culture, Media and Sport, the Department for Communities and Local Government and the Department for Transport)
2. The National Lottery
3. London (the Greater London Authority and the London Development Agency)

The cost of the Games to the public sector has almost tripled since the first estimate of £3 billion was made for the bid. Recent claims that the Games have come in under budget relate to the increased final budget, rather than to the original estimate.

The increase can be attributed to both an original underestimation of costs, and the decision to increase contingency.¹¹ Several key decision makers later admitted that if the real cost had been known at the start, the decision to bid for the Games might not have been made.¹²

Figure 2: Population and total employment in hosting metropolitan areas at the time of the Games.¹³



Sources: Australian Bureau of Statistics, US Bureau of Labour Statistics, Statistical institute of Catalonia, ONS Midyear population estimates, BRES, Eurostat.

10. Olympic Legacy delivery Authority (2012) *The Finishing Straight. The annual report and accounts*, London: ODA
 11. House of Commons Committee of Public Accounts (2008) *The Budget for the London 2012 Olympic and Paralympic Games*
 12. <http://www.vanityfair.com/culture/2012/06/international-olympic-committee-london-summer-olympics>
 13. The Beijing 2008 Olympics delivered a large regeneration programme focused around architectural landmarks including the famous “Bird’s Nest” stadium. However, the Games pursued a national political agenda focused on presenting China to the world and were much less regeneration-focused than other recent Games. Because of this context and limited availability of data, Beijing is not used as a comparator for London in this report.

2. What are the economic benefits of staging the Olympics?

The Olympics are not a conventional commercial investment project designed to deliver measurable profits. As a global cultural phenomenon, many of the benefits that the Olympics bring to a host city are intangible. The Olympic Games are one of the very few globally-recognised cultural symbols, valued across political and cultural borders. Because of the unique nature of the Olympic Games, hosting them carries a particular prestige.

The right to stage **the Olympics has become a mark of urban status, success and aspiration:** for Beijing, Barcelona, Seoul and Sydney, it was a recognition of growth and a statement of intent. These effects are less tangible by nature and while they might not be explicitly considered when cities decide to bid for the Games, they have a definite influence on decision makers.

Yet there are **reasons why an emphasis has been placed on the economic outcome of the Games.** With a multi-billion pound price tag, and with funding diverted from other areas of public spending, an economic case has proved important in selling the Games to British voters during a recession. Rather than talking about intangible or imprecise long-term benefits, politicians prefer to assign an exact value to the Games. However, these are enormously difficult to quantify, both for London 2012 and for previous Olympics' (Box 2).

Box 2: Methodological problems in assessing the impact of Olympic Games

As with many areas of socio-economic analysis, the key challenge in assessing the impact of the Olympic Games is to separate their effect on the local economy from unrelated, wider factors. For instance Barcelona experienced a recession from 1992 to 1994 which had nothing to do with the Olympics, but was caused by macroeconomic trends.

Various studies attempt to get around this problem by applying cost-benefit techniques. But academic evidence has proven that studies applying these methodologies to the Olympics tend to lack methodological robustness, often including double-counting, underestimating crowding-out effects or lacking evidence.¹⁴ Even cost-benefit analysis only works in the short-term: in the longer term, isolating the direct impact of the Games is almost impossible. Interestingly enough this does not seem to stop studies from using this approach, which suggests that there are strong incentives to produce evidence that justifies hosting the Olympics.

Another difficulty arises from the limited comparability of data between different Olympic cities. National statistical authorities use different methodologies and apply different definitions of city boundaries. There are significant differences in the availability of data, depending on the characteristics of governments in host countries.

In this context David Cameron's promise that London 2012 would generate £13 billion in economic benefits over the next four years will be difficult to measure.¹⁵

14. Matheson V A (2006) *Mega-Events: The effect of the world's biggest sporting events on local, regional, and national economies*, Worcester: College of the Holy Cross, Department of Economics

15. <http://skift.com/2012/07/02/david-cameron-thinks-olympics-will-generate-13-billion-next-4-years/>

A number of academic economists have attempted to identify and classify the economic benefits of large events, including the Olympics. Their approaches vary, and consensus is lacking.¹⁶ Accordingly, the framework below combines a conventional focus on tangible and intangible economic benefits,¹⁷ with an assessment of macroeconomic effects based on the work of Holger Preuss.¹⁸ It reviews both short and long term Olympic benefits from the perspective of the host city.

Short-term benefits are associated with the demand-side boost generated by the Games. They are driven by increased public spending in the run-up to the event, for example on infrastructure, and by a spike in consumer spending due to increased tourism during the event itself.¹⁹ This creates a direct short-term spike in business activity, profits and employment, mostly in retail and hospitality industries.

Recent reports about the decrease in retail sales during the Olympics suggest that London 2012 short-term benefits are likely to have been limited, and arguments about numbers of tourists are unlikely to feature in our verdict on London 2012 in 10 years' time. This report therefore concentrates on the long-term economic legacy of the Games.

Long-term economic benefits are associated with the Games' ability to increase the growth potential of a city economy. This can be achieved through removing barriers to growth (both physical such as a lack of business space and infrastructure and institutional) by creating conditions that facilitate the growth of local businesses, or by attracting investment and talent from elsewhere. The Olympics can achieve these in a number of ways:

- **Providing new facilities, land and buildings:** examples from the past show that the Olympics can be used to bring forward large scale investment in facilities and infrastructure that a city has previously struggled to resource (e.g., Barcelona, Seoul, and London). After they have won the right to host the Games, Olympic cities face very strict deadlines. This places pressure on organisation committees, but also provides an opportunity to speed up interventions.
- **Raising awareness of the city's offer:** The Olympics attract enormous global attention. It can raise awareness of the city and help attract business, investors, skilled labour and tourists. They can also help local businesses access international networks and promote their products globally. The experience local business gain while working on difficult Olympic projects can be marketed globally. For example, British businesses have used their 2012 experience to win contracts helping Rio de Janeiro to prepare for the 2016 Games.²⁰
- **Achieving better collaboration between public sector:** delivering an event on the scale of the Olympics requires high levels of efficiency and co-ordination, and sophisticated management across the public sector. The unprecedented level of joint working can change post-Games working relationships and allow local and national government to work together more effectively to achieve longer-term legacy objectives.

16. Kasimati E (2003) 'Economic Aspects and the Summer Olympics: a Review of Related Research' in *International Journal of Tourism Research* 5: 433-444; Preuss H (2000) *Economics of the Olympic Games*, Sydney, Patersham: Walla Walla Press; and Gratton C, Shibli S & Coleman R (2005) 'Sport and Economic Regeneration in Cities' in *Urban Studies Journal* 42: 985-999

17. Hiller H H (1998) 'Assessing the Impact of Mega-Event: A Linkage Model' in *Current Issues in Tourism* 1 (1): 47-57

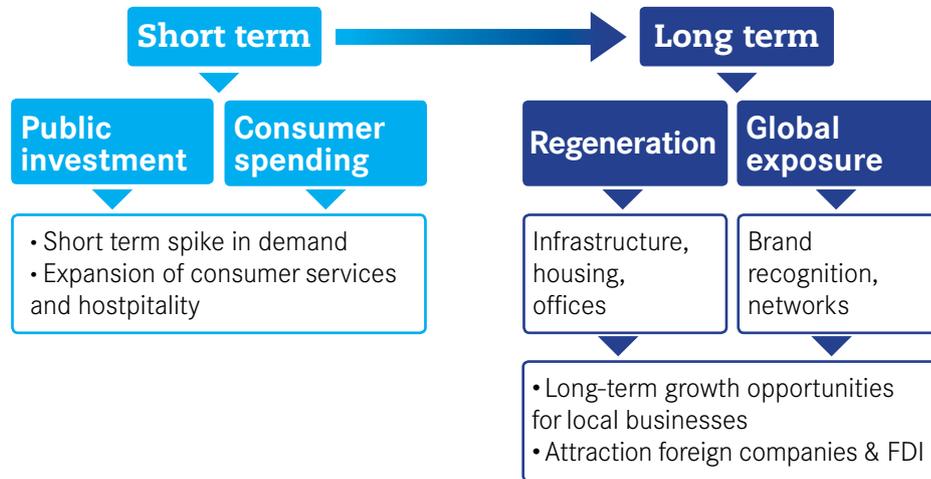
18. Preuss H (2004) *The economics of staging the Olympics: a comparison of the Games 1972-2008*, Cheltenham: Edward Elgar Publishing Limited

19. Dwyer L, Forsyth P, Spurr R (2005) 'Estimating the Impact of Special Events on Economy' *Journal of Travel Research* 43 (4): 351-359.

20. See: <http://www.insidethegames.biz/olympics/summer-olympics/2016/14332-british-business-will-be-crucial-to-the-successful-delivery-of-the-rio-2016-olympics-says-nuzman>

These short-term and long-term benefits are directly related. The more tourists and media coverage the games attract, the greater the chance of more and longer-lasting economic gains. The larger the initial impact, the easier it is to sustain (Figure 3).

Figure 3: Potential economic benefits from the Olympic Games.



While the long-term tangible impact of the Olympics is relatively easy to assess over time, through such results as regeneration and infrastructure improvements, non-physical benefits are by definition not easy to evaluate. Intangibles such as the international status and awareness of a host city, changes to the attitudes and working practices of those involved, or the atmosphere of unity and excitement created by the Games are difficult to assess.

The next chapter of this report therefore concentrates on the more tangible aspects of the London 2012 and Olympic host cities of the past legacy such as regeneration and infrastructure improvements, and also considers less tangible benefits where possible.

3. What is a successful Olympic legacy?

There is no single definition of a successful Olympic legacy. **The examples of Barcelona (Box 3) and Sydney (Box 4) show that contrasting strategies can succeed on their own terms.** The most important lessons London can learn from these two cities are about the long-term consistency of their legacy visions.

Box 3: Barcelona 1992

After the demise of the Franco regime, 1980s Barcelona was a city trying to rediscover its former self. A development strategy centred on public space was adopted by Pasqual Maragall, Mayor of Barcelona 1982 to 1997. During the early 1980s this involved small scale projects because resources were limited.²¹ A chance to host the Olympics was recognised as an opportunity to take development to a new level.

The Olympic preparation strategy was based on the principle of minimising organisational costs and maximising “legacy costs”. Favourable economic conditions made it possible to assemble a £6.5 billion regeneration budget (in 2000 prices). It accounted for 85.5 percent of the total Games’ costs, and was the largest in Olympic history until Beijing 2008.²²

Until the 1992 Olympics, Barcelona’s coast was separated from the Mediterranean by a railway line. Relocating the railway tracks and regenerating the seafront formed the core of the Olympic project. The need for this had been recognised by city leaders prior to the Games, but the scale of the task meant it was unlikely to happen under normal circumstances.²³

The success of this scheme has helped to transform perceptions and performance of Barcelona. The number of foreign visitors coming to Barcelona tripled in the 15 years after the Olympics, while the yearly number of hotel overnight stays grew by 134 percent.²⁴ The number of unemployed people in Barcelona fell by 42 percent between 1986 and 1996 while Spain as a whole saw a 22 percent increase. 400,000 jobs were created in service sectors between 1991 and 2001.²⁵ Barcelona also rose from 11th to 4th place in the ranking of best European cities in which to do business, and rose to the top of European liveability rankings.²⁶

Apart from good planning and strategic vision, Barcelona’s ability to make the most of the momentum generated by the Olympics can also be attributed to the stability of its governance structures. Mayor Maragall remained in office from 1982 to 1997, and led the city through all stages of the Olympic cycle including the post-event phases.

21. Monclus FJ (2003) ‘The Barcelona model: an original formula? From “reconstruction” to strategic urban project.’ in *Planning Perspectives* 18: 399-400.

22. Brunet F (1995) *An economic analysis of the Barcelona’92 Olympic Games: resources, financing, and impacts*, Barcelona: Centre d’Estudis Olímpics

23. Chalkley B, Essex S (1999) ‘Urban Development through Hosting International Events: a History of Olympic Games’ in *Planning Perspectives* 14: 369-394; Carbonell J (2005) *The Olympic Village, ten years on. Barcelona the legacy of the games 1992-2002*.

24. Vives A (2012) *The Barcelona Olympic Legacy: a Task that never ends* Presentation at LSE, 15 May 2012.

25. Statistical Institute of Catalonia; Spanish National Institute for Statistics

26. Cushman & Wakefield (2010) *European Cities Monitor October 2010*

Box 4: Sydney 2000

The success of Sydney's Olympic legacy is still widely debated. The Games have been criticised for budget overspends, poor ticket administration; failure to achieve environmental targets; human rights problems; and gentrification caused by rising housing prices. Since the Games, the Olympic Park has been a source of major financial losses for the New South Wales Government. Its conversion to permanent use is still incomplete 12 years after the Games ended. Yet physical regeneration was never the main legacy objective. Capital investment made up half of the total Olympic budget, and in absolute terms was six times lower than in Barcelona.²⁷ But although the legacy of the 2000 Olympics is mixed, its economic strategy is rather unusual and worth examining.

Before and during the Games, a number of initiatives aimed to help local businesses benefit from the Games' global exposure.²⁸ These included tourism promotion; marketing Sydney and Australia as business locations; engaging local businesses with international networks; promoting their products; and attracting investment.

It is not possible to measure the success of all these initiatives, but reports commissioned by local authorities have claimed that the Games led to 300 high-tech companies relocating to Sydney, and created \$354 million in additional business investment.²⁹ Data shows that the average annual rate of growth of value added in financial and business service industries in Sydney reached 9 percent between 1996 and 2004, up from an average of 5.2 percent in 1990-96. While this result is not solely attributable to the Games, the Olympic promotion campaign is likely to have played a role. By 2004-05 Sydney had reached the top five in two respected global city liveability indices, and in 2007 and 2008 was recognised as the top city brand in the world.³⁰ Today Sydney is home to 65 percent of financial activity in Australia; it is also home to 70 percent of headquarters of Asian companies in the country.³¹

What Sydney and Barcelona had in common is a clear understanding of why they needed the Olympics. Barcelona 1992 is considered a benchmark for Olympic cities. It was a success not because of the scale of regeneration and quality of design, but because it realistically identified how it could benefit from the Olympics.

So what can London learn from these two cities about creating a platform for a sustained legacy?

In contrast to Barcelona and Sydney Figure 4 shows how the **nature of London's Olympic Legacy has changed quite significantly** since 1998 when the bid was first considered, particularly from 2003 to 2005 when the bid was taking shape. Many of these changes seem to have been made in response to the changing economic circumstances. The bid itself mainly targeted the International Olympic Committee's expectations on regeneration, social inclusion and sports participation. In the healthy economic environment of 2007, legacy expectations focused on social and environmental issues. Economic considerations only grew in importance after the recession began in 2008.

27. London East Research Institute, May 2007, 'A Lasting Legacy for London? Assessing the legacy of the Olympic Games and Paralympic Games May 2007'. London: London East Research Institute

28. London East Research Institute, May 2007, 'A Lasting Legacy for London? Assessing the legacy of the Olympic Games and Paralympic Games May 2007'. London: London East Research Institute

29. Locate in Kent, July 2009, *Economic Impact of Olympic Games*; PriceWaterhouseCoopers (2007) *Business and Economic benefits of Sydney 2000*

30. City of Sydney (2010) *Global Sydney*, Sydney: City of Sydney

31. PriceWaterhouseCoopers (2010) *Sydney, Australia's Global City*, Sydney: PriceWaterhouseCoopers; City of Sydney

The most consistent aspect of the legacy ambition has been the regeneration of Stratford and the creation of the Olympic Park. This initiative was at the core of the Olympic bid from the very beginning, and fits with the long-standing policy aim of tackling the historical disparity between West and East London.

Figure 4: Evolution of the Olympic legacy vision



Sources: House of Commons (2002) *A London Olympic Bid for 2012*; London 2012 (2003) *Response to the questionnaire for cities applying to become Candidates to host the Games of the XXX Olympiad and the Paralympic Games*, London: London 2012; DCMS (2007) *Before, During and After: Making the most of London 2012*, London: DCMS; House of Commons (2002) *A London Olympic Bid for 2012*, London: DCMS; DCMS (2010) *Plans for the Legacy from the 2012 Olympic and Paralympic Games*, London: DCMS; Nathan M, Vandore E, Whitehead R (2012) *A Tale of Tech City: The Future of Inner East London Digital Economy* London: Centre for London

Since the start of the recession economic issues have received much more attention, resulting in a more business focused legacy vision for Stratford and the Olympic Park. Much greater attention has recently been paid to job creation in the Olympic Park.

However, not all of the suggestions about job creation linked to the Olympics are likely to prove effective. Recently the idea of extending the Tech City cluster to the Olympic Park became an element of the Olympic legacy. According to this vision, the Olympic Broadcasting and Press Centres would become the core of a new cluster, creating business growth in the Park.³² This aim of a new Tech City represents a significant shift from earlier ideas of the Olympic Park's future, and attempts to harness a phenomenon entirely unrelated to Stratford. A recent Centre for London report³³ has shown that businesses in the Tech City cluster are not willing to relocate to the Olympic Park, and that forced relocation could damage the growth potential of the cluster.

For Barcelona, the Olympics were one stage in a sustained urban renewal programme that began with the first post-Franco municipal elections in 1980. Having begun before the Olympics, the programme continued beyond them through large-scale, city-wide infrastructure projects,³⁴ including the construction of high-speed rail, and the expansion of the port and airport.³⁵

In contrast, Sydney learned from Seoul 1988 and used the event as an “once in a lifetime” marketing opportunity to present Sydney and Australia to the world.

Compared to these cities, London's strategy and legacy aims have been less clear. This does not necessarily mean that the legacy was poorly planned: the London Olympic programme certainly included innovative and successful elements. However, it is much more difficult to identify the defining purpose of the Games in London than in Barcelona or Sydney. This lack of a consistent, driving vision has resulted in confused legacy expectations and, in some areas, mixed results.³⁶

32. OECD (2010) *Local Development Benefits from Staging Global Events; Achieving the Local Development Legacy of 2012*, Paris: OECD; The Work Foundation (2010) *A Lasting Legacy: How can London fully exploit the opportunities created by the Olympic Games in recovery to 2030?* London: The Work Foundation; McKinsey & Company (2011) *East London: world-class centre for digital enterprise?* London, McKinsey & Company

33. Whitehead R, Vandore E, Nathan M (2012) *A Tale of Tech City: The future of Inner East London's Digital Economy*, London: Centre for London

34. Vives A (2012) *The Barcelona Olympic Legacy: a task that never ends*, Presentation at LSE, 15 May 2012.

35. Brunet F (2002) *The economic impact of the Barcelona Olympic Games, 1986-2004*, Barcelona: Centre d'Estudis Olímpics

36. Whitehead R, Vandore E, Nathan M (2012) *A Tale of Tech City: The future of Inner East London's Digital Economy*, London: Centre for London

4. Lessons for London

A realistic assessment of what the London Olympics have delivered for the city so far reveals both clear success stories, and challenges to be addressed.

London's achievements so far

The Games themselves proved a remarkable success, securing undivided national and international attention, winning over sceptics, and generating widespread excitement. **London will benefit from the worldwide showcase provided by a successful Games, and positive perceptions of London and the UK are likely to generate indirect economic benefits for business beyond tourism.**

The organisation of the Games, led by the public sector, has been widely praised. This great experience should be taken forward to improve the efficiency of governance.

- The London Legacy Development Corporation (LLDC) was set up before the Games began, the first time this had happened in a host city. It has provided a formal institutional structure for managing the future use of the Park and its facilities, and has already established a legacy masterplan. Political and institutional stability made a major contribution to the success of the legacy programmes in Sydney and Barcelona, so setting up the LLDC was potentially a stepping stone towards a successful legacy.
- The CompeteFor programme aimed to make Olympic contracts accessible to businesses of all sizes across the country. It had allocated over 1,300 contracts by March 2011, and contributed to spreading the short-term benefits of increased public spending through the economy.³⁷
- Collaboration between the Olympic boroughs, London boroughs and LOCOG was a key factor in the smooth running of the Games. This joint working has also been reflected in collaboration on social policies across the Olympic boroughs. Continued cross-boundary collaboration is likely to be the key to reducing deprivation in East London in the long-term.

The more **tangible physical benefits of the Games are concentrated in the Olympic Park itself:**

- The redevelopment of the Olympic Park and of Stratford City has combined the delivery of complex infrastructure, the construction of temporary and permanent venues and the creation of new landmarks, and the provision of major public space. In itself it is an impressive legacy, and a showcase for British architecture, design and construction.
- Attracting the Westfield shopping centre has given Stratford a major boost as a retail and entertainment destination, and the development is unlikely to have taken place without the Games. The success of this flagship scheme clearly opens the door to more large-scale developments in East London.
- £300 million was spent on the International Broadcast Centre and the Main Press Centre,³⁸ including significant investment in digital infrastructure making them “two of the most digitally connected buildings in the world”.³⁹

37. Scottish Enterprise (2011) *Longitudinal National Evaluation of CompeteFor*, Glasgow: Scottish Enterprise

38. Olympic Legacy delivery Authority (2012) *The Finishing Straight. The annual report and accounts*. London: ODA

39. http://www.ejc.net/media_news/olympics_media_centre_to_host_datacentre_and_start-up_incubator/

- Major transport improvements have been delivered for East London, including Crossrail, Stratford International station, and the Overground extension. The Olympic Delivery Authority budget records £894 million on transport, but the only permanent transport provision that would not have otherwise have been built is the £211 million DLR extension from Stratford International to Canning Town, funded partly by the ODA budget.

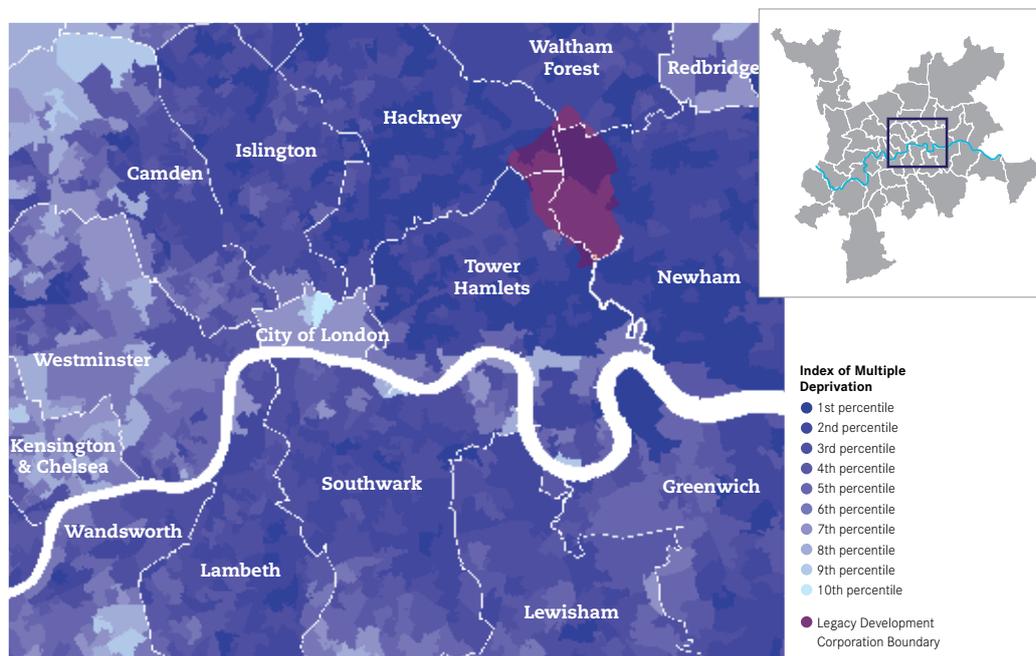
London’s Legacy Challenges

1. Will the Olympics change East London?

Changing the face of East London has always been one of the major ambitions of the Games and the Legacy. Yet bridging the gap between East and West London has been a public policy challenge for many decades. And the experience of previous Olympic cities shows that the Games are not necessarily an effective mechanism for tackling deprivation.

There are significant social challenges to overcome if economic benefits from the Games are to benefit the existing population. Neighbourhoods surrounding the park are among the UK’s most deprived areas, facing deeply rooted problems such as low skill levels and long-term unemployment (Figure 5). Even though there have been signs of improvement, further intervention will be required for Olympic benefits to be accessible to East Londoners outside the Olympic Park.

Figure 5: Deprivation levels in communities surrounding the Olympic Park



Sources: GLA; Multiple Deprivation Index, CLG

Good progress has been made on education. In 2009 the Host Borough Unit with GLA and central government developed a convergence initiative, setting out targets for bridging the gap between the five Olympic boroughs⁴⁰ and the London average across a number of social indicators. A progress report published in 2011 revealed a significant improvement in indicators of school attainment. For example, the share of students achieving five A*-C GCSEs including

40. Greenwich, Hackney, Newham, Tower Hamlets, Waltham Forest, in 2011 Barking and Dagenham became the sixth Olympic borough.

Maths and English increased by 9 percentage points, while the gap with the London average narrowed by almost 2 percentage points.⁴¹ These improvements are clearly a good sign, whether or not they are directly related to the Olympics.

However, deep-rooted problems such as the shortage of skills among the local adult population persist. The share of the working age population with no formal skills declined by only 0.8 percent between 2009 and 2011, and remains far below the London average. The share of the adult population with a degree or equivalent fell by 0.4 percent over the same period.

To date some gains have been made in improving skills or providing employment for local people but direct investment has been limited. The Westfield shopping centre created 10,000 jobs, 2,000 of which went to local unemployed people.⁴² The Games have also created many short-term jobs and volunteering opportunities which may help develop skills, but are unlikely to create sustained employment. LOCOG's skills and employment programme committed to delivering only 348 temporary jobs through internships for local young people.⁴³ Further business growth intended for the Olympic Park, discussed below, will not provide local jobs unless measures are taken to match skills to employers.

Even successful Olympic host cities, including Barcelona and Sydney, have struggled to use the Games to tackle social issues⁴⁴ (Box 5). Any opportunity to make an impact on deprivation is important, but the public money spent on the Games should not be seen as a direct investment in achieving these objectives. In the meantime, there is a risk that a higher profile for parts of East London will gentrify existing communities and shift deprivation elsewhere.⁴⁵ This threat can be mitigated by investing in addressing the needs of local people, but it is difficult to distribute the benefits of public sector investment effectively.

Box 5: Olympic lessons: exacerbating social problems.

In Barcelona 200 families were evicted for the construction of a ringroad around the city, while gentrification also changed social mix.⁴⁶

Housing prices in Sydney were growing at 7 percent above inflation in the years prior to the Games. The number of homeless people tripled between 1992 and 1999.⁴⁷

In Seoul 1988 over 200,000 street stalls were relocated prior to the Olympics, preventing the locals benefiting from tourist spend. Miles of walls were erected along the Olympic torch route to hide the slums from TV cameras.⁴⁸

The strategy must be to use the combination of the development planned for the Olympic Park, and other substantial investments in East London, such as Crossrail, to tie the deprived boroughs into

41. Host Boroughs Unit (2011) *Convergence Framework and action plan 2011-2015*

42. Westfield (2011) *Factsheet: Westfield Stratford City*

43. LOCOG (2010) *Opportunities: Employment and Skills Strategy* London: LOCOG

44. Centre on Housing Rights and Eviction (2007) *International Events and Housing Rights: a Focus on Eviction*, Geneva: Centre on Housing Rights and Eviction

45. Webber C et al (2010) *Grand Designs? A new approach to the build environment in England's cities* London: Centre for Cities

46. Rao D et al (2010) *Humanity, Equality-Destiny? Implicating Tourism in the Commonwealth Games 2010*, Bengaluru: National Printing Press

47. Lenskj H (2002) *The best Olympics ever? Social impact of Sydney 2000*, Albany: State University of New York.

48. Hill C (1992) *Olympic Politics*, Manchester: Manchester University Press

the economic fabric of the capital. However, this process will take decades and will require both continuous policy attention and further investment. The impact of the Olympics on East London is likely to be just one, albeit important, chapter in a longer more complex story.

2. The Future of the Olympic Park

The Olympic Park itself presents the most significant tangible legacy of the Games, but its long-term success depends on securing the private investment for the Park and surrounding areas that has historically been a problem for East London.

Housing in the Park

Development planned for the Park aims to create a number of new residential neighbourhoods, as well as attracting businesses. However, London's housing market is characterised by an imbalance between east and west. While most of the land available for housing construction in the capital is in the east, demand for homes remains focused in the west.⁴⁹ This means that substantial new private sector house-building in the Olympic Park and surrounding areas will only take place if developers feel confident that the image of the area has changed and that new units will sell.

A number of factors may well increase demand to live in the area. The Olympic Park offers good transport links to major employment centres, recreational facilities and public space, shopping and entertainment. The outcome is not certain, but a few schemes may be all that is needed to create a tipping point in perceptions. The public sector has certainly done all it can to raise awareness of the area.

However, there is still a **lack of consistency between the legacy masterplan and the business vision for the Park.** The masterplan suggests that lower densities and more family homes would be appropriate.⁵⁰ But a family housing led masterplan does not necessarily match the ambition of creating a high-tech business hub populated by young professionals. A clear housing strategy that complements business plans for the Park would better support efforts to create successful neighbourhoods.

Business in the Park

The Olympic venues are at the heart of the business legacy planned for the Park. Post-Olympic rental contracts have been signed for six of the eight permanent venues, but new uses for the main stadium and the main press centre are issues that remain unresolved. **There is also confusion over the nature of the businesses the Park aims to attract.** David Cameron has suggested a new Tech City hub should be based in the park, but Deputy Mayor Kit Malthouse recently suggested that the Park should provide space for industrial development.⁵¹

There are a number of reasons to imagine that the Olympic Park and Stratford City could become a new business district for London:

- The location provides easy access to the City, Canary Wharf, and City Airport.

49. Bolton, T et al (2012) *Evolving London: The future shape of the Capital* London: Centre for Cities

50. See <http://www.estatesgazette.com/blogs/olympics/2009/10/oplc-signals-major-olympic-park-shift-to-family-housing.html>

51. Malthouse K, *Olympic legacy policy discussion at Centre for London*, 6 August 2012, London.

- The Broadcast and Press Centres could provide flexible office space, as well as ultrafast digital infrastructure.
- The publicity that the site has gained from the Games seems to have improved perceptions of East London and may increase its attractiveness and kudos.

Any business growth will take place over time. Nearby Canary Wharf took more than a decade to make significant progress. The big difference between Canary Wharf and the Olympic Park is that the Docklands were developed in response to a growing demand from financial services companies for space. The Olympic Park and Stratford City are aiming to meet a demand that is neither as specific nor as apparent.

Historically, the area around Stratford town centre has struggled to attract businesses. The question is whether the new profile of the area and its physical renewal has changed the fundamentals that restricted business growth locally. The example of 22@ Barcelona (Box 6) shows that **physical regeneration linked to the Olympic legacy can spark business activity, but that economic success is also dependent on successfully tackling broader social problems.**

Barcelona's example also shows that **a sustained business legacy requires additional investment.** However, the Mayor of London Boris Johnson has reacted to continuing budget increases by making an election commitment that the Olympic legacy would not "cost Londoners a penny more on their council tax."⁵² A lack of political commitment to investing in the future of the area could be an additional barrier to a successful enterprise legacy for the Olympic Park.

London also has business growth priorities beyond the Olympic Park, which will inevitably compete for time and resources now that the Games are over. The Royal Docks nearby, also home to Games venues, has added incentives designed to attract new businesses in the form of its Enterprise Zone. Although the growth strategy here aims to develop a particular sector, there is a possibility that businesses will choose the Enterprise Zone over the neighbouring Park or Stratford City. Growth here would benefit the wider area, but delivering a successful, complementary growth strategy that brings business to all the Lower Lea Valley areas is a major test of the Olympic legacy.

Primarily the Olympic Park offers extra space for business in East London, but it is not clear whether this will be taken up. In an uncertain economic climate, businesses are less likely to invest in expansion. **It is therefore more likely that business growth in the area will not consistently occur until the economy returns to steady growth - when it could provide valuable "overspill" space.**

It will take time, commitment and political will to deliver the business growth anticipated for the Olympic Park. **A comprehensive policy strategy for developing a favourable business environment** will be needed to attract foreign and domestic private investment and to ensure growth happens.

52. Boris Johnson (2012) *My Olympic Legacy Manifesto*, see <http://www.backboris2012.com/news-media/blog/2012-03-my-olympic-legacy-manifesto>

Box 6: 22@ Barcelona

This scheme, regenerating a derelict, former industrial district of Barcelona, took shape during the late 1990s and was a natural continuation of the Olympic regeneration project. Over the following decade the scheme has proved successful, and is home to 7,000 companies and 56,000 workers.⁵³

Yet these results were achieved at a considerable price. The regeneration scheme covered almost 200 hectares and included: the transformation of over 1 million square metres of industrial land; the total construction of more than 3.2 million square metres of space; and the refurbishment and construction of 8,000 homes. The infrastructure investment associated with the scheme came to £150 million.

Even though the area has become a business hub over time, a recent study has identified that it is facing severe constraints including lack of local skills, lack of entrepreneurial activity, and shortage of venture capital.⁵⁴

22@ Barcelona provides an interesting comparison for London's Olympic Park. It shows that the creation of a vibrant business environment in a favourable but struggling location is possible. Yet 22@ was developed as a dedicated business district and all plans were put together with this in mind, which makes it different from the Olympic Park. The location of @22 was also particularly favourable, close to the coast, the port and key transportation routes. Yet the growth of 22@ was still restricted by a history of deprivation in surrounding areas, a factor also likely to be a constraint for the Olympic Park.

53. Oliva A (2003) *22@BCN Activities District*, Barcelona: Aula Barcelona

54. Charnock G, Ribera-Fumaz R, 'A New Space for Knowledge and People? Henri Lefebvre, Representations of Space, and the Production of 22@Barcelona' in *Environment and Planning D: Society and Space*, 29: 4

5. Conclusions

London's Legacy Achievements

London 2012 has proved a high profile success in several different ways, and has created the potential for a lasting economic legacy.

- The Games have focused global attention on London, and helped reinforce its world city status and image.
- The public sector led the organisation of the Games, and has succeeded in delivering an exceptional event on a huge scale.
- Major new transport links have opened in East London, including a DLR extension that would not have been delivered without the Games.
- The Games have drawn investment to the Olympic Park site on a huge scale by transforming an area that was in a semi-derelict state, building permanent venues and future office space, and creating a large public park, which to a degree started the “rebalancing” of London.
- The Westfield shopping centre, which opened in Stratford partly because of the Games, is a new destination that attracts many more visitors than Stratford town centre previously did.
- Procurement innovation has created a successful model for extending access to contracts to all types of business.
- Collaboration between the Olympic boroughs on long-term social goals has already resulted in some success, and is a promising model for tackling long-term problems on an effective scale.

London's Legacy Challenges

However, long-term legacy success is not guaranteed. Barcelona and Sydney have revitalised their urban economies through the Games while implementing contrasting strategies, and their experiences demonstrate three clear challenges for London:

- **A consistent legacy vision is essential.** The vision for the legacy of the Games has changed significantly over time. Originally economic benefits were low on the legacy agenda, becoming much more prominent after the recession. Both Barcelona and Sydney had clearly defined long-term objectives and followed a consistent strategy both before and after the Games. The lack of a clear legacy vision for London 2012 presents a major challenge. For example, the ambition of bringing a new Tech City to the Olympic Park is very recent and has not been planned for or incentivised. A clearer vision is needed to give London as a whole the best chance of securing long-term economic benefit.
- **Greater attention needs to be paid to a social legacy for East London.** The direct benefits of the Games are localised, consisting mostly of physical improvements within the boundaries of the Olympic Park. Although the ambition of revitalising East London through the Games has been widely publicised, broader benefits for the wider area will be limited unless measures are taken to improve the skills of local people, putting them in a better position to find employment. The Games themselves could fall short on their wider ambitions unless they result in more direct measures tackle deprivation.

- **The Olympic Park needs a clear plan.** The Park presents the clearest legacy opportunity from the Games. It is well positioned to become a new residential neighbourhood or a new business centre. In the longer term, successful redevelopment of the Olympic Park may have knock-on effects for surrounding areas. However, there is no guarantee that businesses will choose to take up the space available in the Olympic Park. The example of 22@ Barcelona shows that business growth is likely to require significant, continuing investment. And any future growth is likely to be determined by the general state of the national economy.

Five lessons for London from past Olympic cities:

- 1. Create a 25 year plan and stick to it.** Previous Olympic host cities based their legacies on a clear vision of what they wanted to achieve, and on a consistent strategy for achieving it. The Government, the Mayor of London, the London Legacy Development Corporation, and the Olympic Boroughs should commit to redefining a long-term strategy for the Olympic legacy and East London within the context of plans for the future of London as a whole. Once plans are in place, they need to be supported well beyond the usual political cycles so they have the best chance of success.
- 2. Make a long-term commitment to fund the Olympic legacy.** As the experience of previous host cities shows, the real economic benefits from the Olympics will only develop over time, long after the spotlight has moved elsewhere. If the economic legacy of the Barcelona Olympics had been assessed in 1993, as Spain headed into a recession, it would have been rated a disaster. The Government, the Mayor of London and the London Legacy Development Corporation need to ensure they continue to fund and support long-term legacy objectives.
- 3. Develop a clear legacy vision for the Olympic Park.** A major task for the Mayor and the London Legacy Development Corporation is to address questions about how the Olympic Park will attract business and residents. They should do so by creating a convincing vision for the Park's future. The offer to potential new businesses and residents needs to be both persuasive and distinct from other London locations. The sustained legacy of the Olympic Park requires private sector investment, which will only be forthcoming if the Park is a genuinely attractive location.
- 4. Do more to deliver a social legacy for East London.** The experience of previous Olympic cities shows how hard it is to tackle deprivation through the Games. The collaboration between Olympic boroughs on social indicators has shown early success, but the physical improvements that have come through the Games are not enough to help people living outside the Park. The boroughs, the Mayor and central government need to continue investing for the long-term in the people of East London, targeting education and skills needs to help local people access jobs.
- 5. Learn from success:** Many aspects of London 2012 have been a huge success, from planning, logistics and the volunteer movement to the collaboration between the Olympic boroughs on social impact. The Government should roll out successful ideas, for example the CompeteFor initiative which could level the playing field for businesses on government contracts.



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All views expressed in this report are those of the Centre for Cities and do not necessarily represent the views of those we interviewed. All mistakes are the author's own.

September 2012

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