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setting the bar

preparing for London's Olympic legacy

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Abstract

A year after winning the bid, London is gearing up to deliver the London 2012 Olympic Games. The Games plan promises to regenerate the East London site and its surroundings. This paper assesses the likely economic impact of the Games on East London, Greater London and the UK.

We need to be realistic about what the Games can deliver. Not all local residents will be able to access the employment opportunities created by the Games. And areas outside of London will not all gain as much as they anticipate. To avoid disappointment later, we should all adjust our expectations now.

A substantial, lasting London 2012 legacy is within reach. But London needs to make sure that the potential gains are realised. The benefits will not just happen automatically. Success depends on whether we have put in place the appropriate mechanisms and partnerships to deliver a legacy of wider economic benefits.

We highlight five lessons for the London 2012 Olympics:

1. **Be realistic:** Ministers and delivery agencies need to manage expectations about the direct benefits of the 2012 Games, especially in the host boroughs. We should avoid creating an 'expectations gap' between perceived and actual gains.
2. **New jobs, but not for everyone:** Many of the jobs created by the Olympics will go to those living outside the host Boroughs. Local employment and training strategies should

focus on the longer term regeneration opportunities in East London, and match people to Olympics jobs where possible.

3. **Marginal benefits outside London:** Other regions of the UK should manage down their expectations for 2012 and avoid competing for small slivers of Olympics cash.
4. **Focus on the soft stuff:** The indirect, 'soft' impacts, including accelerated infrastructure investment, are likely to be substantial and lasting. Games planners should focus on these indirect benefits to maximise the Games' legacy.
5. **Be clear about costs:** Current uncertainty over the final costs threatens to undermine the goodwill behind the Games. The final distribution of costs should be clarified as soon as possible to allow forward planning for other projects across the UK.

Drawing on the lessons from past Games, this paper focuses on the 'hard' and 'soft' benefits of 2012. Direct employment and new infrastructure benefits are likely to be relatively small and focused on London. But 'soft' benefits – enhancement of image, the acceleration of planned secondary investment, and increased civic pride and health – are potentially larger, and may apply right across the UK.

In London, development related to the Olympic Games overlaps with the long-term redevelopment of the Lower Lea Valley (LLV). Our assessment aims to isolate the value-added impact of the Games from that of other projects such as the Lower Lea Valley Regeneration strategy and improved transport infrastructure, which were planned previously.

“The honeymoon is over. But this presents a useful opportunity to adjust our expectations of the Games – which have been too high for too long”

Introduction

One year on from the jubilation of winning the bid, the London 2012 Olympic Games are coming under intense scrutiny. The total budget has already risen by more than £1bn, and will rise further. And in the last few weeks (late November 2006), we have seen confusion over the Games' VAT bill, the resignation of the chairman of the Olympic Delivery Authority (ODA) and disagreements over the long-term use of the main Olympic stadium.

This recent spate of bad news has added to the uncertainty surrounding the 2012 Games, and risks undermining public goodwill. The honeymoon is over. But this actually presents a useful opportunity to adjust our expectations of the Games – which have been too high for too long. This paper sets out a more realistic vision of the economic impact of the Games.

To start, let's remind ourselves why we bid for the Games in the first place. London is aiming for major regeneration impacts as a result of the Olympics:

‘... the most enduring legacy of the Olympics will be the regeneration of an entire community [the Lower Lea Valley] for the direct benefit of everyone who lives there.’ (London 2012, 2004, p. 19)

These were bold claims, and not guaranteed. As ippr and Demos made clear in their *After the Gold Rush* report, the desired developmental result is not a foregone conclusion. It requires careful planning and management (Vigor *et al* 2004).

Britain will host the Games in just over five years' time. So now is a good time to remind ourselves of these legacy issues. We need to understand what the real economic and regeneration benefits of the London 2012 Games are likely to be, and we need to shape strategy, delivery and expectations accordingly.

Above all, we need to avoid over-promising what the Games will actually achieve. Will the Olympics be a transformational event, with substantial gains for East London and other parts of the UK? Or will it be more

modest, with benefits mainly limited to the capital?

This paper aims to answer these questions. It discusses the likely impacts in London, drawing on lessons learned from past Olympics. The analysis focuses on two linked categories: 'hard' benefits including employment, infrastructure and gains to key sectors like tourism; and wider 'soft' benefits including enhanced image ('image gains'), acceleration of additional investment and secondary infrastructure, and increases in civic pride and health.

Words of warning

There are lessons to be learned from other Games. But assessing the economic impacts of the Olympics is difficult.

First, different Games have had different goals and levels of planned regeneration. As such, the outcomes of Games have varied widely – from the largely successful transformation of Barcelona in 1992 to Montreal's 30-year struggle to pay off its Olympic debt. So caution is needed when comparing Games experiences.

And second, the evidence base is not ideal. There is a lack of information about many of the key 'soft' benefits. Studies often use very different measurements and produce very different results (Preuss 2004, UBS 2006). And there is an obvious incentive for official studies (commissioned by the host cities), which form the majority of the evidence, to be optimistic about the likely results (Preuss 2004, UBS 2006).

Learning from the past: the 'hard' and 'soft' benefits of Olympic Games

It is important to separate the direct impacts of the Games with their wider, indirect catalytic effects. Our analysis of the economic impacts of the 2012 Games is based on a historical assessment of the direct ('hard') and indirect ('soft') benefits of previous Olympic Games.

Briefly:

- ‘Hard’ benefits are those that are largely direct and relatively easy to isolate and assess. For example, the impact on the labour market, housing market, business and infrastructure investment. For 2012, we conclude that the ‘hard’ benefits around employment and new infrastructure are likely to be relatively small and focused on London.
- ‘Soft’ benefits include image gains, improved civic pride and health, and the acceleration of secondary investment. We conclude that these ‘soft’ benefits are potentially larger, and may apply right across the UK.

Annex A sets this out in detail.

London’s legacy: what might be achieved?

First, what do we know about the potential impact of the London 2012 Games? Various

impact assessments have already been released, and many more are in the pipeline. Key studies include Department of Culture, Media and Sport (DCMS) and PricewaterhouseCoopers (PwC) (2005), Blake (2005), UBS (2006), Atkinson *et al* (2006) and Experian (2006). The Centre for Local Economic Strategies also recently released a report highlighting concerns about future legacy benefits (Jackson 2006).

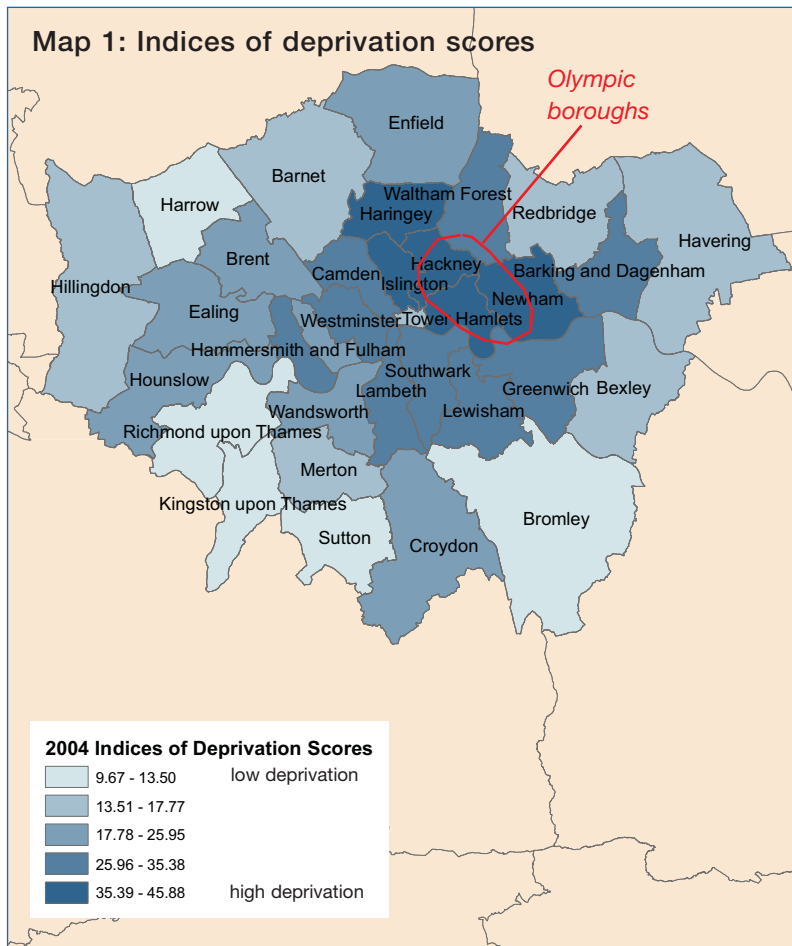
The geographical context of London 2012 is important. The main aim of the London 2012 Games is to secure the economic, physical and social regeneration of a large part of East London. As such, the plans integrate the London 2012 Games into the broader framework of the existing Lower Lea Valley (LLV) Regeneration Strategy, whose goals are similar in terms of transforming the region:

‘To transform the Lower Lea Valley to become a vibrant, high quality and sustainable mixed use city district, that is fully integrated into the urban fabric of London and is set within an unrivalled landscape that contains new high quality parkland and water features.’ (Mayor of London, 2006 p.1)

The LLV Strategy is ambitious, aiming to deliver 30–40,000 new homes and 50,000 new jobs across the four host boroughs during its first 10 years (by around 2015)¹ – more than doubling current levels of employment in some of the most deprived London neighbourhoods (Mayor of London 2006, LDA 2006). See Map 1, left, for Indices of Deprivation (ID) rankings of the districts in the Games area.

There are some clear overlaps between the Olympics Masterplan, the LLV Regeneration Strategy and Transport for London’s East London plans. The fact that much of the wider regeneration strategy was planned before the Olympic bid suggests that there will be post-Games demand for the infrastructure.

The Olympics deadline can help to bring forward elements of the LLV Regeneration



1. Stakeholder interview, October 2006.

London 2012: an overview

What?

The London 2012 Games are centred on the Lower Lea Valley, a largely undeveloped ex-industrial site in East London. The plan contains major land reclamation (200 hectares), plus the construction of transport facilities and parkland. The sporting venues and Olympic Village will be converted for post-Games use.

Where?

The main site contains land from four boroughs:

- Hackney
- Tower Hamlets
- Waltham Forest
- Newham

Most of the events will take place on this site, with others happening in neighbouring Greenwich (considered the fifth host borough) and Central London. Tennis and boating events will be further afield, and the football will be at various UK stadiums in the early rounds before a Wembley final.

Key builds on the site are the Olympic Stadium; Aquatics Centre; Velopark; Olympic Village; Broadcast and Press Centre, and the transport hub at Stratford City. The Stratford interchange is integral to, but separate from, the overall Olympic project – and is not covered by the Olympic funding described below.

When?

Early elements of the plan are underway, including land purchase, burying powerlines, and transport-system construction. Venue construction will pick up momentum in 2007 and continue until 2012, with most of the venues scheduled for completion in 2011 for testing.

How much?

At the time London was chosen to host the 2012 Games, total costs were estimated at around £5.4bn. Infrastructure costs were estimated at nearly £2.4bn, plus just over £1.0bn for the wider regeneration of the area post-2012.² Separately, it was estimated that staging the Games would cost £2.0bn – and this money would be raised privately.

The total cost is now set to rise further.

Costs break down as follows:

<i>Running the Games:</i>	£2.0bn
<i>Building the site</i>	
● Games site and infrastructure:	£2.4bn
● Cost overruns to date:	£0.5bn
● Delivery partner:	£0.4bn
● Security costs: unknown	
– current estimate:	£0.2bn ³
● VAT: unknown – current estimate	£0.25bn
● Contingency fund of 20-60 per cent:	unknown
<i>Other costs</i>	
● Regeneration:	£1.0bn
● Preparing UK athletes:	£0.3bn

The unknowns in the budget will push up the final costs. The London Assembly suggests that the final budget could be as high as £8-10bn (Campbell, 2006).⁴

Who is paying for it?

Running the Games

- Covered through revenue ticket sales, corporate sponsorship, official suppliers, and a grant from the International Olympics Committee (IOC) (this grant includes a portion of TV licensing revenues).

Building the site

- Core costs covered by National Lottery

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2. This infrastructure expenditure is not entirely an Olympic expense, and is not always included in Olympic budget calculations.
3. This is the original security cost estimate at the time of the bid (before July 7 attacks). It is thought to be far understated. Ken Livingstone has already suggested the estimate has risen to £0.85bn (Campbell 2006), which is still short of the amount spent on security for the Athens Games (£1bn).
4. Costs may rise for a number of reasons. London's security bills may well rise further, depending on international events. And the ODA has requested a further £1-1.5bn to cover regeneration. There is some dispute about how far infrastructure costs will rise – HM Treasury suggests cost overruns could be 60 per cent, while the ODA suggests a figure of less than 30 per cent (see BBC 2006, Gardiner 2006, and Beard 2006).

“Many of the gains in the area will stem from the broader LLV strategy and investments, rather than from the Games directly.”

(£1.5bn), LDA (£0.25bn) and London council tax payers (£0.63bn). Londoners will pay £20 extra council tax every year for 20 years.

- Overruns, VAT, security and contingency – unknown. Overspends are due to be met by a mixture of London council taxpayers and the National Lottery, but the balance of contributions is not yet clear.

Other costs

- Regeneration costs funded by the taxpayer
- Additional athlete preparation covered by HMT (£0.2bn), private sector (£0.1bn – not yet guaranteed)

Who is in charge?

There are four key organisations:

- The London Organising Committee of the Olympic Games (LOCOG) is responsible for

the preparation and staging of the 2012 Olympic and Paralympic Games.

- The ODA (Olympic Delivery Authority) is responsible for delivering the Olympic venues and infrastructure, and acts as a single planning authority for the Olympic Park.
- The London Development Agency (LDA) oversees the regeneration and economic development legacies for London – and is the owner and assembler of the land of the site (which is leased to the ODA).
- The Department for Culture, Media and Sport (DCMS) is responsible for delivery of the legacy of the London 2012 Games (UK-wide).

Sources: Salman 2006, DCMS and PWC 2005, UBS 2006, *insidethegames.com*, Campbell 2006, Gardiner 2006, Beard 2006

strategy, which can help boost confidence and private investment.⁵ Also, funding streams and delivery arrangements are more certain with the Olympics than with the broader LLV Regeneration project, again helping to boost investor confidence.⁶

The 2012 Games will help support the LLV Regeneration efforts. But projections of the Olympic benefit need to be viewed with caution. Many of the gains in the area will stem from the broader LLV strategy and investments, rather than from the Games directly. Similarly, not all of the costs associated with LLV are costs of the Games.

Labour market impacts

Existing studies suggest that net employment benefits are likely to be relatively small, as was the case in previous Games:

‘Overall, the direct employment consequences of the Olympics should be a positive for East London, but a small scale positive.’
(UBS 2006)

This UBS study points out that even a generous estimate of 1,000 construction jobs going to each of Hackney, Newham, and Tower Hamlets would represent less than a typical annual fluctuation of construction employment in each of those boroughs (UBS 2006).

Geography of impacts

Employment impacts will vary by geography, with Greater London the biggest beneficiary (see Table 1, next page).

The Games are expected to add 38,875 net full-time equivalent (FTE) jobs to the London economy, and 7,966 to North East London. Most of North East London’s job gains will be in the years preceding 2012, with only 311 additional jobs post-Games.

This data indicates the location of created jobs, not the residence of those filling the positions. For example, we expect that most of East London’s construction jobs will go to non-local employees. One London official commented that they were aiming to do ‘as well’ as the Greenwich Dome project at

5. Stakeholder interview, September 2006.

6. For more on the LLV Regeneration Strategy, see Mayor of London (2006).

“Because of the specialist nature of stadium and sport construction, we can expect many of these jobs not to go to local residents.”

Table 1. Summary of net full-time equivalent (FTE) impacts on employment

Spatial level	Pre-event (2005-2011)	During event (2012)	Legacy/post-event (2013-2016)	Overall (2005-2016)
UK	2,955	3,261	1,948	8,164
Greater L'don	25,824	3,724	9,327	38,875
NE* London	7,344	311	311	7,966

Reproduced from DCMS and PwC (2005); data summarised from Blake (2005). (Data is for FTE jobs, direct impacts; figures are net.)

Notes: *Includes the East London area of the London Plan, including the following boroughs: Barking and Dagenham, Bexley, City of London, Greenwich, Hackney, Havering, Lewisham, Newham, Redbridge, and Tower Hamlets, as specified by DCMS and PwC.

The rows in this table should not be summed. The UK-wide impact is provided in the UK row. Impacts were considered for different areas. Due to displacement and shifting, the impact in London is greater than for the UK as a whole. We find this data to be reasonably consistent with other estimates, including UBS (2006) and Experian (2006).

securing local labour, where just 12 per cent of construction workers were local.⁷ Because of the specialist nature of stadium and sporting construction, we can expect many of these jobs not to go to local residents.

Sectoral impact, job shifting and displacement

Blake (2005) predicts 8,164 net FTE jobs will be created across the UK as a result of the Games, between 2005 and 2016 (Blake 2005). This job growth contains substantial churn. Industries of job growth include construction (9,560 FTE jobs), hotels (7,211 FTE jobs), bars (5,405 FTE jobs), and sports facilities (4,767 FTE jobs).

While construction industry impacts are relatively certain, employment impacts on hotels, bars, restaurants and other sectors are dependent on tourism. Estimates for Olympic impacts on tourism vary somewhat. Blake (2005) suggests that long term, the UK's tourist sector could grow up to 7 per cent by 2016, or – less likely, and on the other extreme – shrink by 4 per cent as a

result of the Games.

Although the Olympic Park is unlikely to draw many tourists away from established London sights, East London may see increases in business tourism if the Olympic site proves suitable for conference events and gatherings (UBS 2006).

Job shifting and displacement effects must also be considered. Other industries will experience job losses, most notably manufacturing (-31,529 FTE jobs) and finance (-1,067 FTE jobs) (Blake 2005). Blake predicts the contraction in manufacturing will be mainly in the years leading up to the Games. This is because manufacturing will gain little from the construction activities, and will lose workers to the expanding construction sector's higher wages. This contraction can also be explained by the highly specialised nature of stadium and sport construction, where suppliers (manufacturers) may not be as likely to be local as the more traditional construction work that is being displaced.⁸ Such shifting is good for longer-term employment only if it is in line with post-Games demand, otherwise it may be counter-productive.

7. Stakeholder interview, October 2006.

8. Stakeholder interview, October 2006.

Atlanta 1996

Almost entirely privately funded, Atlanta attempted little in the way of regeneration and struggled with image issues, both domestically and abroad.

What worked

- Put Atlanta on the map internationally
- Use of temporary and existing facilities was efficient

What didn't work

- Conflict among residents, the business community, and local officials
- Atlanta was 'virtually at war with journalists,' which was reflected in coverage (Whitelegg 2000, p 811)

Sources: Newman (1999), Preuss (2004), Whitelegg (2000), French and Disher (1997), Humphreys and Plummer (1992)

“London’s international brand is already strong. But the image gains to East London could be substantial.”

Soft benefits

It is too early to say whether the Games will achieve the wholesale regeneration of inner East London. Hopes are high that the Olympics will reposition and rebrand the host boroughs, triggering investment and raising local aspirations.⁹

The Lower Lea Valley will undergo massive change and investment in the next decade, and the Olympics will be a part of that process. We already see clear evidence that London 2012 is helping to bring forward investment into the LLV. Transport improvements in East London were already planned, but they now have a firm deadline.

This increased certainty around transport and other infrastructure improvements has given an added boost to the area. One major retailer told us that its decision to locate a store in the area was influenced by attention on the Olympics.¹⁰ And we believe that London 2012 is making many in the private sector take another look at the LLV.

There is evidence that London’s Games will increase civic pride across the UK. One study suggests intangible benefits to UK residents worth the equivalent of around £2 billion. Surveys reveal that the average

Londoner is willing to spend about £22 per year for 10 years for the intangible benefits of hosting the Games. Perhaps more surprisingly, the average non-Londoner (estimated from surveys in Manchester and Glasgow) is willing to pay £10 per year for ten years for these benefits (Atkinson *et al* 2006).

Image is set to be a key element of the legacy of the London 2012 Olympics. In terms of the UK as a whole, there may be a gain in terms of image, increasing tourism and raising international profile. With London’s already-strong international brand, the risks in terms of damage to image are potentially great, while the gains for London are likely to be small. But the much-needed image gains for East London could be substantial.¹¹

London 2012 is also hoping to capture the imaginations of hard-to-reach UK groups, bringing them into training programmes and other public services. The London Employment and Skills Taskforce (LEST), an idea set out by ippr and Demos (Vigor *et al* 2004), is hoping to improve training for disadvantaged residents both for jobs related to the 2012 Olympics and more broadly (LSC and LDA 2006).

LEST recently announced the Pre-Volunteer Programme (PVP) and London Employer Accord, to help connect local residents to Olympic opportunities. The PVP will train up to 20,000 people from the most disadvantaged communities in London. PVP graduates will then become part of the 70,000 London 2012 volunteers, and will – in theory – be connected to employers signing the London Employer Accord.

More broadly, the Employer Accord will help employment and training agencies to link up with businesses to facilitate opportunities for disadvantaged residents (LEST 2006a, 2006b). In addition, the Construction Skills Academy will help provide training for local residents, and aim to connect them to local employment opportunities.

9. Stakeholder interview, September 2006.

10. Stakeholder interview, October 2006.

11. Stakeholder interview, September 2006

Lessons for London

The Games are still over five years away – but the big decisions need to be taken now. So what are the strategic lessons for decision-makers in London and in Whitehall? Following are five key lessons.

“Local residents need to be better informed about the likely impacts of the Games, so they can respond sensibly to the different opportunities on offer.”

1. *Be realistic*

Ministers, the GLA, Boroughs and ODA need to keep expectations reasonable around the direct benefits of the Games. There is a danger of overstating the case, and stoking excessive expectations.

Lyn Brown, MP for West Ham, reports that many of her constituents believe the London 2012 Games will provide a whole new quality of life – with new homes, jobs, and educational opportunities (Brown 2006). Other studies have highlighted potential gaps between residents’ expectations and likely real impacts (Carey and Ahmed 2006).

These misplaced expectations have been encouraged by ambitious statements from ministers and others. For example:

- ‘The jobs bonanza from the 2012 Olympics will be used to lift thousands of children out of poverty, Chancellor Gordon Brown said today.’ (Waugh, 2006).
- ‘The Government believes that the London 2012 Olympic games and Paralympic games present a huge employment opportunity for local com-

munities in east London which suffer from low basic skills and high unemployment’ (Richard Caborn, Sports Minister, 2006).

- ‘Here in East London, the Olympics are a huge opportunity to attack the high levels of worklessness’ (David Miliband, Secretary of State, 2005, quoted in Crookston 2006, p. 1).
- ‘Much has been made of the potential jobs created by the construction boom for local people who are out of work’ (Niven, 2006).

Local residents need to be better informed about the likely impacts of the Games, so they can respond sensibly to the different opportunities on offer. Olympics delivery partners and local government should be clearer and more realistic with local residents about the actual opportunities available.

2. *New jobs, but not for everyone*

The number of London 2012 jobs is likely to be relatively small. In addition, many of these jobs will likely go to those living outside the host boroughs. The London labour market is vast and even low-skilled workers are able to commute and compete against residents in the LLV for jobs (Crookston 2006, Gordon 1999).

The London Employment and Skills Taskforce (LEST) Pathfinder partnership includes the five host boroughs, the GLA, Jobcentre Plus, Learning and Skills Council, LDA, ODA, and private-sector stakeholders. So far, plans include augmenting existing training and other schemes, as well as new programmes, to connect LLV residents to Olympic opportunity. Most of this activity is expected to be covered by existing budgets.

Looking ahead, it is important that these programmes continue to recognise the complexity of problems faced by LLV residents, who include some of the capital’s most deprived. As Crookston (2006) suggests, intensive programmes – including child care and transport – would be needed to connect

Sydney 2000

The Sydney Olympics prioritised a sustainable Olympics and made international image and tourism promotion a priority.

What worked

- Established the ‘Green Games’ precedent
- Government investment in international campaigns to boost tourism profile
- Boosts in national pride

What didn’t work

- Post-Games ownership and use of venues was unclear; some of the new sports venues have been left empty for long periods.

Sources: Madden (2002), Preuss (2003), Chalip (2002), Tibbott (2001)

Athens 2004

Athens succeeded in completing its Olympics infrastructure at the last minute. Post-Games, there is some concern about general economic decline in Greece, and limited use of facilities and infrastructure.

What worked

- Athens adjusted flexibly to unprecedented security measures

What didn't work

- Though still early, some transportation is not meeting with as much post-Games demand as expected
- Post-Games, the Greek economy has struggled
- Greece's tourism industry has fallen out of the world's top ten destinations.

Sources: Kasimati (2003), Balfousia-Savva *et al* (2001), Papanikos (1999), Blake (2005), World Tourist Association data, in UBS (2006)

“Residents should be equipped for job opportunities where possible ... but there will be a limit to the scope and effectiveness of these programmes.”

local residents to jobs and make them competitive applicants.

Relatively few LLV residents will end up in Olympics jobs. As one representative from the construction industry put it, a good number of the construction jobs for the Olympics will be highly specialised: ‘It doesn’t make sense to train up East Londoners in Astrourfing.’¹²

Residents should be as equipped as possible for the full range of opportunities available, and LEST can help this process. But there will be a limit to the scope and effectiveness of these programmes.

3. Marginal benefits outside London

The hard benefits of the Games are likely to be London-centric, and it is important that expectations in the rest of the UK are kept in check.

There is potential for other non-London locations to gain some employment and investment benefits – for example, hosting the US’s or Australia’s training camps could bring in over 1,000 athletes and support staff for a month or so.¹³ Equally, tourists put off London during the Games could be encour-

aged to visit other parts of the UK.

But expectations outside London feel over-inflated. Some Regional Development Agencies have excessively high hopes that jobs and investment benefits will spread right across the UK.¹⁴ Local strategies are gearing up to bring in tourists and attract training camps. Birmingham estimates that it could benefit by up to £10m from the London 2012 Games. Sheffield is hoping for up to £15m (Culf 2006). And Doncaster is hoping its airport will make it an Olympics training and tourism destination.¹⁵ Is this realistic?

The expense of regions competing against each other for these benefits could whittle away any gains. The Government should caution regions against competing unnecessarily for Olympic investment. Instead, regions should look for collaborative opportunities (for example, as suppliers) and share in the Games investment. In practice, outside London and the South East, job and investment benefits will be limited.

4. Focus on the soft stuff

Soft impacts are likely to be substantial and lasting. Most obviously, the Games will bring forward investment and help kick-start the regeneration and repositioning of the LLV. The delivery of substantial infrastructure projects will be accelerated, with considerable improvements to the physical landscape, business and residential environment.

More broadly, London as a whole may derive image benefits from the Olympics. But given the capital’s existing profile as a thriving global city, additional effects may well be marginal (Shoval 2002, Crookston 2006). The key task for the GLA and Games delivery bodies is to minimise risks to London’s image and brand – both in the run-up to the Games, and in the delivery of the legacy afterwards.

Volunteers and Pre-Volunteers have an opportunity to gain skills and experience that

12. Stakeholder interview, October 2006.

13. Stakeholder interview, October 2006.

14. Stakeholder interview, September 2006

15. Stakeholder interviews, December 2005.

Sydney 2000

The Sydney Olympics prioritised a sustainable Olympics and made international image and tourism promotion a priority.

What worked

- Established the 'Green Games' precedent
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What didn't work

- Post-Games ownership and use of venues was unclear; some of the new sports venues have been left empty for long periods.

Sources: Madden (2002), Preuss (2003), Chalip (2002), Tibbott (2001)

“The delivery of substantial infrastructure projects will be accelerated, with considerable improvements to the physical landscape, business and residential environment.”

may help put them one step closer to employment. In this way, London 2012 presents a special opportunity to reach deprived residents and help put them one step closer to employment.

Benefits related to enhanced civic pride may be one of the major gains from the Games. These benefits can be enhanced through programmes like localised 'Street Olympics,' as recommended in ippr and Demos's 2004 report *After the Gold Rush* (Vigor *et al* 2004). Such activities would promote grassroots participation in neighbourhoods across the UK.

Health impacts could also be given more attention in these early phases of planning. The Olympic Park site promises to become a centre of physical activity post-Games, but as Vigor *et al* (2004) suggested, more could be done to encourage walking and cycling networks throughout the host boroughs, and to boost youth sport through growing the UK School Games (an idea first set out in Vigor *et al* 2004).

5. Be clear about costs

Cost overruns are not unusual. Mega-events can often double in cost from bid to completion (Preuss 2004).¹⁶ But the uncertainty around the 2012 budget is a real concern, not just for London but for the rest of the UK. The main risk for the rest of the UK is that

funds for delivering the Games are diverted from local programmes into the Olympic site.

In 2003, the Government and the Mayor of London agreed that cost overruns should be split between the National Lottery and the Mayor (DCMS 2003). With cost overruns from the initial budget now imminent, Mayor Ken Livingstone has suggested that central government should foot the bill: 'We are still in the early stages of what that additional cost may be but... clearly that is something that must be funded by the government.' (BBC, 15 November 2006)

Uncertainty does not just have impact on the Games. The use of Lottery and mainstream government funding is ultimately a transfer of national funds for use in London (Blake, 2005). So, for other regions, further diversion could be worrying. For example, Camelot, the private lottery operator, estimates that around 60 per cent of the money raised from the Olympic lottery may be diverted from other lottery games (DCMS 2006b). And Bill Elson, of the London Thames Gateway Forum, has already expressed concerns that an Olympic diversion of funds will affect the Thames Gateway project (Elson 2006).

Conclusions

The Olympic Games offer potential economic development benefits, but over the years they have not proven to be a windfall, so they must be carefully managed to maximise the benefit.

Done wisely, the Olympics can deliver London a significant economic regeneration dividend. The key benefits are less tangible and longer term – particularly the catalyst effects on the delivery of investment into East London, and the subsequent kick-start to the regeneration and re-imagining process.

Outside of London and the South East, the hard benefits of the Games are unlikely to be substantial, and it is important to get them into perspective. Other regions and cities should avoid competing for tiny slivers

16. For more on mega-events see Flyvbjerg *et al* 2003.

“The Games will not effect an instant transformation, but they will make an important difference.”

of Olympics jobs or investment, but they should harness all the civic and social benefits that will be available.

The promises of an Olympics legacy for London are real. The Games will not effect an instant transformation, but they will make an important difference. The task now is to set expectations in perspective and to make the most of the Games.

Annex A: ‘Hard’ and soft’ benefits of previous games

Our analysis of the economic impacts of the 2012 Games is based on a historical assessment of the ‘hard’ and ‘soft’ benefits of previous Olympic Games.

The first section of this Annex covers the hard benefits to the labour market, housing market, key business sectors and infrastructure investment. The second section covers the intangible, soft benefits to city image, the bringing forward of other investment and improvements to civic pride and health.

To aid comparison across cities, as closely as possible we cover investments directly related to the Games themselves. Where possible, we compare the actual impact of past Games with ‘no-Games’ scenarios.

‘Hard’ benefits

Labour market impacts

It is difficult to isolate how many jobs are created as a result of the Games and even more challenging to determine cost per job and value for money. But the balance of evidence indicates that net employment benefits are often short-term and relatively small.

First, experience shows that most Olympic-related short-term employment consists of pre-Games construction and Games-time service jobs (Preuss 2004, Blake 2005). In Sydney and Barcelona, there is evidence that the Games jump-started longer term jobs growth in the conference/events and tourism sectors, respectively, but these opportunities appear few. There is potential for govern-

ments to use the catalytic effects of the Games as economic development tools. But as an economic development strategy, the Games may be no more effective than alternative public investments (see evidence from Baade and Matheson (2002) below).

Second, the *number* of net jobs created is likely to be relatively small – and many official projections present gross estimates, which may be misleading. The Games themselves add jobs to the local economy, but they also cause displacement and crowding out of other jobs.

Quality of data sources should be considered. For example, some of the studies that cite impressive numbers of Olympics-created jobs use gross, not net, figures. Such studies include:

- Atlanta – 77,026 jobs (Humphreys and Plummer 1992)
- Barcelona – 296,640 jobs (Brunet 1995)
- Sydney – 53,600 jobs (Madden 2002).

In contrast, most independent studies say the net employment impacts of the Games are quite small (Preuss 2000, Preuss 2004, Kasimati 2003, Baade and Matheson 2002, Blake 2005). For example:

- Evidence from American economists Baade and Matheson on the Los Angeles and Atlanta Olympics indicates net employment gains were modest at best – with 5,043 jobs created in LA during the Games, and no net gains afterwards (Baade and Matheson 2002).
- In Atlanta, in an unlikely best-case scenario, the public cost per each full- or part-time Olympic job was US\$63,000, which was comparable to the cost per full-time job for other public investments in the region (ibid).

Housing market impacts

The Olympics have not shown a consistent direct impact on house prices. For a start, some Olympics use mainly existing facilities or new constructs that are not in residential areas. Additionally, the direct infrastructure (stadia and athletic facilities) associated with

“Based on past Games, the sectors that stand to benefit most are construction and front-line services (hotels, restaurants and Games-related hospitality)”

the Olympics can have varied impacts on local communities, some positive, others negative. Depending on the design, some stadia, for example, bring noise and traffic that can be unpleasant.

The impact on housing markets will vary widely, depending on the Games plan and the use of secondary investment in transport, shops and broader regeneration. Some host cities – Barcelona and Athens, for instance – converted their athletes’ villages into conventional housing, which delivers a direct housing impact. Atlanta demolished houses in neighbourhoods near the Games, increasing house prices, but displacing local residents and diminishing quantity of affordable housing.

An indirect impact on house prices is likely, but neither consistent nor clear. In London, for example, there is conflicting evidence. The Halifax House Price Index indicates that the five Olympic boroughs experienced varying levels of growth. Three of the boroughs saw growth of house prices at or below the Greater London average in the year following the bid. The other two boroughs (Hackney and Tower Hamlets) saw house prices grow at more than twice the Greater London average.¹⁷

Land Registry Office data indicates less impressive growth following the bid announcement. Average house prices in four out of the five Olympic boroughs grew at a lesser rate than in Greater London as a whole.¹⁸ These are only indications, however, and we cannot be sure what role the London 2012 Games, as opposed to transport and other investments, played in price changes.

Business impacts

What about the impacts on markets for goods and services? Based on past Games, the sectors that stand to benefit most are construction and front-line services (hotels, restaurants and Games-related hospitality)

(Preuss 2004, Blake 2005).

With careful planning, some host cities have used the Games as one part of a strategy to raise long-term demand in associated sectors, notably tourism and conferences/events. Increases in infrastructure capacity (hotels and other venues) have been leveraged through image benefits and city marketing efforts.

In Barcelona, for example, tourism rose from 2 per cent of GDP before the Games to 12.5 per cent of GDP afterwards, and had grown to 15 per cent of GDP by 2005. Overnight stays increased by 87 per cent between 1990 and 1997 (Daly and Fickling 2002, Chibber 2005, UBS 2006).¹⁹

In Sydney, conference bookings have increased since the Games (Madden 2002), although other measures suggest that tourism gains were below expectations (partly because of a pre-Games decline and the events of September 11, 2001).

However, the Games may also discourage people from visiting the host city.²⁰ Pre-Games, some visitors are turned off by the Olympic construction. For example, tourism in Sydney dipped before the Games (Madden 2002). During the Games, ordinary tourists are replaced by Games tourists, who have different spending patterns, leaving some businesses, like restaurants, with declines in trade (Blake 2005). Tourism benefits in the host city may be somewhat offset by fewer tourists to neighbouring areas, which happened in Barcelona and Los Angeles (UBS 2006).

Not all Games bring tourism benefits. Post-Games, Greece has fallen out of the world’s top ten destinations (World Tourist Association data, in UBS 2006). It is too early to know how much of this is Games-related, or how long the trend will last, but it does indicate that not all Games bring a tourism boost.

Most employment gains are likely to be local

17. Data on house prices, especially this recent, will be subject to future revision and should be viewed with caution.

18. Growth in percentage terms. Author’s calculations of Land Registry Office Property Prices database, Crown Copyright. Comparison of growth over time period: Apr/Jun 2005 – Apr/Jun 2006.

19. With Barcelona’s particularly tourist-friendly waterfront redevelopment, we cannot assume that the entire gain in tourism is attributable to the Games, although we believe that a significant portion of the tourism gain in the years closest to 1992 was directly related.

20. One study by the ETOA (2006) goes as far as reporting that there is no strong link between athletic events and gains in tourism.

“The sectors gaining from the Games tend to be those that provide local and/or face-to-face services.”

“In some cases, it is better to build a temporary venue and not incur post-Games upkeep expenses.”

to the host city’s region or province.²¹ The sectors gaining from the Games tend to be those that provide local and/or face-to-face services. There are limited opportunities to redistribute these benefits around the host country.

Impacts of infrastructure investment

Most Games tend to involve major infrastructure investments, and these are often adapted from existing development strategies – hence the ‘pulling forward’ effect (see below). But other infrastructure investments are specific to the Olympics and would probably not otherwise have been part of the area’s development plan. These projects form the direct infrastructure benefits of the Games.

Of course, these include athletic facilities, which are often designed to be a positive legacy, providing sporting venues that can be used by residents or to host future large-scale athletic events. For example, Barcelona hosted the 2003 Swimming and Diving World Championships at its 1992 Olympic swimming facility.

But these benefits cannot be realised without sufficient planning and post-Games demand. Because of engineering and construction problems, Montreal’s Olympic stadium spiralled in cost from an estimated C\$150 million to C\$800million (CBC 1999). In some cases, it is better to build a temporary venue and not incur post-Games upkeep expenses. More recently, venues in Sydney and Athens have been left empty and are falling into disrepair. To avoid this, Atlanta relied heavily on constructing temporary venues, which was probably an efficient choice, given the relatively low level of post-Games demand generally.

The key is to match Olympics construction with post-Games demand as closely as possible to maximise benefit. This is the main reason that most Games have avoided dedicated – and expensive – transport infrastructure,

instead relying on existing networks or temporary solutions, such as dedicated bus networks and traffic lanes. Most Olympics-associated train lines, airport improvements, and new roads have been part of existing local development plans, as in Barcelona and London, for example.

‘Soft benefits’

The potential soft benefits of the Olympics include image gains, improved civic pride and health, and the acceleration of secondary investment. But these softer benefits are not always easy to isolate or assess.

Image gains

The image-gain potential of the Games is substantial. One report estimates that 95 per cent of the world’s population with access to a television will watch some part of the London 2012 Olympics (UBS 2006).

How will this benefit the host city? A good Games could substantially improve investor and visitor perceptions. After the Barcelona Games, more than 200 US companies opened an office in Catalonia (UBS 2006), and both Sydney and Barcelona experienced significant post-Games boosts in tourism, also as a result of the portrayal of positive images.²²

But image is not easy to control. For example, during Atlanta’s two weeks in the world’s spotlight, the press focused on the stiflingly hot weather, poor planning, poor transport, failing result service, and the fatal terrorist bombing at Centennial Park. Atlanta was ‘virtually at war with journalists’ (Whitelegg 2000, p. 811), as the international press presented the Games as a near-disaster.

Even a well-planned Games faces image risk. Host cities with an already high international profile are subject to higher levels of image risk (and potentially have less to gain) than lesser-known host cities (Shoval 2002).

21. Baade and Matheson (2002) discuss this in reference to Atlanta and Brunet (1995) in reference to Barcelona.

22. Atlanta also saw increases in business relocations after the Games, though these are not necessarily thought to be related to the Olympic image, both because Atlanta was already a rapidly growing city, and because the image projected during the Games was not hugely positive (as we explain). Also, the businesses that relocated went largely to the suburbs, not downtown, as the Olympic Organisers had planned (French and Disher 1997).

Barcelona 1992

Commonly thought to be one of the most successful Games, the 1992 Olympics transformed Barcelona, which remains the iconic image of Olympic regeneration.

What worked

- Brought forward extensive secondary infrastructure projects
- Infrastructure has found solid post-Games demand
- Very substantial international image and tourism gains

What didn't work

- Some residents were disappointed with displacement and lack of affordable housing post-Games.

Sources: Calavita and Ferrer (2000), Hargreaves (2000), Essex and Chalkley (1998), Daly and Fickling (2002), UBS (2006), Preuss (2004)

“Olympic projects can be agreed on too quickly, with inadequate research and scrutiny, resulting in hard-to-reverse planning and infrastructural errors”

For London, a terrorist attack is clearly a major risk.

Bringing forward investment

The most evident soft benefit of winning the Games is the ‘bringing forward’ of existing investment or regeneration strategies, because the Games represent an immovable deadline. This provides certainty for investors and delivery agencies, with the Games used as a catalyst for regeneration.

Within the economics of the Games, these investments are not completely attributable to the Olympics, as many would occur anyway if there is sufficient demand, but the value added by the Games can be substantial.

Barcelona is the classic example. After decades of inadequate infrastructure investment, city officials created a General Metropolitan Plan (GMP), which outlined development priorities for the city, long before the Olympic bid was made (Calavita and Ferrer 2000, Weaver 2003). Barcelona later brought forward several GMP elements as part of its preparations for the 1992 Games (Calavita and Ferrer 2000). The added momentum of the Games helped the completion of major secondary infrastructure investments, including transport improvements, the redevelopment of many urban squares, and revitalisation of the waterfront.

But moving projects through too quickly can also pose risks that must be managed. Olympic

projects can be agreed on too quickly, with inadequate research and scrutiny, resulting in hard-to-reverse planning and infrastructural errors (Preuss 2004). Sub-optimal planning may have played a role in some of the problems with Montreal’s stadium, for example.

Civic pride

The civic pride and social impacts of the Games are difficult to measure, but still substantial. These impacts can be lasting, for good or ill. For example, in Atlanta there were negative impacts, with the preparations divided by ‘race’, ‘vision’, and ‘questions of turf’, and accentuated divisions across gender and class (Rutheiser, 1996: 6).

By contrast, the Barcelona Games boosted the city’s civic pride (Botella 1995), despite some concerns that they were elitist (Garcia-Ramon and Albet 2000, Calavita and Ferrer 2000).

Health

The London 2012 Games have been championing potential health-benefit impacts to UK residents (London 2012 2004, DCMS 2006a, DCMS and PwC 2005). There is little evidence on such impacts (Vigor *et al*, 2004). One study cites evidence from Australia that obesity continued to increase before and after the Sydney Games (UBS 2006). This suggests that Games-related health benefits are not a given.

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