



**THE CASE AGAINST THE 2012 OLYMPIC
EQUESTRIAN EVENTS IN
GREENWICH PARK**

Economic Assessment

March 2009

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1 INTRODUCTION

- 1.1 The NOGOE report argues that Greenwich Park is not an appropriate place to hold the equestrian events in the 2012 Olympics as this would inevitably involve the serious risk of substantial damage to a major national and local amenity. Even if the Park were to be restored to something like its present state the expenditure would be a waste of money and provide no long term benefits.
- 1.2 This Addendum focuses on the question whether or not LOCOG's claim that "no other sites outside London could be delivered for a lower cost or sustain permanent facilities" is likely to be true.
- 1.3 There is nothing difficult or complicated about the essential economic arguments. All the available evidence suggests that there are alternative sites at which the events would cost less to stage and where the benefits would be greater and for which some legacy would be created. If this is correct, then to hold the equestrian events in Greenwich Park would be a waste of resources that should not be acceptable at any time and particularly not in present economic circumstances. It is surely imperative that those in authority should be trying to avoid unnecessary future burdens on the taxpayer and on the economy.
- 1.4 It has not been possible to obtain much useful information on these issues from the Olympic authorities. In these circumstances, this Addendum sets out what is known about the main types of cost and benefit that need to be taken into account, and compares the implications of using Greenwich Park with an alternative. It is assumed that all three equestrian events would be held in the same location.
- 1.5 We are in good company in questioning the wisdom of LOCOG's plans. A Times leading article on 25 August 2008 said:

" ... there are important lessons that London 2012's substantial delegation to Beijing ought to be bringing home. Like Beijing, London must share the games with the whole country. Weymouth will host the sailing. So let Badminton, Burghley or Chatsworth host the event (saving Greenwich Park possibly irreparable damage in the process), and take radical steps to ensure venues are filled with people who want to be there rather than crowds bused in for the cameras...." [emphasis added]
- 1.6 Since the evidence appears to be overwhelmingly against using Greenwich Park we also discuss possible reasons why LOCOG nevertheless persists in proposing to use it.

2 DIFFICULTIES IN OBTAINING INFORMATION

- 2.1 The Olympic Board and the ODA are public sector organisations. LOCOG is a private sector company, but it operates under the supervision of the DCMS (Mrs Jowell's Department) and its expenditure is underwritten by the Government.
- 2.2 Like ODA, LOCOG could be expected to adhere to the 'Seven Principles of Public Life' (the Nolan principles), which are copied below with emphasis added.¹

The Seven Principles of Public Life

Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict

¹ The LOCOG Head of Government Relations, Ms Nicky Hughes, has stated "...although the Nolan Principles are not imposed upon private companies, please be assured that we are very much aware of our role within the context of a publicly funded enterprise." (Email 15th January 2009).

information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

2.3 Both ODA and LOCOG are open to criticism against these criteria.

ODA

2.4 ODA commissioned a study by KPMG the purpose of which was partly to review the proposal to hold equestrian events in Greenwich Park. (see Section 5 of the Report – references to Sections throughout this Addendum will be to Sections in the Report). However ODA refused to publish a copy of the terms of reference, even when this request was put formally under the Freedom of Information Act. An appeal was made following the procedures laid down in the Act, and as a result the terms of reference insofar as they relate to the use of Greenwich Park were eventually released, in December. They are quoted in full below

“Consider and comment on the study presently being carried out by LOCOG (which will be made available to us [KPMG] on completion) looking at the issues associated with the delivery of the Olympic and Paralympic Games Equestrian and Modern Pentathlon Games at Greenwich Park London.”²

2.5 It is remarkable that ODA should ever have refused to publish such unspecific and unrevealing terms of reference.

2.6 ODA went on to say that it did not hold a copy of the LOCOG study on which it had commissioned the review, and suggested that LOCOG be asked to provide this. It is extraordinary that ODA, as the commissioners of such an important report should apparently not hold a single copy of the document on which it was based.

² Letter from Celia Carlisle, ODA Head of Legal, 11 December 2008.

- 2.7 ODA subsequently published the report by KPMG, with some parts blacked out ('redacted'). This document is reviewed in detail below; it is however remarkably uninformative.

LOCOG

- 2.8 Following the successful bid, LOCOG was vested with responsibility for selecting and setting up the Olympic and Paralympic sites, and should have been the natural source of information.
- 2.9 LOCOG has been asked to publish a copy of the "study" on which KPMG was asked to comment, with any commercially confidential information omitted as necessary, but it has not done so and its Chairman Lord Coe has ignored a personal request for its provision.³
- 2.10 LOCOG was also asked to identify the other sites it considered, and to say which its alternative would be if Greenwich Park were not to be available. However, it again has chosen not to do so (see Section 4.6).
- 2.11 LOCOG even claims that information used during the preparation of the London bid, in 2003, is commercially confidential.⁴
- 2.12 Despite being unwilling or unable to provide any evidence, LOCOG claims that it has made comparisons that show that Greenwich would be the cheapest place to hold the events and that this is an important reason why the Olympic Board proposes to have the events there:

"Given that no other sites outside London could be delivered for a lower cost or sustain permanent facilities the decision was taken by the Olympic Board to support LOCOG's position and keep equestrian events in Greenwich Park."⁵

- 2.13 A statement by the Olympic Board on 19th November confirmed the importance of LOCOG's view that costs would be less in Greenwich than elsewhere. The statement read: ...

None of the alternatives identified by LOCOG and considered by KPMG are in a location which is close enough to accommodate the Modern Pentathlon show jumping event which needs to be located close to the Olympic Park to allow the completion of all five events within one day;

³ Letter from John Hine to Lord Coe, January 2009

⁴ "During the process of selection in 2003 a number of venues were considered against a range of assessment criteria including the ability to host all three equestrian disciplines, existing infrastructure, public transport options, proximity to the Olympic Park and Athletes Village, ability to host modern pentathlon, venue costs, and accommodation. This information was compiled under confidentiality with other parties, and is therefore confidential to our records." [email from Nicky Hughes, LOCOG, 24 September 2008]

⁵ Email from LOCOG Head of Government Relations, Nicky Hughes, 19 December 2008. Similar statements have been made in letters signed on behalf of Lord Coe.

Any move away from Greenwich would therefore result in a doubling up of facilities with the need to build a separate Modern Pentathlon show-jumping facility close to the Olympic Park;

In addition, all of the alternative venues would also require the funding of additional accommodation as they are not within IOC guidelines for travel time from the Olympic Village;

Given these considerations, an alternative location for equestrian and modern pentathlon would not result in lower costs than Greenwich Park.

KPMG report

2.14 The KPMG Venues Location Report ⁶ published on 19th December then stated:

Based on the documentation and high-level costings provided by LOCOG, the costs of providing an alternative modern pentathlon facility together with temporary accommodation mean that it is unlikely that an alternative location could be delivered for a lower cost than the Greenwich Park option.⁷ [emphasis added]

2.15 However, no information was included in the report that would support this opinion, and it is clear that the KPMG work was severely limited in its scope. KPMG drew mainly on information provided by LOCOG and ODA, and spoke to very few others; indeed with no outsiders other than those whose names had been approved by LOCOG or ODA. A list of those that it did consult was provided by ODA in response to a FOI request; that revealed that KPMG had not themselves made enquiries of the provider of any equestrian facilities, either for all activities or of a venue that might be capable of providing the limited facilities required for the horse riding element of the Pentathlon. Presumably because they were not approved suppliers of information, KPMG also ignored offers from local amenity societies to discuss the issues.

2.16 KPMG's approach to their work is set out on page 3 of their report; in so far as it related, or may have related, to the equestrian events, it consisted of:

- (a) considering LOCOG internal documentation available on the Equestrian event
- (b) discussions with key personnel from the ODA, LOCOG and the DCMS
- (c) discussions with a small number of third parties approved by the ODA, LOCOG and/or DCMS

2.17 KPMG added that:

⁶ It is not clear as to whether the "Conclusions" published on the Olympics 2012 website on 19 December 2008 constitute the entirety of KPMG's report, or whether a more comprehensive body of work underlies what has been published. KPMG's cover letter dated 12 December and addressed to ODA does not make this clear, but what has been published would appear to be the entirety of the report on the work that the consultants undertook

⁷ KPMG report published on London 2012 website in December 2009.

- (a) KPMG did not make direct approaches to venue operators or third parties, other than those approved by ODA or LOCOG
- (b) Much of the information provided for the purpose of exploring different options was prepared at a high level and “would require more detailed analysis if alternative venue options are sufficiently attractive to be pursued further”.
- 2.18 KPMG described the costings provided by LOCOG as “high level” and said that some were based simply on up-dating by a general price index the indicative figures used at the time of the bid, four or so years ago.
- 2.19 The report was also heavily caveated; see KPMG’s covering letter and the Important Notice on page 2 of the report. The letter included the following:
- “...you [ODA] have agreed that this final written report supersedes all previous oral, draft or interim advice, report and presentations and that no reliance will be placed by you on any such draft, oral or interim advice, reports or presentations, other than at your own risk.
- “Our findings are to assist you in your decision but you should note that they do not constitute recommendations to you as to whether or not you should proceed with your current plans or transfer any sports to the alternative venues that you are considering.”
- 2.20 It follows that the Olympic Board’s decision to maintain its preference for the Greenwich Park site for equestrian events in November 2008 was taken at that time at the Board’s own risk and not, as the impression was given at the time, in reliance on anything provided by KPMG.
- 2.21 The Important Notice on page 2, to be read in conjunction with KPMG’s letter, contained the following statements:
- In preparing our report, our primary source has been internal management information and representations made to us by management of ODA, LOCOG and GOE [Government Olympic Executive]. We did not accept responsibility for such information which remains the responsibility of respective management. We have satisfied ourselves so far as possible that the information presented in our report is consistent with other information which has been made available to us ... we have not, however, sought to establish the reliability by reference to other evidence. [emphasis added]
- This engagement is not an assurance engagement conducted in accordance with any generally accepted assurance standards and consequently no assurance opinion is expressed.
- We draw attention to the limitations in the information available to us. We have had limited access to the management of the alternative venues considered or to other third parties⁸. [emphasis added].

⁸ As mentioned above, KPMG made no enquiry of alternative equestrian facilities.

We must emphasise that the realisation of the forecast prepared by ODA and LOCOG is dependent on the continuing validity of the assumptions on which they are based.

We accept no responsibility for the realisation of the projections

Our report makes reference to “KPMG” analysis. . . ; we do not accept responsibility for the underlying data.

. . . LOCOG have assisted us with the estimation of costs for alternative venues and provided oral [emphasis added] confirmation that the figures quoted in the report [in fact they have been redacted in the published version] provide a reasonable basis for comparative assessment.

- 2.22 KPMG’s approach and caveats have been set out at length because they overwhelmingly demonstrate that they were denied the opportunity to carry out any independent investigation of the information provided by ODA, LOCOG and GOE or to make any independent enquiries of their own. It is perhaps not surprising that the most that KPMG are prepared to say in relation to the Greenwich Park venue is that

Based on the documentation and high-level costings provided by LOCOG . . . it is unlikely that an alternative location could be delivered for a lower cost than the Greenwich Park option. [emphasis added]

- 2.23 It would be difficult to compose a weaker endorsement.

- 2.24 None of the alternatives identified by LOCOG would apparently have been able to sustain any permanent improvements in infrastructure;⁹ in other words, the alternatives suggested by LOCOG were no better in this respect than Greenwich Park. It is surprising to think (if indeed it is the case) that in considering alternative venues LOCOG only looked at venues which did not have existing facilities that could be improved, thereby providing the permanent legacy that is not available in Greenwich Park.

- 2.25 However, if the statement is correct, it would be a matter of grave public concern that LOCOG should have failed to have consider the possibility of improving existing international venues at what would be likely to be significantly lower cost than the Greenwich forecast in order to make it appear that another venue was “unlikely” to be less expensive.

- 2.26 LOCOG’s approach may also explain KPMG’s conclusion:

The current proposal and the suggested alternatives make use of either temporary or existing arenas and provide no permanent infrastructure legacy.¹⁰

- 2.27 If LOCOG excluded from its comparisons any sites in which there could have been lasting positive legacies, it seriously biased the analysis. It is also difficult to understand how no

⁹ Email from Nicky Hughes op. cit.

¹⁰Op. cit.

permanent infrastructure legacy would be left if an existing arena were to be adapted for the Games (see para 5.9 - 5.10 below].

- 2.28 In addition to having had its hands effectively tied to prevent any independent venue assessment, the KPMG report makes no reference to factors that are fundamental to any valid conclusions about value for money. It makes no reference to:
- (a) environmental costs; nor to
 - (b) transport costs; nor to
 - (c) social costs; nor to
 - (d) second-round economic impacts on the local economy.
- 2.29 The reluctance of LOCOG to publish relevant information may be because it does not in fact have such information, or it may be because it thinks that others would not agree with the conclusions it has drawn.
- 2.30 DCMS, the Government Department that is charged with oversight of LOCOG, has said that the decision to include Greenwich Park as the site for the equestrian events in the bid document was not in fact based on a comparison of the costs and benefits of alternative sites. DCMS states:¹¹
- In terms of alternative sites for the equestrian events, I should explain that this is a matter for LOCOG as responsible authority for the staging on [sic] the Games. Greenwich Park was selected in conjunction with the international governing body for equestrian sport, the Federation Equestre Internationale and the British Equestrian Federation as the site which provided a stunning backdrop to the equestrian events and was located close to the Olympic Park and Village – the centrepiece of the Games. Proximity to the village as part of a 'compact games' was instrumental in London's winning bid being selected by the International Olympic Committee in Singapore in 2005. It is also important to note that Greenwich Park was not selected on a simple cost-benefit basis, but considered by LOCOG as part of a range of factors.
- 2.31 Thus on the one hand we have the Olympic Board and LOCOG saying that it would cost more to hold the equestrian events anywhere other than Greenwich but refusing to provide any evidence to support this, while on the other hand the DCMS say that in its view the decision was largely political, with emphasis on what was thought likely four or five years ago to help win the bid, and on the “stunning backdrop” in Greenwich Park.
- 2.32 The present and expected economic problems for the UK as a whole mean that it is even more important than it would be in a more prosperous period that money is not wasted

and that the Games are planned so as to leave a positive legacy wherever this is possible.

3 POSSIBLE ALTERNATIVE VENUES

- 3.1 Alternative possibilities are considered in Section 15. It is not an exclusive list, but NOGOE has suggested Hickstead, Windsor Great Park and the Royal Veterinary College and four racecourses, which would have excellent facilities for the accommodation and care of horses.

4 COST COMPARISONS

Financial costs.

- 4.1 The financial costs estimated in the original bid in 2004 were US \$16 million. For comparability with other bids this was expressed in dollars, but the costs would mainly be incurred in sterling. Allowing for exchange rate and inflationary changes since 2004, \$16 million would be equivalent to about £10 million in 2008 prices.
- 4.2 However, part of the general story of poor financial control in relation to the Olympics is that the costs are now expected to be much higher than those used in the bid and informal estimates now put the financial cost of holding the events in Greenwich Park at about £20 million. LOCOG has refused to publish any of its estimates.
- 4.3 If the events were held in one of the alternative sites already set up for international standard equestrian events, some informal estimates are that the financial cost would be £2 million - £4 million. This would include the cost of laying out a new cross-country course, so that the Olympic requirements are fully met, and to enhance all other facilities to the highest international standards. Other informal estimates suggest a slightly higher cost at the alternative site.
- 4.4 It is obviously not possible to be precise at this stage, and the costs would depend on which site was chosen, but it is quite clear why the costs would be much less than at Greenwich. Examples of outlays needed at Greenwich but either not needed at all or costing far less in an existing equestrian site include
- (a) Stabling.
 - (b) Seating for spectators.
 - (c) Veterinary facilities, including for dope testing.

¹¹ DCMS reply to Freedom of Information Request 108392, 15 January 2009.

- (d) Security for horses and spectators.
 - (e) Ground levelling.
 - (f) Accommodation for those looking after the horses on site.
 - (g) Jumps.
 - (h) Car parking or other transport facilities for competitors and spectators.
 - (i) Compensation for loss of income to existing businesses inside the site.
 - (j) Insurance.
 - (k) Repairs to the Park after the events have been completed.
- 4.5 There are no expenses that would be less in Greenwich, except for the need to provide for the show-jumping event in the Modern Pentathlon (discussed below). Press and VIP accommodation, currently scheduled for Queen's House and Naval College would also have to be provided in less iconic buildings but there is no reason why they should cost more.
- 4.6 This cost in an alternative site would be much less than in Greenwich because most of the accommodation required on site, together with physical equipment required is already in place, and the refurbishments and enhancements required would be relatively minor. However, whatever they were, they could remain: better stands for the public, better stabling for the horses, better doping testing facilities, better car parking, or whatever was most useful.
- 4.7 In Greenwich, because there is no likelihood of another horse ever appearing in the Park after the Olympics, all the facilities would be temporary in nature and costs would include removing them as soon as possible and repairing as much damage as possible.
- 4.8 In addition since there is so much obvious risk of damage to the World Heritage Site a series of studies are being conducted, none of which would be required at any of the alternative locations. We have asked LOCOG for the terms of reference and costs of these studies, but – in apparent contradiction to any duty LOCOG may have to follow the Nolan principles of openness and accountability – this request has been refused. It is thought that there are about four such studies, and we assume that the cost will be several hundred thousand pounds.¹²

¹² The work by KPMG discussed in this paper is reported to have cost £200,000 of which about one third will have related to Greenwich Park.

- 4.9 Another category of cost that would be incurred in Greenwich but not in any of the alternative sites is a loss of income whilst the Park is closed for:
- (a) The Planetarium
 - (b) Restaurants in the Observatory and Maritime Museum
 - (c) Use of tennis courts
 - (d) Use of cricket pitch
 - (e) Café and other catering facilities in the Park
 - (f) Parking fees in the Park
- 4.10 Apart from the catering facilities, unless any were to lay staff off none of these would save much expense as a result of their loss of business, so that the loss of revenue would approximate to the economic loss.
- 4.11 All this should be compensated by LOCOG.
- 4.12 There is also the question of insurance. Presumably, LOCOG would have to meet the additional insurance premiums that are likely to be required not only by the Park itself but also by the Rangers House, the Maritime Museum, and the Planetarium.
- 4.13 Even if the cost in the alternative site chosen were more than the £2 – 4 million quoted above, it is almost impossible to believe that the cost on Greenwich would not be more than double that elsewhere; and if our assumption is correct that the financial outlays in Greenwich would be around £20 million this would represent a saving of at least £10 million.

The modern pentathlon

- 4.14 If the equestrian events are not in close proximity to the main Olympic stadium, it would be necessary to provide a different site for the equestrian part of the modern pentathlon.
- 4.15 In Section 6, we propose that this part of the pentathlon competition could be held in a local Premier League football stadium. There would be little need for additional spending on security; and none for seating. LOCOG is hiring football grounds in other parts of the country and will know what the costs are likely to be. There would be some additional cost to LOCOG, but not very great. The order of magnitude might be £0.5 m or less.

Accommodation costs

- 4.16 If the equestrian events are held in Greenwich, the athletes would be given flats in the Olympic Village, but not the grooms etc, who would stay locally. If the events are held elsewhere, accommodation would not have to be built; existing facilities would be used. In current economic circumstances, it is likely that the ODA will make a loss on the Olympic accommodation (few private sector house-builders would voluntarily make such an investment). This means that accommodation costs would be reduced by making use of existing facilities outside London, or at least away from the Olympic Village.
- 4.17 Moreover, the money paid for the use of existing accommodation, whether this is in a university or the like (the Games are out of term time) or in hotels would be welcome additional income for the providers; making fuller use of existing assets would be the efficient solution.
- 4.18 If, for example, the events were held in Windsor Great Park, the competitors could use Royal Holloway College, which is very close; and all of the other sites would be able to provide accommodation as they do for other major equestrian events. No new flats would need to be built, and although the local colleges / hotels providing accommodation would benefit from some additional income there would surely be a substantial net saving in accommodation costs.
- 4.19 It is reasonable to assume that accommodation costs in Greenwich would be greater than in an alternative site, perhaps by several £ million.

Overall financial costs

- 4.20 Taking account of the implications for the modern pentathlon and for accommodation, we must assume that in purely financial terms it would cost some £15 – £20 million more to put on the equestrian events in Greenwich Park than in one of the alternative sites, perhaps much more.

Environmental costs.

- 4.21 In any of the alternative sites suggested in the Report there would be no obvious environmental costs. Not only are the equestrian facilities already largely in place, but the surrounding countryside and transport is able to cater for large numbers of visitors without needing any additional investments or causing congestion beyond the normal for large scale equestrian events of the sort to which many of the alternative sites are accustomed.
- 4.22 In Greenwich Park, there is a risk of possibly irreparable environmental damage in the Park itself, and the certainty of major congestion costs not only for local residents, but also for all the traffic (private, public and commercial) that has to pass through south-east London, either into central London or, through the Blackwall Tunnel to much of north London. This would be the case for up to the 60 days that ODA have proposed that their extraordinary powers should be in force (see the ODA quote in Section 13.7): both during the construction phase and during the games. The construction work would have a 'carbon footprint' that would be largely avoided if a more suitable site were used.

- 4.23 We cannot yet put a value on the likely environmental damage to Greenwich Park, but it may be very large, remembering the high quality of the Park at present (one of London's only four UNESCO World Heritage Sites) and the particular botanical and archaeological features. If LOCOG has done its job properly, it will have made an estimate of the environmental costs it is intending to impose.
- 4.24 There would be no environmental damage at the alternative sites.
- 4.25 We understand that The Royal Parks, who are responsible for the normal maintenance of Greenwich Park (this costs about £1 million per annum. in operating costs; no rent being paid for the use of the land) have not taken out any insurance against damage to the Park not being repaired or repairable, and that LOCOG has not yet offered any legally binding guarantee to the Royal Parks on this matter.
- 4.26 From an environmental perspective the balance of advantage is overwhelmingly in favour of using an alternative site, rather than Greenwich.

Social costs.

- 4.27 In alternative sites, there would be no social costs. The local communities are accustomed to large scale equestrian events, and there would be no need for any social facilities to be closed or damaged.
- 4.28 A quarter of visitors to Greenwich Park have children with them. Five per cent are visitors from abroad. Half are from socio-economic classes AB and half from CD. Two thirds of visitors to Greenwich Park expressing an opinion in a survey carried out for the Royal Parks rated overall satisfaction as 'excellent' and over a quarter rated it as 'good'.¹³
- 4.29 The fact that entry is free does not mean that it has no economic value. How many people would be excluded, for how long, and what value should be put on their exclusion?

Duration of closure

- 4.30 Parts of the lower area of the Park would be closed for six to eight months; and the Park as a whole for six to eight weeks (see Section 13 for further details).

Numbers of visitors

- 4.31 It is estimated that Greenwich Park has over 4 million visitors each year, an average of 11,000 to 13,700 per day throughout the year.¹⁴ There is a strong seasonal pattern with

¹³ Royal Parks website report of survey of park use, 2004

¹⁴ Estimate provided by Derrick Spurr, Park Manager. The numbers have been increasing; the latest full survey appears to have been in 1995 when there were estimated to have been 3.4 million visitors. However, in the poor summer of 2008, numbers were apparently back down to about the 2005 levels.

83 per cent of the 2004 annual total coming in April – September, and 34 per cent in August and September. The seasonal pattern doubtless varies from year to year but there are significantly more than average in the summer months when the Olympic closures and works would be taking place.

Deprivation values

- 4.32 The five per cent of visitors from overseas would typically have spent at least £6 if traveling from central London by public transport and some would have spent much more if coming by river or by car. Some interested in astronomy or history would attach a particularly high value to the visit. We assume a value of £10 on average for overseas visitors.
- 4.33 A quarter of visitors live outside London but in the South East of England. A travel cost of about £10 seems realistic here too, setting a floor to the value to these visitors.
- 4.34 The majority of visitors are Londoners. For many of those living locally, the costs incurred in getting to the Park are low; and the average value per visit might be lower – although certainly not for all, and the value for those with children and no gardens is particularly hard to assess.¹⁵ We have used an average figure of £5 for Londoners visiting.¹⁶
- 4.35 On this basis, the effects of closure per 100 visitors per day would be to reduce a benefit of the Park by $(25 \times £10) + (75 \times £5) = £625$, an average per visitor of £6.25. The social welfare cost might be higher or lower than this, depending on the consumer surplus above transport cost and the numbers who still come to the Park but gain less from the visit, and the numbers who stay away (thus saving themselves the transport costs). We make the working assumption that the figure of £6.25 per visitor is a reasonable representation of the social cost of closure.
- 4.36 During the period in which the Park is partly closed and partly open, we assume the loss of value per visitor is half this, recognizing the disbenefits not only of exclusion from parts but of the unsightly construction works etc, and the added inconvenience. For people who still come to the Park but can enjoy less of it and enjoy it less because of the partial closures and the building works, there is no saving of transport costs to be taken into the reckoning.
- 4.37 Suppose that during the periods of total or partial closure the numbers visiting would otherwise have averaged 60,000 a day (consistent with 4–5 million a year and an average in August of about four times the annual daily average), and that the Park would be totally closed for six weeks, and partly closed for six months (these appear to be more

¹⁵ On hearing of the proposed use of the Park for equestrian events for the first time, one local resident said: "But that will damage the Park. Why would they want to do that? I take my grandchildren into the Park often, and so does their Mum; they kick a ball about."

¹⁶ The cost of entry to Kew Gardens is £12 per person (concessionary rate).

optimistic assumptions than those being discussed by LOCOG) during which the average number of visitors would have been 20,000.

4.38 The cost would then be:

Total closure 42 days x £6.25 x 60,000 visitors = £15.7 m

Partial closure 182.5 days x £3.125 x 20,000 visitors = £11.4m

Total of above: £27 million.

4.39 The details of the calculation are spelled out not because they can be accurate – we do not know how long the Park would be closed, nor have we conducted a scientific valuation study – but to gain an impression of the likely orders of magnitude. The social cost of disruption and closure of the Park have to be measured in the low tens of £millions; and it would be particularly unfair to people without gardens.

4.40 In addition, there would be a continuing loss of amenity value after the Park is re-opened if it suffers lasting damage.

4.41 There would be no equivalent costs at any of the other more suitable sites.

Congestion and other transport costs

4.42 ODA is applying with LOCOG support for the right to close roads in the area, so that the Olympic officials, competitors and others involved (collectively, the 'Olympic Family') can move between Greenwich, the Olympic Village and central London hotels without being delayed in traffic jams. The cost of the added congestion for other less fortunate people has not been measured yet. It is likely to be very large indeed. Further information is included in Section 14.

4.43 In the alternative sites, there would also be added congestion from the Olympics, but commonsense suggests that it would be far less than in London. This is an issue on which more information would be needed from each alternative possibility.

4.44 The Department of Transport uses standard estimates of the cost of traffic congestion, based on the disbenefit of additional travel time. If these are applied to the likely increases in the time it will take to get through just the Blackwall Tunnel, estimates can be made of this type of social cost of LOCOG's plans. There is no indication in any of its statements or in the KPMG report as published that any attention has been given to this type of cost. Yet it would certainly be included in any appraisal conducted according to Treasury guidelines for public sector projects.

4.45 More detailed work will be needed on this issue; for the present, it is clear that this is another substantial economic cost of using Greenwich that must be taken into proper consideration. It would not be surprising if this cost were also to be measured in £ million.

Security

- 4.46 There will be further material costs to be assessed and paid when a full assessment has been published of the security issues. Section 14 contains LOCOG's views on what are likely to be the principal security issues affecting the Park and local residents. .

Second round effects in the local economy.

- 4.47 If the equestrian events are held in Greenwich, some local retail businesses, pubs and restaurants would gain from spending by visitors to the Olympic equestrian events, offsetting to some extent a loss of income from reduced numbers of visitors whilst the Park is partly or completely closed. Local retailers are beginning to worry that the congestion will drive away local customers on whom their long-run business depends
- 4.48 Any local householders setting up as temporary bed and breakfast providers or moving out of the area altogether to let out their houses could do so for visitors to the Olympic Village; the additional numbers visiting the equestrian events would make little difference. Other local businesses would not be affected either way by visitor spending, but would be harmed by increased congestion on roads and railways.
- 4.49 The effect on the value of houses in the area would probably be negative, due to added congestion and loss of amenity. If the venue is not changed, some of those nearest to the Park are unlikely to be saleable until after 2012.
- 4.50 In the other sites considered here the additional visitors would not damage any local businesses, but increase the income of those catering for them. There would be no cost corresponding to the damage to the local economy from the closure of and damage to the Park, nor to the added congestion of already over-crowded roads etc. during the period of construction and during the Games

Risks

- 4.51 There are a number of respects in which the risks, and therefore the costs, involved in holding the events in Greenwich Park would be greater than in other possible sites:
- (a) Insurance costs would be higher, to cover against damage to the Maritime Museum, the astronomical centre, the Ranger's House, etc.
 - (b) A legally watertight guarantee would need to be negotiated between The Royal Parks and LOCOG to ensure that the costs of repairing damage caused to the Park itself would all be reimbursed. This issue had not been considered before we raised it last autumn, and our understanding is that still no firm arrangements have been put forward by LOCOG.
 - (c) Security costs will inevitably be higher; the Park is not a secure location, whereas the other sites will already have security for the horses etc. Additional precautions will also have to be taken by reason of its location in a high profile, but suburban setting.

5 COMPARISONS OF BENEFITS

For competitors and horses

- 5.1 A site in which equestrian events already take place would be far better, the cross-country course and the ancillary facilities being designed without the problems that exist in Greenwich Park of 3,000 trees, acid grassland and extensive archaeological remains (Sections 9 – 11). Another site would enable many tens of thousands of spectators to view the competition, which is by far the most exciting part of a Three Day Event.
- 5.2 After the Olympics are finished, equestrian sport would benefit from improved facilities remaining at one of the natural locations; there would be no corresponding benefit at Greenwich.
- 5.3 A successful Olympic event in a location in which there will be continuing equestrian sport would also have a positive legacy in terms of public involvement, whereas in Greenwich there is a risk of resentment – a sport already sometimes seen as ‘elite’ will have been imposed on an unsuitable site with no account taken of the interests and reasonable views of the community. There was no public consultation before Greenwich Park was included in the Olympic bid.

For spectators

- 5.4 The other sites considered here would all have better facilities, and would cater for far larger numbers. Simply to illustrate the potential interest at a larger site, the crowd at Badminton on cross-country days is about 100,000 and about 250,000 over all four days.
- 5.5 In one of the other sites car parking fees in 2009 are £8; and tickets cost between £10.50 and £21.00 (for the cross-country events). There would be little if any scope for revenues from this source at Greenwich, so LOCOG would again be losing financially.
- 5.6 Of course we do not know precise numbers and the ticket /parking charges have not been decided, but this suggests that the order of magnitude of lost revenues at Greenwich could be well over £1 million; and the lost consumer surplus would be higher.
- 5.7 If Greenwich Park is not used for the equestrian events, it could be one of the places in which a large TV screen is set up, for those wishing to watch Olympic events in this way. It would also be a wonderful place for visitors to the Olympics to relax, increasing overall enjoyment of the Games. The value of the Park, used in this way, would be considerable.

For advertisers and sponsors

- 5.8 There would be little difference in the likely revenues from television advertising. The ‘iconic buildings’ background at Greenwich would have appeal; as indeed would the background at Windsor or another of the countryside sites; but on the other hand, the larger and more professional setting at the alternative sites would also count. All are in beautiful countryside, more appropriate for an equestrian event, and have other attractions. However, it seems rather unlikely that TV viewing numbers and therefore

advertising potential would be much affected by the background; there would be more interest in the competitors.

For the local community

- 5.9 In Greenwich Park there is no possibility of any significant positive legacy. The stands, jumps, stables, etc. would all have to be cleared away as soon as possible and the damage repaired as far as possible.
- 5.10 In an alternative site on the other hand, there would be a legacy of improved facilities to be enjoyed. If say £2 m – £4 m were spent, it is reasonable to assume that at least half would provide a lasting benefit so that the continuing value would be worth at least £1–2m.
- 5.11 It is almost self-evident that the costs of an Olympic Games could not be justified without the prospect of a positive legacy; but there is no possibility of this at Greenwich Park.
- 5.12 Other alleged legacy benefits are considered in Section 16. Greenwich would not benefit from publicity for damaging its World Heritage Site in order to put on an Olympic equestrian event in what may well come to be seen as the London Austerity Olympics.

For sport in the UK

- 5.13 It is not possible to separate the financial effects of holding the equestrian events in Greenwich from the effects on UK sport as a whole. This is because LOCOG will find its income from sponsorship, advertising etc reduced by the economic recession, and will have to make savings. If it wastes money by persisting in its wish to use Greenwich, it is likely to have to make savings in other areas.
- 5.14 After the LOCOG Olympic bills have all been paid, if there were to be a surplus, under the terms of the Host City Contract, 20 per cent would go to the IOC, 20 per cent to the British Olympic Association and the remainder for the benefit of grass roots sport in the UK. Any wasteful expenditure makes any such prospect even more remote.

For the Olympics as a whole

- 5.15 It is claimed that it would be better to hold the equestrian events in Greenwich so as to achieve a “Compact Olympics”. However, although this was understood to be one of the criteria used by the IOC in deciding to award the Games to London it would have little practical advantage for spectators – just the few who might want to watch the equestrian events and other events taking place in the main stadium on the same day – and almost none to the athletes. (If the equestrian events were in Windsor, this would be close to the

rowing, so that spectators could see those two sports without much travel.) Very little weight should be given to this consideration.¹⁷

5.16 Indeed, many events are already being planned to be held outside London or outside the 'reachable in 30 minutes' test. According to LOCOG publicity material printed in July 2008 there will be:

- (a) Archery in Lords' cricket ground
- (b) Canoeing at Eton
- (c) Slalom canoe at Broxbourne
- (d) Cycling in Regent's Park
- (e) Football in Wembley, Old Trafford, Millennium Stadium Cardiff; at St James' Park Newcastle; Hampden Park Glasgow; and Villa Park Birmingham
- (f) Rowing at Eton
- (g) Sailing at Weymouth
- (h) Tennis at Wimbledon
- (i) Triathlon in Hyde Park
- (j) Volleyball in Earl's Court and Horseguards Parade.

5.17 The Chairman of LOCOG said in a public meeting that he had been influenced by the wish expressed to him by equestrian friends to be closer to the main Olympics than they had been in China. But as opposed to 1250 miles between Hong Kong and Beijing, we would be talking in the UK of between 50 and 100 miles. Such a preference cannot deserve much weight if it can only be achieved at a cost of over £40m.

5.18 As the Times editorial said:

“Like Beijing, London must share the games with the whole country.”

¹⁷ In commenting on the Beijing Olympics, Clare Balding said that if any discipline had to have their events held at a separate venue the equestrians were the most suitable as they are such a closely-knit group.

6 SUMMARY

Greenwich Park would not be the right choice

- 6.1 The table following summarises the advantages and disadvantages of Greenwich Park in comparison with one of the alternative sites considered. We have assumed throughout that there will be an Olympic equestrian event as part of the 2012 Games, and that the question for policy is whether or not LOCOG's claim that "no other sites outside London could be delivered for a lower cost or sustain permanent facilities" is likely to be true.

Table 6.1: Comparison of economic effects

Costs and benefits	Greenwich Park	Alternative site	Which would be better?	By how much?
Costs				
a) Financial outlays on stabling, jumps, ground preparation, seating etc	£20 – £25 m (conceivably less)	Less than half that at Greenwich, including cost of hiring a football stadium for the equestrian part of the Modern Pentathlon.	Alternative site	Range, say £8 – £20 m
b) Environmental	Potentially large	None	Alternative site	?
c) Social	£ 27 m (could be more)	None	Alternative site	Range, say £15 – to £30 m
d) Local economy (apart from traffic congestion)	Negative.	Positive	Alternative site	?
e) Traffic congestion	Traffic congestion would be a major problem.	Some congestion likely anywhere; but Greenwich and the Blackwall Tunnel would be unlikely to be seriously affected.	Alternative site	Several £million at least, could be much more when traffic modelling is done
f) Security and other risks including cost of guarantee to Royal Parks	High	Low	Alternative site	? Several £ million
Benefits				
a) Receipts from ticket sales and car park charges	Not known	Higher than at Greenwich Park by over £1m	Alternative site	Say £1 m
b) For competitors	Constrained course and facilities	Best possible	Alternative site	?
c) For spectators	Limited numbers	Significantly larger numbers and better facilities.	Alternative site	?
d) For advertisers	Good	Good. If advertisers or viewers are impressed by 'stunning background' or 'iconic setting' then Windsor would be indicated; if by beautiful countryside and an environment suitable for equestrianism, then all of the alternatives qualify	Same	
e) For local community	No positive legacy	Positive legacy worth at least £1 -2 m plus benefits of publicity	Alternative site	Several £ million
f) For UK sport	Wasteful	Reinforcement of success of	Alternative site	?

	expenditure would put pressure on other budgets	an established equestrian site		
g) For the Olympics as a whole	"Compact" games no real advantage	"London sharing games with the whole country"	Alternative site	
Summary				
Overall comparison			Alternative site	£8 - £20 m financial cost on site + £15 – £30 m social cost + Major traffic congestion cost+ Security and other risks Risk of damage to the Park + No positive legacy

- 6.2 The purpose of these estimates is not precision, but to help to understand the likely broad orders of magnitude of the effects other than the damage to the Park environment, which is to many people the most crucial issue of all. Once the costs to the environment in the Park, the costs of traffic congestion and accommodation costs are properly quantified the advantage of moving the equestrian events from Greenwich is likely to be seen as even larger than indicated here.
- 6.3 As the UK economy is now in recession the country as a whole is less able to afford wasteful expenditure, and whatever political factors may have been in the minds of those putting forward the bid several years ago cannot justify such waste.

- 6.4 We noted LOCOG's comment that:
"Given that no other sites outside London could be delivered for a lower cost or sustain permanent facilities the decision was taken by the Olympic Board to support LOCOG's position and keep equestrian events in Greenwich Park."
- 6.5 If the overall assessment made in this note is correct, then the premise for LOCOG's position is not a valid one and it should urgently begin serious work on an alternative site.

NOGOE
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If you have any comments or questions, please email NOGOE at mail@nogoe2012.com