

## **LONDON 2012 Finance Briefing Note**

### **LOCOG operational budget - \$2.5bn (£1.5bn)<sup>1,2</sup>**

The operational budget of the Olympic Games and Paralympic Games covers the operating costs of running the Games and includes inter alia: the administrative costs of the London Organising Committee of the Games ("LOCOG") from its inception in July 2005; the rental or compensation payments for venues; the costs of venue overlays (i.e. non-permanent structures necessary to provide field of play and back of house facilities); technology costs such as scoring and results systems; the operational costs of the athletes village; the provision of catering and transport facilities for athletes, officials and the Olympic family; the costs of the Games workforce, marketing and ticketing costs, the costs of medical and other support facilities at the athletes village and venues and the provision of in-venue security.

***The operational budget for the Games is estimated to be \$2.5billion (£1.5bn).***

To offset the operational costs, LOCOG generates revenues from the private sector<sup>3</sup>. Approximately \$900m (£560m) is funded directly by the IOC from monies raised through the TOP sponsor programme and the sale of TV rights. The remaining \$1.5billion (£900m) will be raised principally through local sponsorship and official suppliers (\$725m / £450m), ticket revenues (\$500m / £300m) and licensing (\$90m / £60m).

The candidate file shows the operating budget conservatively estimated at break-even, however ***we confidently expect LOCOG to produce an operating profit in excess of £100m***

### **Non LOCOG investment in competition and non competition venues**

LOCOG does not fund the capital costs of venues or other permanent infrastructure. ***Approximately \$900m (£560m) is expected to be invested in new venues such as the Olympic Stadium, the Aquatic centre, the Velodrome and the sports arenas in the Olympic Park.***

A further \$215m (£130m) is expected to be spent on constructing the permanent infrastructure of the International Broadcast Centre (IBC) and Main Press Centre (MPC).

Both the venues and the IBC / MPC have for the purposes of the bid been assumed to be funded from the \$3.8bn (£2.375bn) package agreed between the UK Government and the Mayor of London, ***although it is anticipated that private sector investment would be forthcoming.***

Other capital investments related to the Olympics are also funded from the agreed package – these comprise for the most part transport infrastructure such as road and rail improvements adjacent to the Olympic Park<sup>4</sup> (c. \$600m / £380m) and enhanced infrastructure within the park such as land bridges and tunnels (c. \$560m / £350m<sup>5</sup>) at 2004 prices<sup>2</sup>.

In summary, the ***£2.375bn Agreed Funding Package funds the following expenditures:***

The construction of new venues	<b>£ 560m</b>
IBC / MPC construction	<b>£ 130m</b>
Olympic transport infrastructure	<b>£ 380m</b>
Enhanced infrastructure in the Olympic Park <sup>5</sup>	<b>£ 350m</b>
Other costs incl., security, elite sport, contingencies and inflation	<b>£ 955m</b>
Total	<b>£2,375m</b>

### **Lower Lea Valley development**

The Olympic Park is based on a redevelopment plan for the Lower Lea valley, costs associated with the underlying infrastructure requirements of the park that are ***not*** associated with the Olympics have been estimated at c. \$1.3bn (£800m)<sup>6</sup> at 2004 prices. This capital investment will be funded largely from central government and is not included in the \$3.8bn (£2.375bn) funding package.

### **Athletes Village**

***The \$ 1bn (£650m) athletes' village will make use of an existing planned housing development and will be privately funded as part of the broader redevelopment of Stratford City.***

### **Other Capital Investments**

The candidate file also includes details of other capital investments being made in London's infrastructure – principally road and rail schemes totalling \$11.5bn (£7bn) that will proceed regardless of whether London

hosts the 2012 Games and which for the most part are already funded and underway<sup>4</sup>.

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Footnotes

1. Figures for the operational budget and capital expenditures in the candidate file are quoted in USD at an exchange rate of £:\$ 1.6 – which represents the long term equilibrium exchange rate.
2. Figures for the operational budget and capital expenditures in the candidate file and in this note are quoted in 2004 money. NB the government financing package of £2.375bn (\$3.8bn) is quoted in final outturn money and therefore there is no direct comparison between these figures.
3. LOCOG also receives a government grant of approximately \$70m to defray certain Paralympic costs.
4. Of the \$11.5bn road and railway investment mentioned in table 6.2.2a of the Candidate File, approximately \$600m relates to road and rail improvements in and around the Olympic Park and is funded from the Agreed Funding Package.
5. Approximately 30% of the total cost of enhanced infrastructure of £500m (\$800m) is estimated to be funded by the private sector with approximately £350m (at 2004 prices) being funded from the agreed funding package.
6. The c£800m (\$1.3bn) non-Olympic infrastructure costs include: site investigation and earthworks, demolitions, roads and parking areas, watercourses, bridges and tunnels, relocation of railway sidings, utility & power diversions, water & sewerage works, telecommunications and certain legacy conversion costs. This investment of \$1.3bn together with the infrastructure associated with the Olympics of \$800m (see 5 above) comprises the Olympic Park Infrastructure investment of \$2.1bn shown in table 6.6.2a of the Candidature file.