

3. Olympic and Paralympic Games – REGIONAL OVERVIEW

3.1 THE ECONOMIC EFFECTS OF THE GAMES ON LONDON

3.1.1 The report commissioned by the DCMS by PWC looked in more detail into the effects of the Olympics and Paralympic games in relation to London as a whole. Table 10 shows that PWC estimate an overall increase in London's GDP of £5,900 (million) between 2005 and 2016.

Table 10: Summary of expected economic impact (change in GDP, £ million) PWC 2005 Report

Spatial level	Pre-event (2005-2011)	During event (2012)	Legacy/post-event (2013-2016)	Overall (2005-2016)
London	3,362	925	1,613	5,900

3.1.2 As highlighted in the national section PWC suggest that the largest economic impact in GDP terms (£3.362 billion) would occur in London during the pre-Games construction period whereas, for the UK as a whole, the impact on GDP would be greatest over the period of the Olympics. These differences reflect the assumption that during the construction phase of the Olympic and Paralympics resources will be displaced from the rest of the UK to London.

3.1.3 However it must be noted that the migratory and transient nature of London means that some of the GDP generated in London (or North East London) will be earned by workers who live in other regions of the country (or other parts of the capital). Their earnings and spending will, therefore, benefit the economies of these parts of the country with the result that residence base estimates of GDP could be significantly different from those highlighted above in Table 10.

3.1.4 Table 11 shows the sensitivity analysis¹ of the impacts of the games on London's economy. The probability that the Olympics will be an economic success for London in 2012 is 100% and the probability that London will see economic improvements as a result of the Games overall up to 2016 is 95.3%.

Table 11: Summary of sensitivity analysis around macroeconomic impact on London GDP PWC 2005 Report

Year	£ Million	10% chance less than (£ million)	Probability positive (%)
2005-2011	3,362	-2,377	77.3
2012	925	665	100
2013-2016	1,613	-1,169	77.1

¹ a probability distribution which shows the likelihood that different levels of economic impact will be achieved

2005-2016	5,99	1,386	95.3
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3.1.5 Inward investment

PWC state that studies of the impact of previous Olympics have indicated that inward investment has been attracted by preparations for the Olympics which has increased the host cities global profile and by the legacy of the additional facilities afterwards. PWC continue that London faces economic competition from other established and emerging cities, so by raising the profile of London compared to its European competitors, therefore the Olympics could be used to promote London internationally as a business destination and to attract additional investment into London beyond any linked directly to the Olympics. It is suggested that the largest opportunities are likely to be for East London itself to attract inward investment projects given the boost it will receive in awareness and infrastructure, initially in an increase in property prices.

3.1.6 However research undertaken by property consultancy CB Richard Ellis suggests that the impact of the Games on London would be smaller than on previous venues like Barcelona and Sydney because London is already a globally important city. CBRE research shows the games adding around 0.5% to the capital's income.

3.1.7 Tourism

PWC suggest that hosting the Olympics in London offers the opportunity to attract more visitors to London and, potentially, to other parts of the UK. It also offers the opportunity to promote London as a more attractive international tourist destination and, so, to stimulate a more sustained impact on visitor numbers and/or spending.

3.1.8 Tony Blair has called on the UK tourism industry to gear up for a 25% increase in visitors as a result of the Olympics; however CBRE suggest that there could be a displacement effect as a result of the Games, with some of the millions of visitors who come to London each year choosing to delay or cancel their trips.

3.1.9 Business support, innovation and diversification

Table 12 summarises the expected impact of the Olympics on the number of firms in London. It shows that over the period from 2005 to 2016 there would be an average 439 additional firms in London with the biggest impact arising during the period of the Olympics (i.e. 2012).

Table 12: Summary of expected impacts on new business creation (average change in number of firms) PWC 2005 report

Spatial level	Pre-event (2005-2011)	During event (2012)	Legacy/post-event (2013-2016)	Overall (2005-2016)
London	317	902	535	439

- 3.1.10 PWC suggest that the major growth sectors in the UK would be construction and passenger land transport. However CBRE suggest that the estimated £2.7bn cost of building the Olympic venues is lower than the total sum for delivering Heathrow Airport's Terminal.
- 3.1.11 However despite the caveat by CBRE that the Games might not be the largest construction project in London there are likely (as suggested by PWC) to be significant opportunities to support new firm development, supply chain improvements and cluster formation within the local North East area and wider London economy. Therefore whilst the economic analysis points to the Olympics having the potential to generate positive economic impacts, PWC caution that consideration has to be given to what support would be appropriate to maximise these benefits, especially locally in East London (one of London's most deprived areas).
- 3.1.12 PWC highlight that various mechanisms have been identified to ensure that the potential economic (and social) benefits are maximised. For example, consideration is being given by the LDA and other public sector bodies to examining how to maximise the creation of employment opportunities which can be filled by local people before, during and after the Olympics through, for example, setting up a 'New Olympics Club' of suppliers and ensuring relative wage levels for business products and services supplied to the Olympics are consistent with sustainable living standards within North East London.

3.1 THE SOCIAL IMPACT OF THE GAMES ON LONDON

- 3.2.1 Tables in the five Olympic Boroughs chapter shows the ODPM's Indices of multiple deprivation 2004 (see the national overview for definitions of SOA and all the ranking). Table 19 shows the ranking of income of the SOAs in the Olympic Zone and the 5 Olympic boroughs in relation to the London and UK overall ranking. This data highlights very clearly the current level of income deprivation in and around the Olympic Zone.
- 3.2.2 PWC suggest that Table 20 shows less marked levels of deprivation in relation to employment in and around the Olympic Zone and that table 21 shows a more positive position in relation to education, skills and training deprivation in and around the Olympic zone.
- 3.2.3 However the baseline shown here (and the economic profile of Waltham Forest in Appendix 1) shows that in comparison to London and the rest of the UK the North East of London and the Olympic zone in particular is an area of high deprivation, especially in relation to income and employment.
- 3.2.4 London 2012 state that 9,000 new homes will be created, in the legacy phase of the development, alongside new schools, health and community facilities. It is proposed that half of these homes be designated as affordable housing.
- 3.2.5 Sporting and cultural legacy**
As a result of hosting the Olympics in 2012, London is expected to benefit from a significant sporting and cultural legacy.

- 3.2.6 PWC suggest that the sporting legacy would take a number of forms:
- Enhance and/or accelerate investment in sporting facilities not only within the Olympic Zone (and the areas immediately surrounding it) but also in other parts of the UK, for example where training facilities are provided
 - Contribute to increased participation in sport, and this would be expected to lead to knock-on social and physical impacts, for example in terms of health and well-being
- 3.2.7 The potential physical legacy of the Olympics is evident from London's candidate file, which identifies the additional venues that will be either constructed or refurbished specifically for the Olympics. The cluster of sport venues in the Lea Valley retained after the Games will form The London Olympic Institute. PWC highlight the specific plans for the facilities to be retained in the Park:
- The Olympic Stadium which will be converted to a 25,000 seat multipurpose venue with athletics at its core and which will offer training facilities, offices and sports science and sports medicine facilities
 - An aquatics centre with two 50m pools, a 25m diving pool and fitness centre which will accommodate elite, development, local club and community users and will have a permanent capacity for 3,500 spectators
 - A velopark, a multi-discipline cycling centre, that includes a 3,000 seat velodrome, a road track, competition and recreational BMX tracks and a mountain biking course for use by all levels of cyclists
 - A hockey centre providing training and competition facilities for hockey at all levels
 - An indoor sport centre which will be converted from one of the sports arenas to become a training and competition venue and a regional home for a range of indoor sports, with flexible seating for up to 10,000
- 3.2.8 PWC's report maintains that the London Olympic Institute will be accessible for all levels of ability and blend sport, culture and the environment in a way that makes sports an integral part of the community.
- 3.2.9 There are other possible affects which are not measured, such as statements made in the 'London Plan for Sport and Physical Activity 2004 to 2008', which notes that it is hoped that the Olympics will act as an 'inspiration' to people increasing their participation in sport and, subsequently, maintaining this interest with resultant benefits in terms of productivity, health and community engagement. No substantive work has as yet been undertaken to quantify the potential legacy impacts on sporting participation.
- 3.2.10 In addition to the physical infrastructure legacy that has been highlighted above London 2012 also predict the regeneration of the Lea Valley. They suggest that this regeneration will include:
- Transforming the Olympic zone into one of the largest urban parks created in Europe more than 150 years, stretching 20 miles from the Hertfordshire countryside to the tidal estuary of the River Thames.

- A network of footpaths, cycleways and canal towpaths will link the communities on either side of the valley.
- Riverside housing, shops, restaurants and cafes will provide new amenities for the local community.
- The natural river system of the valley will be restored, canals would be dredged and waterways widened. Birdwatchers and ecologists will be able to enjoy three hectares of new wetland habitat.
- The park will be planted with native species, including oak, ash, birch, hazel, holly, blackthorn and hawthorn, providing a home for wildlife in the middle of the city.

3.2.11 Health

Table 22 in chapter 4 shows the marked levels of deprivation in relation to health in and around the Olympic Zone.

3.2.12 PWC suggest that the expected London level public health benefits are similar to those of the UK, however levels are also heightened by the local development and enhancement of facilities, amenities and the opportunities presented by the need to meet the demand from Olympic related tourism activities. The additional health benefits to London, therefore, reflect:

- The enhancement of London’s transport system which improves access to employment, education, housing, recreation, social networks and health care
- Increased access to the Olympic sporting facilities before and after the Olympics which promotes physical activity and healthier lifestyles
- Increased promotion of disability awareness and improvement to London wide access through the Paralympics.

Table 13: Summary of expected public health impacts in London

Impact	Pre-event (2005-2011)	During event (2012)	Legacy/post-event (2013-2020)
Socio-economic health	Very positive	Positive	Very positive
Physical health	Negative	Positive	Very positive
Mental health	Negative	Slightly negative	Positive
Well-being health	Negative	Positive	Positive

3.2.13 Table 13 however shows that in the initial pre-Olympic stage there will be some negative effects for the health of London residents mainly due to the construction and disruption occurring to develop the Olympic infrastructure. These negative effects however are counteracted against the increase in jobs and markets relating to the construction of the Olympic infrastructure, which could increase the socio-economic health of London residents.

3.3 ENVIRONMENT

3.3.1 The environmental impacts of the Games will be primarily centred around the Olympic zone however PWC predict that at the London and UK wide levels, the main impacts are expected to arise as a result of the showcasing effect of staging a ‘Sustainable Games’.

3.3.2 PWC suggest that the Games will generate significant interest in applying new approaches to sustainable event management and the creation of new sustainable communities, which could last well beyond the hosting of the Olympics.

3.3.3 During the Olympics PWC anticipate that London as a whole and those UK sites hosting training camps and Olympic events can expect a temporary deterioration in environmental quality associated with the increased volume of people attending/participating in the Olympics and their related transport movements. Table 14 shows the expected impacts at the London level.

Table 14: Summary of expected environmental impacts in London

Impact	Pre-event (2005-2011)	During event (2012)	Legacy/post-event (2013-2020)
Land/water/air	Negative	Positive	Positive
Biodiversity/ecology	Negative	Negative	Positive
Energy	Neutral	Positive	Positive
Waste	Negative	Negative	Positive
Culture/heritage/built form	Neutral	Positive	Neutral
Amenity	Neutral	Neutral	Positive
Transport	Slightly negative	Neutral	Positive
Housing	Neutral	Neutral	Positive
Support for environmental industries	Neutral	Neutral	Neutral