

***Can sports mega-events such as London 2012 survive global economic downturns?***

The economic crisis of 2008 affected the entire nation on both a macro and micro economic level. Kicked off by the sub-prime mortgage crisis of 2008, the global meltdown witnessed major financial institutions such as Lehman Brothers and Northern Rock break apart, dragging down global markets with them.

The impact on the private sector has been tremendous, involving multiple write-downs, bankruptcies, scaling down of operations and a major fall in the disposable income of consumers and the available liquid assets of corporations. As a result, any investments relating to non-core activity have been severely detrimentally affected. Such a scenario has slashed private sector funding for the London 2012 Olympic Games.

At the time of the bid, private sector funding stood at an estimate of £738m. This figure was revised to £165m by 2008 (less than 2% of the total funding). Alarming, the Olympic Village had been expected to be completely funded by the private sector, but the Government have now allocated £175m public funds to the project.

The public funding required to cover these increased costs now stands at an extra £5.9

billion, due in large part to a significant reduction in the level of private sector funding than was first thought possible. Some £4.9 billion of this increase is to be met by the Exchequer and £675 million by the National Lottery, bringing the total Lottery contribution to £2.175bn.



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***OTHER PROBLEMS***

It is clear that attracting private sector funding is still an extremely attractive proposition, one that is proving an ongoing concern, or goal, for LOCOG. However, in addition to the credit crunch, other problems have arisen in the fight to secure further private sector injections of cash, namely, the apparently poor financial management on the bid itself.

At the time of London's bid to host the Olympic and Paralympic Games in 2012 the cost of the Games was estimated to be just over £4 billion. The costs were to be met by public sector funding of £3.4 billion, with a further £738 million from the private sector.

After London was awarded the Games, the Department for Culture, Media and Sport (DCMS) and the Olympic Delivery Authority (ODA) reviewed the cost estimates and in March 2007 announced a revised, and much

higher, budget of £9.325 billion. It is possible that key potential investors in the private sector might be turned off from engaging in Olympic investment if they do not have adequate confidence in the financial abilities of the Olympic organising bodies.



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***FIND OUT MORE***

**The Olympic Effect.** Andrew K Rose, Mark M Spiegel: <http://www.nber.org/papers/w14854>

**London 2012 Olympic and Paralympic Games – Quarterly Economic Reports (up to November 2009).** Department for Culture, Media and Sport:  
[http://www.culture.gov.uk/reference\\_library/publications/6454.aspx](http://www.culture.gov.uk/reference_library/publications/6454.aspx)

**London 2012: Stuck on the blocks? Progress on construction is good, but there are doubts over the Olympics' legacy and worries over security.** Merrick, J. The Independent on Sunday. Sunday, 19 July 2009  
<http://www.independent.co.uk/news/uk/home-news/london-2012-stuck-on-the-blocks-1752291.html>

### ***CREDITS***

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