

Olympics are handed an extra £1bn as costs soar

by Denis Campbell

Sports News Correspondent

THE cost of the 2012 London Olympic is soaring amid growing fears that the final bill will be far higher than the original estimates.

The Observer has obtained a letter from a senior civil servant to London mayor Ken Livingstone in which £1 billion of government money is pledged that ministers had not previously revealed would be forthcoming. The letter appears to contradict the government's insistence that 2012 would not involve any central funding and would be paid for entirely from lottery receipts and a levy on the capital's council taxpayers.

Neale Coleman, the mayor's chief aide for the Games, admits that the cost of land in east London where they will be held is set to rise. The body set up for the project, London 2012, intends to buy about 20 per cent more land than the 178 hectares originally intended on which to build the Olympic park, said Coleman.

The sums budgeted to recompense businesses

whose premises will have to move are also likely to prove too small, as the independent land tribunals that will set compensation levels for many of the 300 firms in the area may well decide on sums higher than London 2012's original estimates, which were set in 2002, he said.

In addition, the cost of cleaning up the largely derelict slice of the Lower Lea valley could also escalate, Coleman told members of the London Assembly's budget committee last week.

The London Development Agency, the employment and regeneration body, has budgeted up to £478m to buy and decontaminate the land. But 2012 officials admit that it is now a question of how much more has to be spent on those things, not whether extra cash will be necessary. One said the total bill could be three times higher.

Damian Hockney, a member of the London Assembly for the One London party, believes that the Games could turn into a re-run of last year's Athens Olympics, where Greece budgeted to spend £2.5bn and has so far

had to put in at least £9bn.

Hockney and other assembly members said they had no idea that the government was ploughing in £1bn. 'Either costs have escalated dramatically already, or they weren't very honest about the real costs when they were bidding to get 2012,' said one.

Ministers have not publicly announced their surprise £1bn injection, which is being used to aid the regeneration of the Olympic Park area. The £1bn figure first emerged in a letter from Jeff Jacobs, a senior official at the Department of Culture, Media and Sport, to Livingstone on 21 July.

While he made clear that the money was 'to support delivery of the London 2012 Olympics and Paralympic Games', Assembly members have been told the £1bn is to cover 'non-Olympic costs'.

London 2012 sources admit privately that some of the costs of staging the world's biggest sporting event were deliberately under-estimated or disguised during the bid process.

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