

Fate of London Stadium epitomises toxic “Olympic legacy”

Part one

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This is the first part of a two-part article.

Ahead of the 2012 London Olympic Games there was much talk of the “legacy” they would leave. It is difficult to think of a better example of the state of modern Britain than the fate of the main structure erected for those games.

The former Olympic Stadium has left a legacy of corporate venality, corruption and graft. It has already cost taxpayers more than £750 million.

Renamed the London Stadium, it was leased to West Ham United Football Club with ongoing annual publicly funded losses of £20 million. Two years ago, West Ham moved from the Boleyn Ground in nearby Upton Park to the London Stadium in a shift lauded by the club’s board and described in the media as “the deal of the century.”

This was corporate shorthand for a deal that saw the athletics venue converted for football use through a combination of direct public funding, proceeds of the sale of the Boleyn Ground and a £40 million loan at preferential rates underwritten by the local Labour-run Newham Council. It was then taken over on the basis of a 99-year lease by West Ham, at an annual cost to the privately owned club of £2.5 million (set to fall to £1.5 million if the club is relegated from the top tier of English football, the Premier League).

Protests developed in Upton Park over the property development of the former football ground. When the private development deal at the Boleyn was signed off by Newham Council, it had provision for only 25 percent of the properties to be “affordable” in a borough with the highest rate of homelessness in the country.

The enthusiasm of West Ham’s board for their deal is hardly surprising. One of the club’s joint chairmen and its largest shareholder, David Sullivan, is worth £1.1 billion. The other, David Gold, is estimated to have a personal wealth of £460 million. Vice-Chairman Karren Brady, who was made a Conservative life peer in 2014, was reported last year to be worth £85 million.

Sullivan and Gold initially made their money in pornography and tabloids. But Sullivan’s property portfolio alone is now worth £500 million.

With the global TV rights to football worth billions, and the Premier League just agreeing a further multi-billion-pound deal, ownership of top flight football clubs is a highly lucrative. It is

estimated that West Ham’s value has soared in value since the move to the new stadium to around £800 million. Sullivan and Gold paid just £105 million for their controlling stake in the club in 2010. Were they to eventually take ownership of London Stadium—as could be the outcome of the debacle—the club would be even more valuable.

Sullivan recruited Brady as a director of his Sport Newspapers. In 1993, she persuaded the partners to buy Birmingham City football club, then in receivership, with her running it. Sullivan and Gold sold Birmingham in 2009 before acquiring a 50 percent stake in West Ham a year later.

Sullivan had expressed a desire to sell Birmingham in 2007, for reasons that are worth noting. The fans, he felt, thought the owners should have put more of their finances on the line for the club: “They think we should have mortgaged our houses to buy more players to compete” with top ranking clubs, he complained.

The reality is that fans look at “their” club through the eyes of sentimental attachment. But for the board of directors, it is just another business. All outlay is calculated against potential returns.

In an embarrassing exposure, a Revenue and Customs tribunal ruled that Sullivan had used West Ham as a means of avoiding paying £700,000 in tax. One of Sullivan’s companies, Conegate, bought £2 million of shares in the holding company that owns West Ham, converted these to “deferred shares”—deemed practically worthless—and sold them back to the holding company for £1. This £2 million loss allowed Conegate to reduce its tax bill by £700,000.

The tribunal judge accepted that this was primarily to provide funds for the club, but noted that “there was more than one way to provide funding to the football club.” Ordering him to repay the money, she suggested that Sullivan had fashioned the deal so that he “could claim a capital loss.”

The final reason Sullivan gave for wanting to sell Birmingham City was that “we’ve had no support from Birmingham Council.” Newham Council were to be far more accommodating.

The “deal of the century” was not just of benefit to the board. It also saved the council and central government major potential embarrassment. The stadium had been continually at risk of becoming a white elephant. The original legacy proposal specified that the stadium had to be retained as an athletics venue to replace the purpose-built Crystal Palace National Sports Centre, and

would not be retrofitted for football after the Olympic Games. This would involve shrinking capacity from 80,000, with the stadium to become a 25,000-capacity venue. Concerns about the sustainability of a large-scale athletics venue were downplayed.

As the cost of the Games spiralled to more than £9 billion, there were renewed demands for changes to the proposal. In 2010, with Conservative Boris Johnson as mayor, the London Assembly's Economic Development, Culture, Sport and Tourism Committee declared "flawed" the pledge to leave the stadium an athletics arena. Its chair, Len Duvall, said the stadium's "only sustainable future" lay in "regular, high capacity events, and realistically that means football or rugby."

These changes, at an additional cost of £323 million to the taxpayer—with West Ham contributing just £15 million—were simply tacked onto the existing stadium design, which was already underway. The result was predictable. The stadium is not well suited for football, as the central pitch area is surrounded by a broad athletics track, leaving fans too far from the playing area.

As the stadium is still used for hosting athletics, it had to be adapted for regular conversion between uses, involving manually moving demountable seating. Alternating uses involves ongoing costs, initially projected at £300,000 annually. These costs have soared and cost stadium owner E20 £8 million in 2016, by which time the total cost of use conversions had already reached £51 million.

West Ham under Gold and Sullivan expressed an interest in tenancy as soon as the London Assembly announced it would lift the restriction on use other than athletics. The Olympic Park Legacy Company (OPLC) insisted in its bidding criteria on the flexibility of use as well as on a quick reopening of the venue.

Moving to Stratford was not part of Gold and Sullivan's original bid for West Ham, although it was a key campaign point for one of their rivals. Only after securing control of the club did Gold say he had been converted to the idea. He had been hostile because of the athletics track, he said, but was won over by the layout: "I thought the running track would be prohibitive but... the sightlines are better than [national stadium] Wembley and as good as the Emirates [top tier London club Arsenal's ground]."

When Gold started contemplating Stratford as home to West Ham and "an international sporting venue," he was selling it to fans as a better football experience than Upton Park.

This would be an important point in future.

West Ham emerged as favourite bidder once they had withdrawn their objections to retaining the running track around the pitch, but after the move this feature became a problem for fans and players alike. The track is covered by a green surround or carpet, which Slaven Bilic, the club's manager at the time of the move, said was confusing the players. The club offered to spend £200,000 replacing it with a carpet in the club's colours (claret or sky blue), but E20 insisted it had to be in the dark blue of the stadium's corporate branding. West Ham told E20 they "no longer wish to pursue this solution," and the matter was quietly dropped.

In a 2010 interview, Gold noted concerns that the stadium would end up a white elephant, describing the potential capacity reduction of the stadium to 25,000 as "unthinkable."

Invoking again the notion of "legacy," he indicated where the

political support for a convenient solution was found: "At the beginning, everyone like Ken Livingstone [former Labour Party mayor of London] was saying no, whereas now Boris Johnson is hugely optimistic and encouraging us. Sir Robin Wales, the elected mayor of Newham, is very supportive."

Newham's Labour Council, as with the other Labour-run authorities in the capital, have built up expertise in working with property developers as part of lucrative "regeneration" projects in working class areas. Like West Ham, they got a whiff of the financial opportunities available from the Olympic Stadium and quickly got on board the gravy train.

West Ham and Newham organised a joint bid that was accepted over one from Tottenham Hotspur Football Club. Tottenham appealed against the decision. The ensuing machinations in the second round of bidding made it quite clear that the bids and their outcomes were solely about corporate interests.

The Olympic Park Legacy Company was wound up in April 2012 and its responsibilities transferred to a new body, the London Legacy Development Corporation (LLDC). Barely six months later, Johnson (who had supported West Ham's first bid) removed the LLDC's chair and took on the role himself.

West Ham were declared preferred bidder in December 2012, and some horse-trading on details ensued. Some information was not initially disclosed on the grounds of commercial sensitivity, but it was later confirmed that the club would pay annual rent of just £2.5 million and would not have to fund policing, stewarding of matches, pitch maintenance, heating or corner flags. With these details in place, West Ham secured a 99-year lease on the stadium in March 2013. UK Athletics signed a 50-year deal for summer use of the stadium four months later.

"Legacy" and the regeneration of an area of social deprivation were never the issue. West Ham's conversion costs were to be met publicly by monies from the OPLC's post-games fund and a low-rate loan from Newham, underwritten by the council's taxpayers in the event of default.

Tottenham's appeal made clear that they were also seeking a land grab and access to Stratford's international transport links. Tottenham used the failure of their bid as a lever to demand similar levels of support from Haringey Council as West Ham were receiving from Newham. Lord Alan Sugar, business advisor to the previous Labour government and a former owner of Tottenham, said bluntly, "If Tottenham is the central thing in Haringey, then they [Haringey Council] have got to put their hands in their pocket."

To be continued

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