

The Olympics and (hopefully very little) criminology: Some economic viewpoints

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The genesis of this piece lies in an email from Loraine Gelsthorpe (BSC President) about a supervision with her students:

Sport and criminology ... this came up in an undergraduate supervision group yesterday ... someone was reflecting on whether the money spent on the Olympics could have been better used to address social problems ... but then we wondered if the push for 'hard work' in and out of prisons could mean offenders/ex offenders being given jobs at the Olympics ... or coached by Olympic athletes, or entered for races against prison officers ...

Although this was light hearted, I was having an exasperating day to do with the impending Olympics, half read the email and dashed off a reply to the effect that there were serious considerations... Loraine politely explained her own exasperation with the students ...as well as suggesting that I lighten up. Nevertheless, having pressed the 'Reply to all' button, the editor of this Newsletter suggested there were viewpoints worth discussing.

I have been working on a number of projects related to mega-events (including the London 2012 Olympics), some focusing on crime, some only tangentially so. Over the last few years I have heard many times: "couldn't the money on the Olympics be better spent on...?" Notice this questioning is not a suggestion that the money is *not* be spent at all, but better spent on something else. This is crucial to my take on the debate that follows. First I'll look at some macro-economic considerations on whether the Olympics are good for UK PLC, and then I'll look at some issues concerning policing and crime.

The Olympics have evolved from the business-centred approach of the 1984 Los Angeles Games in which public spending was only 10%, to the environmental, economic and social transformation approaches of recent Games in which public spending predominates. Just as democratically accountable Governments have increasingly sought to justify their policies, actions, and public sector spending by evidencing their merit, quality and efficacy, so too has the International Olympics Committee (IOC) become acutely aware that they must stave off criticism that the Games are costing host cities too much (and the 2004 Athens Games are widely viewed as directly contributing to Greece's current economic woes).

The Public Sector Funding Package (PSFP) for the *preparation* of the London 2012 Games is £9.3bn, up from an initial estimate at bid time in 2005 of £2.4bn. Two thirds of this is coming from Central Government with much of the rest from the National Lottery and the Greater London Authority (GLA). The operating budget of the local organising committee - LOCOG (London Organising Committee of the Olympic and Paralympic Games), a limited liability company - for the *staging* of the Games is £2bn, much of which will come from sponsorship and ticket sales. Nevertheless, the UK Government is the ultimate guarantor for the funding as required by the IOC (Berman, 2010). There is further public spending in the region of £800m targeted at other programmes to underscore the legacy benefits (National Audit Office, 2011).

The ordinary person in the street would have to think a while if asked how many zeros there are in a billion. The £9,300,000,000 of the PSFP when written out in full seems colossal ... for getting ready a sporting event! To put it in proportion, the average annual spend from the PSFP is 0.25% of total UK Government spending. Put that way, the Olympics are a mere trifle when compared to the annual spend on benefits, health, education and defence. The first question to be asked then is a macro-economic one: is there a *net* benefit to the UK economy over and above spending the money elsewhere, say, on better pay and conditions for the police? Where Government spending is concerned, what contributes most to GDP is spending on infrastructure that results in inward investment and the creation of permanent jobs in the economy, more so than if the money were spent on consumption (e.g. salaries, goods and services). The PSFP includes not just the building of a stadium and other building assets, but the land agglomeration and its decontamination, flood prevention and the undergrounding of overhead powerlines that has enhanced the development potential of nearly 500 acres of what was before largely derelict land. The money has also paid for improved transport infrastructure. I would estimate that about 70% of the PSFP was spent on infrastructure and therefore would have a net benefit to the economy. Most of the benefits will flow after the Games when the site is no longer needed for the Olympics and sections of land no longer required for the event (such a training areas and car parks) can be used for housing and commercial use. Of course, there is always the potential for some of the facilities to become a white elephant as happened in Sydney and Athens, and all hopes are pinned on the London Legacy Development Corporation.

What of the other 30% of the PSFP that is spent on consumption? The largest item by far is policing and security which comes to £1bn (Home Office budget on policing plus LOCOG budget on venue security). The IOC demands a safe Games. Total safety is very expensive yet unachievable. Stephen Graham (2012) sees this as an excuse to put in place permanent security arrangements that will lockdown London. The spend works out at £68,000 an athlete (Olympic and Paralympic) or £111 for every ticket. Attacks on crowded places by terrorists is part of the National Risk Register of Civil Emergencies (Cabinet Office, 2012) where they are rated as having a medium to high relative plausibility and a medium relative impact score. Based on figures in Dubourg and Hamed (2005) updated to 2012 values, an attack in the style of Norwegian Anders Breivik (77 dead, 242 wounded/injured) would be monetarised at £147m, a fraction of what is being spent on avoidance during London 2012. A study of the effect of the July 7th bombings in London on business (London Chamber of Commerce & Industry, 2005) shows that businesses were operating as normal again within a couple of days. Similarly the adverse stock market reactions to 9/11 and 7/7 were short-lived. So does the £1bn represent value for money? We will probably never know. Some ten thousand security guards will have been trained, given short-term jobs and with their enhanced CV may be able to get further, longer-term employment - a possible positive legacy of the Games. Of course, any death due to violence or terrorism at the London 2012 Games will be tragedy indeed, especially given the price tag on avoidance.

One of the key 'Olympic Promises' is to transform the heart of East London. This won't happen directly from the PSFP but is expected to arise from a number of catalytic effects that locating of the Olympic Park in East London is supposed to produce. The Host Boroughs, through the Single Regeneration Framework (Host Boroughs Unit, 2009) aim to achieve convergence with the rest of London by 2030:

... to create the most enduring legacy of 2012 in the communities of the Host Boroughs and to do that by ensuring that over the next 20 years the residents of the Host Boroughs will come to enjoy the same life chances as other Londoners.

The Olympic Park straddles four London Boroughs (Hackney, Newham, Tower Hamlets and Waltham Forest). Recorded crime in 2010/11 (Chaplin et al., 2011) shows much higher rates of crime in these Boroughs compared to the average rates in the rest of London. Robbery per 1,000 population is 56%

higher, violence against the person is 29% higher and burglary 26% higher. If the aspiration is that crime rates in these Boroughs will converge with the rest of London over time, then figures in Dubourg and Hamed (2005) updated to 2012 values can be used to calculate some indicative monetary benefits. Using the recorded crime in 2010/11 for key offences and applying the rest of London aggregate rates (per thousand population) to these four Boroughs, there would be a 23.8% overall drop in the key offences categories with a monetary benefit of £98.5m per annum. Nearly two-thirds of this can be attributed to the cost of violence against the person. To model the gradual convergence towards 2030 with nationally declining crime rates that may get reflected in a falling London average (or it may bottom out) with these four Boroughs chasing a declining target, is something I'm not going to attempt here. But it does show that reducing crime rates through an Olympic legacy has considerable monetary benefits to the local communities, to say nothing of the social benefits that would arise.

My apologies to the reader if this piece has been statistically stuffy, but you are at the end of it now. Whether the money spent on the London 2012 Games might have been better spent on other things is to some extent a moot point. Like the Diamond Jubilee, it's here and now and it's been a while coming. Best to enjoy it and hope that it works out to be best value for money (which is a different debate).

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