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Olympic village in line for £1bn taxpayer bail-out

By Robert Booth

"Nobody knows what the worst case scenario is likely to be," - Is post-fordism really the communism of capital and/or are we being conned again? Even the public redistribution of funds to the private sector via PPP has become unappealing now the cheap credit has dried up. This 'magic' scheme to build housing with public and private money and then sell it off to pay for the massive public debt that the Olympics will catalyse now looks unaffordable in the wake of the nearly daily cash money potlatches / bail outs of Britain's 'booming' service economy, and presumably impending collapse of real estate and developers. Prompting the question of exactly how many more of these PPP schemes will fall apart now and the schools, job centres, creches that they were to fund fall by the wayside too?

Reposted from today's Guardian
<http://www.guardian.co.uk/uk/2008/oct/09/olympics2012.athletics/print>

Credit Crunch on Roman Road

Image: Credit Crunch on Roman Road, E2, July 2008

Olympic village in line for £1bn taxpayer bail-out

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• Banks and developers get cold feet in credit crisis

• Nationalised project could wipe out contingency fund



The Olympic village has hit financial problems due to the banking crisis. Photograph: Public domain

The £1bn athletes' village for the 2012 Olympic Games could be completely nationalised as a result of the banking crisis, the chairman of the Olympic Delivery Authority admitted yesterday.

Facing questions from the London Assembly, John Armitt said the 3,000-unit development on the Olympic campus in east London may have to be entirely funded by the taxpayer, instead of the majority coming from private banks and developers as originally planned.

Armitt said the measure is one of several under consideration to rescue the project - the biggest single undertaking on the Olympic campus - after the developer Lend Lease said it could no longer finance the scheme. Athletes are already facing squeezed sleeping conditions after the number of apartments was reduced by almost 1,000 so that five people will have to share an apartment rather than four.

The options will be considered next week by cabinet ministers responsible for the departments funding the Games, chaired by the chancellor Alistair Darling.

"Nobody knows what the worst case scenario is likely to be," Armitt told the Assembly. "The situation changes, attitudes change day by day. In the last two weeks attitudes have deteriorated rather than improved."

He said bailing out the village by seeking 100% funding from the public purse could be necessary in "an extreme situation" but that "it is not one we are working towards or want to see".

The prospect of a 100% bail-out indicates the profound impact the credit crunch is having on preparations for the Games. At the beginning of September senior government officials told the Guardian that the funding shortfall for the development had hit Â£250m. That could be far higher unless the banks and Lend Lease can be persuaded to fund the project without demanding potentially huge returns.

Sources close to the negotiations said as economic conditions have worsened in recent weeks banks considering financing the project have demanded ever higher interest rates or shares of profits when the flats are sold on after the Games.

"The judgment the ODA and the government have been moving towards is to put their own money in up front and take a punt that the situation [for selling flats] will be better after 2012," the source said. That means instead of private housebuilders financing the development and taking the risk of selling them on, the government could take complete ownership.

If the whole of the cost of the athletes' village is to come from the government, it could come close to wiping out the Â£2.2bn contingency budget which organisers hoped to keep as insurance against problems during construction of the main facilities, which started in earnest this summer. The total budget for the Games, including contingencies, is Â£9.3bn.

"We have been talking about putting more money up front," said Don Foster, the Liberal Democrats shadow secretary of state for culture, media and sport. "There could come a point where it is a better risk to fund it out of contingency rather than pay a huge price in terms of interest rates or shares of the future profits [demanded by banks]."

The deal with the private sector to build the Â£400m media and broadcast centre is also in doubt and Armitt said organisers are considering making large parts of it temporary rather than permanent as originally planned. He said private office buildings being built at Stratford next to the Olympic campus could be pressed into service to reduce costs further.

"The credit crunch is hitting the Olympics hard but we remain resilient," said Armitt. "Even with external shocks hitting the project, I still believe we can deliver the project with the budget and contingency that was set in 2007." Armitt added that despite the funding problems, it was also on

target to be completed on time.



Image: A proposal for alternative Athlete's Village in line with the shanty chic certain to catch on in these deflated times (credit squattercity - http://squattercity.blogspot.com/2008_08_01_archive.html)

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