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Northwest
REGIONAL DEVELOPMENT AGENCY

The London 2012 Olympic Games & Paralympic Games.

Maximising Business Opportunities for the North West.

A Report by Deloitte MCS Ltd.

EXECUTIVE SUMMARY

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Confidential

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Executive Summary

This report represents a view at a specific point in time. It relates to the potential of the North West (NW) to benefit from business opportunities as a result of the London 2012 Olympic Games & Paralympic Games (the 2012 Games)[1]. It has a focus on where the North West Regional Development Agency (NWDA) may gain best return from its investment in promoting and encouraging those business benefits within the region. It discusses the Olympic and legacy supply chains and the opportunity to promote the North West region and its assets on a global stage to visitors and investors.

Whilst the main focus of the study has been on business benefits that could be derived from engaging in the 2012 supply chain, the inherent overlap between Olympic agendas has required the study to also consider additional impacts from the wider Olympic experience. This includes the Cultural Olympiad, the visitor economy and regional image.

The report sets out the strategic context around the 2012 Games and the NW. It reflects the research and consultation undertaken that has informed the development of a set of priority themes for the NW to pursue and considers a range of approaches and interventions to secure benefit for the NW.

The approach taken to gathering evidence has included:

- Consultation – face to face and by telephone with stakeholders;
- Desk based research and document review;
- Tactical insight and strategic analysis.

This has specifically included meeting with the Greek Minister of Tourism in Athens regarding national and regional impacts, utilising our relationships amongst all the Olympic Delivery Agencies and one of its strategic Delivery Partner consortium members, Mace, to ascertain the latest up to date information and using a network of Deloitte offices in Greece, the US and Australia to track down evidential information.

Key issues

In the NW it is likely that there will be some benefit for businesses both through direct and indirect engagement with the 2012 Games Olympiad. Some of these opportunities will be realised by businesses following their own commercial motives and leveraging existing relationships and contracts. However others can be significantly optimised – and in some cases, only realised, if the region works proactively and makes strategic and tactical interventions to engage with the opportunities as they arise and thus ensure that the NW secures a competitive advantage nationally and internationally, as a result of the 2012 Games.

[1] Throughout this report when the Olympic Games or Olympics are referred to, the reference includes the Paralympic Games.

The recommendations contained within this report are based on evidence that emerged during our research suggesting that a tactical approach to differentiating the NW, along with more mainstream activity around sector support and promotion would generate the greatest return for the region. Any net additional public sector investment in the NW should be for strategic interventions that will differentiate the NW from its competitors, build on the region's strengths and contribute to the existing regional priorities to create a long term legacy.

One other consideration is important in sorting the fact from the mythology of Olympic business benefits. The Olympics cannot transform otherwise underperforming or immature businesses. Core business strength – competitiveness, sustainability, proven reliability, innovation and creative solutions – underpin those companies that have benefited from past Olympics. The majority of business benefit from the Games will be driven directly by businesses identifying their own opportunities and succeeding in competing for them. The extent of national and regional economic benefit from past Games has varied significantly and – importantly – so has its sustainability and the way in which it has been leveraged successfully post-Games, or allowed to dissipate. The various estimates of the share of Olympic business and wider economic benefit that flow into a wider region or nation can only be estimates, and there is nothing to say that any region will necessarily receive its "fair share" of 2012 growth. The NW is not therefore aiming at increasing that "fair share": it is aiming at optimising the conditions in which businesses in the NW can compete successfully for 2012 business.

With this in mind, we believe there are three key issues which need to be understood and which set the context for this report and any intervention:

- Previous host countries have experienced an increase in GVA as a result of the 2012 Games and most host cities in particular have benefited from an increase in trade and tourism in the run up to, during and after the 2012 Games. *There is little evidence to quantify the benefits obtained by specific companies or by regions outlying the host city*. In the UK, the NW is as competitive as other regions in its potential to respond to and secure Olympic supply chain benefits providing its companies are fit for purpose in terms of responding to the demands of Olympic tender requirements and supply capability.
- As yet, there is *no detailed information* emerging from the London Organising Committee for the Olympic Games (LOCOG), the Olympic Delivery Authority (ODA), its Delivery Partner CLM, or the other core partners including the London Development Agency (LDA) and Transport for London (TfL) *as to the exact nature and scale of the goods and services to be procured and when these contracts will be required*. We have reviewed published material and discussed the current plans and position with key personnel across the 2012 family. We have also gone back to primary source material owned by the IOC to understand whether and in what form a master schedule for the 2012 Games exists to support the procurement plan. What is available is an emerging schedule of contracts to be procured and a high level analysis from previous Games regarding scale of economic impact, some preliminary budgets for the London Games and the views of a series of individuals and organisations engaged in the preparations for the 2012 Games regarding the broad types of

procurement to be undertaken. The competitiveness of the procurement landscape and the kinds of support that might be required to assist regional companies in accessing and successfully securing contracts in the Olympic and associated supply chains has been investigated.

- LOCOG and the ODA will be responsible for the majority of large contracts procured directly for the delivery of the Olympics. The stringent requirement for public procurement regulations - including heath and safety, environmental and equal opportunities regulations – allied to the fact that *all contracts will be advertised on the London 2012 website and open to a global market place* means that there are a number of challenges companies must overcome to be successful in the Olympic market place. However, the delivery organisations will be most focussed on Tier 1 and Tier 2 suppliers, where all contracts will be procured in an open and competitive marketplace. It may be that at Tier 3 level, down stream from the larger contracts, or where sub contractual relationships are required for specific products or services, there will be a stronger relationship-led component to main contractors use of their existing or newly developed supply chains.

The main challenge facing regional businesses, in particular SMEs, is the likely highly competitive nature of the procurement landscape for Olympic contracts. The Olympics is a unique event which is underpinned by a movement with one of the most iconic brands in history. Many multi national companies have recognised the power of this brand and have, through formal partnerships as sponsors and suppliers, associated themselves with this brand and subsequently reaped the benefits of exclusive rights to certain categories of provision for the Games. This is at the top of the Olympic relationship hierarchy with business and below that there are multiple opportunities for businesses of all sizes to engage directly or indirectly in the Olympic supply chain.

Current official figures for the 2012 Games suggest that the games will cost in the region of £3 billion to deliver. However recent figures quoted in the press suggest that next months revised official budget will have the total cost at £5.1 billion, plus the cost of the remediation works and other regeneration expenditure required as part of the preparation of East London to host the Games. The most obvious areas of procurement in the short term are around construction and infrastructure services (including transport), engineering, land remediation, and professional services. The main Delivery Partner consortium has been appointed and plans are in development for the delivery of the main stadia and infrastructure.

In addition there will be many requirements for goods and services not only to prepare the facilities to stage the Games but also for the running of the Games themselves. This programme will become clearer when the Foundation Plan for the Games is published in March 2007. Contracts emerging from this will begin to be let from mid 2007 onwards with the majority of LOCOG's contractual requirements for goods and products required during the Games let from 2009 onwards. As such it is correct that NWDA is seeking to understand potential benefits at this early stage, though it is potentially at a point where a complete picture has nowhere near emerged.

Business Opportunities for the North West

The NW region has some strongly performing business sectors where there may be synergies with the requirements of the 2012 supply chain and the region's companies have the opportunity to compete by responding to speculative tender requests. In order to ensure that NW companies can compete in this marketplace, it is necessary to ensure the following criteria are met:

- That companies are aware of the opportunities that will arise in the coming months and years and have access to constantly updated information to enable them to consider whether they will be competitive in tendering for forthcoming contracts; and

- That support for businesses is available to ensure that they can develop capabilities in supply and also respond to the requirements of complex public sector procurement opportunities.

Information and support through the existing channels, supplemented with some bespoke 2012 events and engagement with individual companies will assist them in being able to pursue opportunities arising from the 2012 Games. The recommendations contained within the full report suggest utilising the existing business support network, supplementing it where necessary, to ensure access to information, development of product delivery and supply chain capacity, and support in responding to public procurement requirements will enable businesses to compete for Olympic contracts.

One key question is; should there be a specific sectoral focus to any support programme developed by NWDA. At this stage it is difficult to generate detailed evidence to support such sectoral intervention. In many instances one could argue that many sectoral opportunities can be responded to by the market without the requirement for the 'generic support' noted above. Supply chains relationships will exist which are outside the influence of NWDA.

Three sectors where some potential may exist for more proactive partnering and support arrangements may be around the creative industries, environmental technologies and food and drink. At this stage exact requirements and details around the competitive landscape are not known, but with the potential of BBC's move north, and the nucleus of the creative industries sector within the NW (the largest outside the capital) the potential of this sector is worth further consideration. We believe that LOCOG are considering an earlier and more innovative engagement with the creative industries sector in relation to the £70m+ estimated costs of the major ceremonies for the Games, where smaller niche players in an immature global and national market could be supported to participate.

Another area for potential focus is on the excellent reputation of the region's leading firms in environmental technology. They could help the delivery authorities with their drive to reduce the environmental impact of the Games for example, in line with the One Planet strategy, and also in health and safety to ensure the zero fatality target is met.

In terms of food and drink potential exists due to the NW's position as a leading region for the mass manufacture of food products and also as a producer of regional quality food. The One Planet strategy emphasises the principle of local and sustainable food and developing partnerships with suppliers for the Games - though at this stage no further detail is available. The role of and relationship with incumbent event caterers, PKL, may be crucial in securing catering supply chain opportunities.

There are obvious requirements for construction services to create the Olympic Park and stadia – however the majority of these contracts will be let to major construction firms – non of which have their headquarters, or a particularly strong presence in the Northwest (with the exception of MACE, one of the consortium members for the successful Delivery Partner). It is likely that contracts related to construction will be downstream from the main first and second tier contractors.

The region also has a good track record in hosting major events from the 2002 Commonwealth Games in Manchester, the UEFA Women's Championship in 2005, to annual events such as the Grand National at Aintree and forthcoming major events such as the World Swimming Championships 2008. Mapping this supply chain is a recommended early action to enable the identification of companies who would develop their capacity in line with Olympic requirements if appropriate business support is provided. This essentially means backing companies who can move from a regionally or nationally competitive environment to one where a global competition prevails. It is plausible to suggest that NWDA could assist such companies – through existing channels – to become more competitive.

The above does not exclude opportunities for support for other companies outside these sectors. New areas for focus may emerge as the Games Foundation Plan gains momentum, or may be driven by simply giving all NW businesses an additional competitive edge in understanding the nature of the Olympics. Differentiating NW businesses will require relationships to be developed with the delivery organisations and main procurers of goods and services for the Games in order to demonstrate where companies in the NW can add value to the requirements of the supply chain. Consultation has suggested that LOCOG and ODA are keen to engage with companies, in particular from the UK, who can offer a product or service or innovative or high specification nature that will help them in delivering the Games. Meet the Buyer type events are already planned and the delivery organisations are said to be particularly interested in any technology that help meet the broader objectives around the One Planet and Health and Safety agendas noted above. A technology showcase event, using existing relationships with the delivery organisations and the delivery partner (which includes Mace who have a strong presence in the North West) needs to be an immediate priority.

However, the NW needs to be clever in identifying tactically where support can best make a difference, rather than mirror-imaging the approaches taken in all the

English regions which risk providing no differentiation when it gets to the final competitive analysis. We note by way of example the plans of the Nations and Regions Committee to support an electronic business advisory service for 2012 contracts, where the London Development Agency have already awarded a contract for the creation of a forerunner of this system specifically for London businesses. NWDA is committed to supporting the role out of this initiative across the RDAs, which will provide more generic advice / guidance, but the Agency will also need to focus efforts on how provision can be made to businesses in the NW to enable them to target and differentiate themselves.

Conclusion

In summary, the key actions to be taken from this report, in terms of NWDA and public sector partners, and of companies based in the region, need to focus largely on developing existing support programmes through NWDA (and its delivery partners) and on a strong focus on relationships with the delivery organisations and main procurers. There is a clear Ministerial aspiration for businesses in the UK regions to benefit, but the route for achieving this – and specifically how much it will happen through the natural operation of the market accessing visible and publicised Olympic opportunities, rather than specific interventions by public sector agencies – is uncertain. Relationships with major delivery partners and Olympic bodies may prove to be the differential here. Information and business support will enable the region's businesses to be competitive but won't significantly differentiate them in the market place – a proactive approach to marketing goods and services produced and delivered in the region is required to maximise opportunity for benefit. We believe this has to be underpinned by strong NW relationships with the 2012 family which should be enhanced by proactively marketing particular products and services to them. There are a number of ways in which this can be achieved:

- Ensuring the business support network in the region understands the Olympic supply chain and associated opportunities and that bespoke support and co-ordination is available as required, including an 'Olympicisation' of the standard public procurement support arrangements already in place through existing and emerging business support structures;
- The proactive marketing of particular innovations, products and services, that are considered market-leading or where the NW has a competitive advantage in scale, niche specialisation or R&D performance, to the major 2012 procurers and first tier suppliers;
- Strengthening the major events and sports equipment and services supply chain in the Northwest to create a lasting legacy for businesses in the region; and
- Identification and pursuit of opportunities around sponsorship and the design and production of official 2012 merchandise.

The above recommendations focus on the core business and supply chain opportunities. There are of course other arenas in which NW businesses can benefit from the Games (and in some instances could be at risk of damage from the

Games). In a wider context, therefore, additional recommended interventions could include the:

- A strategic approach to creating bespoke 2012 travel packages for tourists, some based on the staging of Olympic football group Games at Old Trafford, others on the ease of international entry to and leaving the UK from Manchester rather than a London airport system under considerable pressure during the Games;
- Leveraging the enhanced national and regional profile for a legacy growth in tourism numbers;
- Maximising the activities taking place in the region for the Cultural Olympiad, in particular leveraging Liverpool capital of Culture, to optimise the local supply chain opportunities, attracting pre Games training camps to the region and using the 2012 business base to build the skills of people in the NW.