

**The Olympic Stadium Coalition:**  
**Because a fair deal for the taxpayer means a fairer deal for football**  
**Web: [www.oscoalition.wordpress.com](http://www.oscoalition.wordpress.com)**

## Olympic Stadium Coalition

Our analysis of and recommendations arising from the Moore Stephens Inquiry

### **This document outlines**

- **What the Olympic Stadium Coalition (OSC) is about**
- **The scale of the problem – the OSC builds on the Moore Stephens Inquiry report to identify key financial issues**
- **Actions to reduce the pressure on the public purse**
- **Addendum – can West Ham afford to pay a fair rent for the use of the London Stadium?**

### **What this campaign is about**

The Olympic Stadium Coalition consists of 14 football club supporters trusts, formed in 2015 to campaign for openness and fairness in the rental contract covering West Ham United's tenancy at the former Olympic Stadium. We believe that one of the richest football clubs in the world should pay more, and the taxpayer less, towards the cost of this arrangement.

In 2014, in response to a complaint to the European Commission about unfair State Aid implicit in the Concession Agreement with West Ham, the LLDC summarised their response as follows:

“WHUFC pay a fair price/market rate for their use of the Stadium and make a significant contribution to its transformation costs, which is overall proportionate to their use.”

The former Mayor, Boris Johnson, oversaw the deal, and was Chairman of the LLDC board. He stood down in 2015, shortly before the Information Commissioner ruled in favour of the OSC that the Concession Agreement should be published in full. At the time of this ruling, Mr Johnson said:

“We have a very good rental income coming in from West Ham. We will be spending no more public money on this thing. I'm very happy to get the information out there.”<sup>1</sup>

In May 2016, the co - owner of West Ham, David Gold, said

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<https://www.theguardian.com/football/2015/sep/16/boris-johnson-happy-west-ham-olympic-stadium>

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“The taxpayer is going to make a profit. It wouldn’t make a profit if you tore down the stadium and put it into a 25,000-seater, would it?”<sup>2</sup>

The Olympic Stadium Coalition has never believed these scenarios to be credible. It demanded an independent inquiry into the deal, backed by a petition which secured 26,000 signatures in 72 hours.<sup>3</sup>

The OSC therefore warmly welcomed London Mayor Sadiq Khan’s decision to appoint Moore Stephens to conduct an inquiry into the deal. The OSC gave evidence to the inquiry, which included a rigorous one hour interview in respect of our own research and viewpoint. The OSC considers that the report has clearly established the real financial situation. This situation is far worse than even the OSC believed, and it deserves wide public consideration; the taxpayer stands to pay even more than the huge amount that brought the OSC into being, and funding of other more important GLA services are threatened as a result.

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<sup>2</sup>

<https://www.theguardian.com/football/2016/may/09/west-ham-unitd-olympic-stadium-david-gold>

<sup>3</sup> <https://petition.parliament.uk/archived/petitions/106355>

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## **The scale of the problem – the OSC building on the Moore Stephens Inquiry report to identify key financial issues**

In 2016, the OSC obtained a copy of an internal E20<sup>4</sup> document entitled “Existing Business Plan: Summary of E20 income and expenditure projections over a 10 year period” This document has been very useful in helping us understand how E20 evaluates and monitors the actual operating profit – or loss – of the Stadium. At the time this version was produced, E20 was still assuming significant naming rights revenue, while the issue of the real cost of “retracting” seats had apparently not been accounted for.

We have updated that document to bring it to the present day, utilising the relevant information gleaned from the Moore Stephens Inquiry, and from the LLDC meeting with the GLA Budget and Performance Committee on 27.9.18. We have tried to err on the side of caution where there was reasonable doubt about a given revenue or cost figure. Nevertheless what we have learnt about the ongoing losses which now face E20 is truly shocking, and the taxpayer needs to be aware of it. Politicians in turn need to tell us how they plan to address it. The OSC has its own views on that, which we present below.

### Key findings of the OSC update

- In the nine years between the start of WHU’s tenancy and 2024/25 the Stadium will produce **operating losses of £123m**. In the original document we obtained, E20 forecast that over this period the Stadium would show an operating **profit** of £24m over the same period.
- there are two “new” factors which have driven this dramatic worsening of the trading situation
  - One is the retractable seats issue which will cost £45m by 2025 unless a new solution is found. In the 27 Sept meeting the LLDC conceded that such a solution would entail further capital costs – which would add to the overall capital costs of conversion to football use, which already stand at £323m.
  - The other is Stadium Naming Rights sponsorship. No such deal has been secured. In 2016 it was assumed that it would by now be delivering nearly £5m of revenue per annum. While some politicians have chastised the current LLDC team for not making a better effort to secure one, the Inquiry report lays out in compelling detail why such a figure was always extremely optimistic.

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<sup>4</sup> E20 is the entity set up to manage the Olympic Stadium (as opposed to the Olympic Park as a whole). It was initially jointly owned by the LLDC and Newham Council, but the LLDC assumed full control in 2017.

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- Utility costs and business rates, paid for by the taxpayer through E20, are both higher than forecast in 2016.
- Against these costs it can be seen that West Ham's contribution of £2.5m is woefully inadequate. The taxpayer has to spend at least £1.2m on matchday expenses other football clubs pay for themselves. That leaves less than £1.3m a year to set against the massive capital expenditure involved in developing the stadium for football use, again paid for by the public.

Taxpayers in London and nationally should not be expected to pick up the tab. At a time when the budgets of vital public services such as the police and fire service are under pressure, it cannot be right for the public purse to be meeting the steeply rising costs of facilities for a highly-profitable business.

### **Actions to reduce the pressure on the public purse**

A contract is a contract but West Ham surely wish to be seen as good corporate citizens. It is high time that the club agreed to find ways to share this new and startling financial burden. Specifically we believe it should agree to the following:

**Abandon the retractable seating.** The first version of the route to West Ham's occupation of the Stadium involved the club joining with Newham Council in a 50:50 outright purchase of the Stadium, whereby the Club would be responsible for re-configuring it to suit its football purpose. This configuration involved the permanent retention of the athletics track. No retractable seats were to be installed. The proposed deal however was abandoned because in the rush to conclude it, compliance with EC State Aid rules was not checked. Indeed it was found not to comply, following a complaint by a private citizen (not the OSC nor any member of its Trusts). Once West Ham, under the current agreement, became a tenant and not an owner, and thus not responsible for re-configuration costs, it suddenly became imperative to have these seats.

We are all football fans. We understand that fans want to be close to the pitch, and that football stadia with athletics tracks are disliked by English fans (although they are common elsewhere in the world). We understand that West Ham wanted to make a very large stadium more "intimate". But this should not be provided at enormous cost to the taxpayer.

Higher up in the stadium there are some 9,000 seats that currently lie empty. Before they can be utilised some further capital expenditure is necessary. West Ham claim it has the right under the Agreement to enforce the expenditure and make these seats available now. The LLDC disagrees and, following legal challenge from West Ham, the two sides are due to settle this in court in November. The taxpayer will pay significant LLDC legal costs. The LLDC

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confirmed at the meeting on @7 Sept. that legal costs of contractual disputes with West Ham will reach £4m after this latest action.

The room for compromise by a good corporate citizen is clear. West Ham should have the new seats as soon as possible, if, at the same time, it agrees that, at the end of this season, it permanently abandons the demand for the retractable seats. This would still result in an overall increase in capacity to around 61,000. This would be beneficial to the business of the football club and prevent a further escalation in costs for the taxpayer.

**Naming Rights.** We have some sympathy for West Ham's solution on this. Baroness Brady, West Ham Vice-Chairman, has argued that if Naming Rights were sold by West Ham as part of a package which includes club sponsorship rights too, the overall Rights fee could be considerably higher than it is now. We understand that sponsorship professionals broadly agree with this. We believe the LLDC should explore this, but only as part of a wider re-negotiation whereby West Ham pay more than they do now overall. Otherwise, even if the above issues are resolved, the stadium will continue to trade at a loss.

**Fair payment for the use of the stadium.** When it comes to what West Ham should fairly pay, there is the obvious benchmark of Manchester City, whom we understand to pay £4m per annum, but crucially pay all matchday overheads themselves. If West Ham matched this arrangement it would mean an extra £3m per year approximately to E20. The taxpayer would also be protected from future inflation of overhead costs. Finally we understand that West Ham pay business rate only on the tiny part of the Stadium where they have their management offices. It should pay a much increased share of those rates, to better reflect the cost of business rates for the stadium as a whole, currently borne by the taxpayer.

### **Conclusion**

We believe that the case for adopting these solutions is overwhelming. The GLA budget simply cannot afford to absorb these eye-watering on-going losses. As it is, services are under pressure, and meanwhile West Ham benefit from even more revenue from new football TV rights agreements, as well as increased revenue from games at the Stadium which it negotiated hard to maximise. The time for hardball negotiation and going to the courts should be over, the time for responsible adult compromise is now. We urge both parties to adopt our proposals and will be monitoring closely the response to our report.

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## **Addendum – Can West Ham afford a fair rent for use of the London Stadium?**

West Ham is the 17<sup>th</sup> richest football club in the world (Deloitte Football Money League, Jan 2018).

Operating profits before player trading were:

2014/15	£27m
2015/6	£31.5m
2016/17	£56.8m

Record ticket sales (an average gate of almost 57,000 compared with 35,000 in the four previous seasons) in its last year at its historic Boleyn Ground (15/16) helped the business to achieve what was then the largest turnover in its history - £142m.

At the London Stadium it has exceeded that turnover.

In its first year at the London Stadium:

- Ticket sales rose 6.3% to £28.6m
- TV income rose by £32m to £119.3m
- Retail income rose to its largest ever amount - £9.6m
- Commercial and sponsorship income soared by 35.7% over the previous year, to £25.8m
- The club profited from the sale of the Boleyn Ground for £8.7m according to its accounts
- **Turnover rose by £43m to £183.3m**

*Figures taken from the WH Holding 16/17 Financial Statement.*

In the latest football Transfer window, which closed on August 9, West Ham were the **fourth biggest net spender** (£88m)<sup>5</sup>

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A BBC investigation released on 14 August showed that West Ham is one of the clubs that made a profit in 2016-17 “without fans at games” –which calls into question why the club would take the LLDC to court over an increase in capacity of 8,000 at the Stadium

**The annual rent paid by West Ham for using the London Stadium: £2.5m.**