

From: Karren Brady [REDACTED]
Date: Wednesday, 15 November 2017 at 11:38
To: David Rogers [REDACTED]
Cc: Merryck [REDACTED], Will [REDACTED]
Subject: Re: Olympic Stadium Review. Response on behalf of Baroness Karren Brady

Dear David

I have done my best to answer your questions as quickly as possible as to fit in with your timeline. If you need any further information, please do not hesitate to contact me.

The first round bid with Newham

What were the initial conversations between West Ham and OPLC/GLA prior to the 2010 bidding process? What was it you think they were looking for from the stadium and its anchor tenant? We are aware your involvement with West Ham only began in January 2010 but we would be grateful to hear what you know.

Obviously I can't comment in too much depth about conversations that pre-date my Board's arrival but we were initially approached about the possibility of moving our entire operation to Stratford by our borough - the London Borough of Newham.

It is my understanding that there was growing concern about the Stadium's long term sustainability in the absence of a year-round tenant.

There was, we understand, a growing concern among politicians that without a true legacy solution for the Stadium that included year round use then this area in and around Stratford— a key target area for major regeneration - ran the risk of experiencing the fate of many other Olympic stadia throughout the world. Many stadia of course that did not have a year round sustainable tenant had effectively become wastelands.

My understanding was that Ministers and indeed the Borough wanted something far more sustainable and a true Olympic legacy that involved a substantial regeneration project. Out of this I understand the OPLC was formed.

The Stadium had been built to host athletics and the government and local authority were turning their attention to what would happen afterwards.

There was a growing consensus that this would need to involve Premier League football. West Ham were and remain the only football Club in the London Borough of Newham where the Stadium was being built.

Our understanding is that OPLC ideally wanted a tenant for the Stadium that would allow there to be an athletics legacy of some description to fulfil the promises made in Singapore in 2005 but their core aim was that the Stadium would act as the catalyst to kick-start wider social and economic benefits that the area does enjoy today.

As I recall, their focus was on a long-term solution that was viable and deliverable. They were keen to secure a partner with the capability to deliver and operate a legacy solution for a venue of the Stadium's size and complexity (of course in this bid West Ham would have had overall control of the operation of the Stadium).

They were also keen to retain the Stadium's iconic look and for it to re-open as rapidly as possible following the 2012 Games. Legacy was the key consideration, as was the need for the Stadium to play a part in supporting the economic, physical and social regeneration of the surrounding area. They were also highly focused on the Stadium's ability to have appeal to the local community and for it to be possible for the indigenous population to have access to enjoy elite sport but also to be able to use it for community use.

It was obviously a huge consideration for the Club to leave its spiritual home of 110 years.

We knew this would require substantial human and financial investment on our part and we also knew that we would have to be completely satisfied that any decision to move the Club would ultimately benefit our supporters and would help move the Club forward. There was obviously a lot of risk and a lot at stake.

However we obviously saw what seemed to be a good opportunity for West Ham United to move a short distance from the Boleyn Ground, to remain within the same borough and provide our supporters with access to a modern stadium reflecting the ambition of the football club to play European football.

In addition our ground was too small to accommodate a large proportion of our local fanbase at a price they could afford. It was becoming increasingly difficult to access and was impossible to redevelop. We understood therefore that if we were ever to grow our capacity, it would have to be outside of the Boleyn Ground.

West Ham United, along with the London Borough of Newham, seemed the obvious partnership as we were both here forever and the community being discussed were ours be they residents of the borough or supporters of the football Club.

We also had quickly realised that many of our local community were priced out of being able to attend matches at the Boleyn Ground and with the capacity restricted there was little we could do to address that but with a greater capacity we realised we had an opportunity around something that my Board have always believed and invested heavily in – bringing affordable family football back to the Premier League.

Many of our fanbase had also migrated out to Essex and we realised that with the transport links that Stratford enjoyed that would only improve as part of the Olympic investment, that there was an opportunity to bring many of them regularly back to East London to re-discover an area that we truly believed would at the heart of a significant regeneration project.

What do you understand to be the main causes of the collapse in October 2011 of the initial proposed deal? Please be as specific as possible as to all of the factors and their relative importance. To what degree (if at all) were “political considerations” an issue?

Our understanding was that the process had been subject to challenge. We had no involvement as to that challenge as it was not channeled at us but at the OPLC and we were instructed simply that we had to comply with the process. This was frustrating as we had unanimously won the bid and it stagnated other discussions as this was the key consideration to enable the process to progress, but we simply had to comply.

We are not sure as to what you mean by 'political considerations'. We understood that the project was to be reengineered in order that legal challenges and difficulties would be addressed.

What was the reaction at West Ham to the collapse of this deal? How did this change the club's stance in the 2nd competition process?

Disappointment. We had won the bid unanimously on five separate sets of criteria.

We had invested significant time and resource into bidding and indeed winning a competitive tender process. This had been announced and we had reputational and financial considerations. Nevertheless, we were resilient, remained fully invested and committed and waited for a new competitive tender to be launched.

How close do you feel the October 2011 negotiations were to a concluded deal? What were the key matters not yet finalised between OPLC & West Ham?

We had unanimously won the bid and the fundamentals of that agreement were there for all to see.

The consortium of West Ham and Newham would take the lease, retain the iconic integrity of the existing Stadium and invest a £60m contribution in addition to the conversion budget that was already available.

We planned to deliver a year-round calendar of high-profile and community events so the Stadium was always vibrant.

There were plans to create additional value and income for OPLC by developing out the remainder of the Stadium Island site with OPLC sharing in this. In addition we would pay an annual rent and the OPLC would share in any surplus generated by the SPV. At that time the consortium were of course responsible for all of the land development, cost control and revenue generation. We also agreed to operate a multi-sport Stadium that would be used by the community and generates in the region of 2m visitors a year and offering sport, education and employment for the local economy.

Key matters not finalised were the UKA usage agreement.

Was it envisaged during the first competition process that a successful West Ham bid would include seating in its original configuration (i.e. behind the running track) or was this particular detail still subject to ongoing discussion?

The discussions had not then reached a conclusion in this regard. As above UKA access required was not fully known at that time.

The second round bid without Newham

How did the subsequent competition process differ from the first?

The process was more regimented and a proposal was put to interested parties on (almost) a take it or leave it basis. This was based on a concession model which was new and was the main difference from previous process. The only option under this new process was to 'rent' the days you

wanted/needed for your events as a concessionaire rather than being an owner/having wider control of the stadium.

In effect, we were told what the stadium would look like post reconfiguration and had to make a bid based on the fixed proposal of what we would get in return for the rent/fees.

The new process introduced the LLDC for the first time and also stated that the Stadium must re-open by 2014 to tie in with the opening of the Olympic Park and must re-open with an athletics track to allow the hosting of track and field at all levels.

It also required concessionaires to accept the 2017 World Athletics Championship which by that point had been confirmed (this meant that WHU games would be displaced and we needed specific Governing Body approval to agree to this).

How did West Ham's legal team or management compare and contrast the terms of the first proposed deal to the eventual "Concession Agreement" on its key points?

We did not make a comparison as such because the deal and the structure of it and what was on offer was quite different. Effectively in this scenario we were presented with a form of contract as part of the bid with little room to negotiate. This formed the basis of one of the four key criteria we had to bid upon which was headed as "LEGAL".

What was your perception of both the OPLC's and LLDC's negotiating team?

There were so many throughout the process - personnel from these organisations but also consultants, legal and accountancy experts both in house and from major well known firms all reviewing our submissions at various stages in the process.

We had perceptions as to individual members of the team based on how much we felt they understood what was needed to make a modern Stadium viable and how much they understood the requirements of West Ham United. I personally have been managing and running successful stadiums for 25 years, I am not sure anyone on the other side had any experience of running a stadium?

The bid was about overall viability and while FINANCIAL was a core element of the bidding focus there were many other factors that bids were judged on e.g. investment in the local community, delivering footfall and spend to the area, bringing additional value to the Stadium (such as we were able to offer through the global audience of the Premier League which would generate Naming Rights Revenue – of which the lion share was to go to E20), how accessible the Stadium would be to the local Community etc. The individuals relied heavily on the advice of Allen and Overy – who seemed to do most of the negotiation for them, along with Neale Coleman who it appeared was the ultimate decision maker and various people who worked on the day to day operation, like Dennis Hone.

We felt the better individuals understood the fact that the Stadium had already been built for the Olympics and as a result given what had already been invested in it and the surrounding infrastructure that any viable solution would need to constitute a long term commitment and vision that was also a catalyst for social and economic regeneration – i.e. legacy.

How did both rounds of negotiations differ? How had West Ham's requirements or requests changed following the collapse of the first process?

Our requirements had not changed significantly. We needed a stadium fit for football and capable of hosting UEFA category 4, that at all times during the football season had the look and feel of the home ground of West Ham.

We required the Stadium to be ours on our event days and access to all the seats in the concession areas, without these basic things there would have been no point in moving from our own ground to one we could only rent on our event days.

The two processes proceeded along different lines because in the concession model, the club was in a 'rental' position and our priority was therefore to ensure that our fixtures would always take priority over any other events (to comply with the rules of the PL) for example.

Due to the changing nature of the model we obviously had concerns. In the previous bid we were responsible for controlling operational costs and generating revenue through year round use of the Stadium. Without this control we had concerns that we risked being held hostage in our own Stadium. It is for this reason which that we tried to ensure fair measurable provisions were inserted into the contract so as to protect the football Club and it's supporters – for example the standards of a reasonable and prudent operator and Comparable Clubs clause.

West Ham in this process were no longer responsible for the any other aspects of the Stadium such as its running costs or delivering the multi-use event calendar that would generate the revenue, so our requirements were now specific to our event/match days. This was now a matter for LLDC and they were therefore required to come up with a transformation solution that would maximise the Stadium's use for other events. Were West Ham to be successful this would include spectator pitch sports (indeed they were keen to attract spectator sports of global appeal e.g. pitch sports elite competitions e.g. Rugby/football World Cups/Champions league football etc.) and the athletics events they had or were in the process of committing to.

West Ham's initial bid in the second round offered no capital contribution to the Stadium. How far did LLDC push West Ham to make a capital contribution? Was that in your view commercially helpful or unhelpful?

As this was an entirely different model and the Stadium would only be ours on our event days (of which there are 25 days of usage in 365 days of the year) it wasn't initially a consideration. We rented the Stadium and offered a commensurate return. We were being asked to give up a lot of revenue that we enjoyed at the Boleyn Ground. This now presented an opportunity for our new landlord – Naming Rights, Catering rights, pourage rights, other short term rental incomes, our hotel revenue and most importantly the opportunity to maximise revenue from the venue throughout the year. There were many unknowns then and the entire contract was based on the fact that there would be partnership opportunities in the future that would benefit both landlord and tenant to be explored and maximised.

That said, after we had won the competitive tender open to every organisation in the entire world and were nominated as the preferred concessionaire, we were asked to make an upfront payment and in the spirit of true partnership we agreed to do so. The amount was similar to that that we had earmarked in the first process, but on top of the 15m we gave up majority of Naming Rights Revenue, catering revenue, Pouring rights (beer) revenue and a significant rent.

This was not the last time we injected capital into the Stadium ahead of moving in.

Which side benefitted from the inclusion of a capital contribution in lieu of other elements which would have otherwise been agreed to, such as higher rent or other matters?

At the time we agreed to pay an upfront amount, we also agreed to increase the annual Usage Fees. The question implies a trade-off between up-front payment and annual payments and rights acquired. This is not how we recall the discussions. It was more a case of reaching agreement in the round as to an agreement which was viable and fairly reflected the payments we make in return for the limited rights we have to use the Stadium and to treat this as our home ground during the football season and to be able to use it at least 25 times a year.

Would West Ham's preference have been for a revenue based deal with no capital contribution given that this had to be personally underwritten by the owners?

A capital contribution was what I recall was at the top of the agenda for the LLDC team to meet their business plan. It is important to note that moving was a tough decision for West Ham – as part of agreeing to move we gave over a number of rights that we at that time enjoyed at the Boleyn Ground. There we had a hotel business, our own year round events business, a 364 day conference and banqueting business, stand naming rights etc.

As a result the entire contract envisaged that West Ham would retain all our match day revenue as per the Boleyn Ground. We also had plans to pursue an affordable ticketing model in order to meet some of the other bid criteria around making the Stadium accessible to the local community as well as meeting the needs of our fanbase who resided in the local community. It was therefore essential that we retained our core revenue to remain competitive.

A common misconception is that the Stadium is a significant contributing factor to the Club's overall profitability. In fact the majority of our revenue – the largest contributing factor of course being the revenue generated by the Premier League broadcast deal would be enjoyed wherever we played, and is paid regardless of the Stadium the club is in. Equally we have to re-investment it in the squad to ensure that the Club remains competitive.

We had also already begun to significantly turn the Clubs fortunes around through prudent management that it had not previously enjoyed. We also gave up our overall asset – the Boleyn Ground and used the revenue generated from that sale for the capital investment, moving in costs and the work we had to do at the new ground (building our new retail outlet, offices, warehouse, players lounge, boardroom etc – everything had to be rebuilt as everything at our previous ground was being demolished).

The guarantee for the payment of the one-off payment of the initial Usage Fee was not considered to be out of the ordinary given that this was to be funded out of the sale proceeds from the Boleyn Ground.

I am not aware of any other Stadium Concessionaires offering a capital investment?

Indeed when we were later asked to invest further capital towards dressing the Stadium including wrap, branding and digital screens we once again obliged and contributed £1m. In addition to our

annual usage fee and capital contribution we gave over the majority of the catering and naming rights revenue, this is a significant amount of money.

The Stadium gave us a platform for success but it didn't guarantee it and in the same way LLDC and E20 were given the same platform. Our entire contract with E20 acts as a base that envisages partnership working that would see revenue growth for both parties e.g. Naming Right protocol, a partnership approach to growing pourage and catering revenues, to attracting additional events and major tournaments etc. but I think it is fair to say this has not been adequately activated on E20's part, much to our disappointment.

How much involvement was there from West Ham in the transformation project, either as to its specific details or its timing and delivery?

We had a watching brief on the aspects that involved West Ham only but we had no right to attend all the meetings, make decisions or steer the programme. Many of the contracts were of course subject to the government's OJIEU procurement process.

We regularly asked for 'deep dive' meetings to try and understand some of the decisions as it would be fair to say we had our own observations but these very sporadic meetings merely gave updates on how the transformation was being managed as opposed to allowing room for example to lead procurement/buying decisions/consultant use.

There were of course many other aspects to the transformation that were not considered to be matters for West Ham e.g. when the decision was taken to host the Rugby World Cup in 2015 we had strong concerns and expressed them openly and on the record that this would impact on the overall transformation timeline and potentially budget would in turn could have implications for West Ham.

Whilst we were supportive of events of this nature we had concerns around the Stadium not being ready and fully operational in time and also around the impact upon transformation costs to adding this significant event into the programme and the reputational impact upon West Ham were costs to rise.

We were however given written assurances in this regard.

In summary, we had a list of what had to be delivered as part of the concession agreement (e.g. a roof that covered seats, seats that were a limited distance from the pitch, hospitality areas as defined) and we just oversaw that these elements were delivered in line with expectation and the contract we had signed up to, beyond that we had no involvement. We did not get involved in negotiating anything or speaking directly to the contractors etc.

In fact I would say that in those areas that impacted upon West Ham and in the rare instances we were invited to participate and therefore did have an involvement via our Project Director Stewart Pegg at the time, that costs efficiencies were found and we were a helpful and useful partner. Our view was always that there was little point only focusing on capital investment if the on-costs made short term decisions uneconomical in the long run. As we all know short-termism is ultimately a false economy.

What is the view of West Ham on the retractable seating, and the other uses of the Stadium?

We always knew that this was to be a multi-use Stadium. The concept and the viability of the seating solution was a matter for E20 and our concern is that it works and does not impinge upon the uses of the Stadium to which we are contractually entitled.

Other uses of the Stadium have to fit around the football club's rights of priority. The rules of the Premier League are categorical on this point and we could not and would not have been able to move into the London Stadium without overriding priority for our matches.

LLDC wanted a seating solution best adapted for the many different uses that they wanted to be able to accommodate and attract at the Stadium.

Our view was that the state of the art retractable solution initially presented to us was the best way forward. LLDC later took the decision (presumably based on cost) to adapt this specification to what they described as 'dismountable seats'.

In fairness given this was their transformation budget to manage for the multiple uses that they aspired to, it wasn't really appropriate for us to object provided that the seats were as close to the pitch as we required and as was contractual, and that they were covered and would always be back in football mode when required and of course that the overriding priority principle could always be upheld. We were given assurances that this change in specification would not impact on these matters which were of course so important to our supporters and hence the Club.

We will always be concerned that the Stadium is restored both on time and to its previous condition after other events take place, as our experience of this to date has not filled us with confidence. The integrity of the playing surface and the look and feel of the Stadium for our supporters are also key concerns for us.

How have the costs/benefits expected prior to the move to the new Stadium compared to the reality? If the club has prepared an overview financial appraisal of that, are you prepared to share it?

My honest view is that the Stadium move has been a success but so far we have not got close to realizing the full opportunity.

Since the day my Joint-Chairmen David Sullivan and David Gold and I, arrived at the Club in January 2010, we knew the Olympic Stadium presented an opportunity for West Ham to generate a lasting legacy for the East End. We were also aware of the responsibility that leasing the Stadium would place on the Club in terms of creating a sporting legacy for East London, job creation and creating sustainable employment.

The opportunity to play a part in such a spectacular regeneration project that could have a real and tangible impact on the lives of those in the East End community continues to fuel our passion to make the Stadium work and it's the reason we persist in our willingness to offer our full support and true partnership to its owners.

It is not in West Ham's interests for the Stadium to not be performing in line with aspiration.

We offered the best solution for long term tenancy of the Stadium, which may explain why the Club won each of the three tender processes. West Ham bring year-round use and exposure to the most popular and watched football league in the world and its supporters deliver the Stadium's core customer base.

We saw the concession agreement as the first step in a long term partnership that we would develop working together to mutual benefit. We are entirely professionally and personally invested in the Stadium and its success.

As part of the first process we of course researched and established a clear vision for the Stadium. I am not sure this was ever properly carried out following the collapse of our initial process but we have regularly offered to share and advance our vision in partnership with E20.

We have expertise at West Ham of effectively and profitably running Football Clubs and Stadium for 25 years and these have always been year round businesses.

The Boleyn Ground as a facility could not offer anything comparable to that which the Olympic Stadium can offer and yet it seems to us we were able to make more of that facility in terms of appeal and revenue generation.

Rather than being a football Club able to operate its day to day business like our Premier League colleagues, the political interest in the Stadium means we are effectively in a goldfish bowl.

Every time a report, an investigation or scrutiny into the Stadium's management takes place West Ham appear to take the brunt of the criticism. It makes for better headlines to talk about West Ham and the so labelled 'great deal' that we got. In reality we didn't have to leave our Stadium that we owned and had full control over.

We were asked to consider a monumental and costly move to the Olympic Stadium. At that time there were no other viable options that would retain the iconic building and deliver in line with the governments long term legacy goals to spark social and economic regeneration.

Our move has also proved to be the catalyst for a major regeneration project back in Upton Park and East Ham and we continue to invest heavily there through our Foundation.

Our fans are at the heart of everything we do and we therefore saw the opportunity. We are only the custodians of our football Club on their behalf. Most football Clubs do not make money. Every penny we make is reinvested into our squad to keep us competitive in the most competitive league in the world.

We saw that the Stadium could give us a platform from which to build. If we were to sell our ground and invest what we had into this proposition we could work hard to use the opportunity afforded by the increased capacity to grow in line with our supporters expectations.

The Stadium is not failing to perform in line with expectation because of the deal struck with West Ham. At the time we bid we were told the Stadium could make a profit with West Ham but without it, it would make a substantial loss. Had the LLDC pursued any other option, we understand the long term operational costs of maintaining the stadium would still have been highly substantial. A Freedom of Information request submitted by Sky Sports in 2013 put these operational costs at almost £4 million for just one six-month period*

The 99-year Concession Agreement, signed in good faith and under legal declaration, represented a compromise based on commercial negotiation. As a professional football club, in the unique position of having our fortunes largely governed by the results and performances of 11 men on a pitch, the risk was ours.

However, at no point have we ever shirked our responsibility or commitment nor our determination and ambition to play a positive and important role in shaping the future of London Stadium over the course of the next century. We believed that we shared that ambition with the stadium's other major stakeholders, as part of a relationship based on partnering principles.

As it has transpired, we believe West Ham United have been the only partner to display the required level of commitment and aspiration when it comes to making London Stadium a successful and viable venue.

Our long-term financial commitment to this stadium is there for all to see.

Our annual rental fee of £2.5million alone – based on incremental inflation could see us pay up to billions over the course of the contract. That is before we take into account the hundreds of thousands of pounds we generate through playing additional matches or hiring areas for club events. We will have invested £5.7million in the community in Newham and the surrounding Olympic Boroughs by the end of the season.

The catering revenues generated at the stadium in our first year reached £6m entirely from our matchday operations – a figure that could be even higher with an increased capacity and by further utilising our expertise and resources on non-matchdays.

What's more, the global audience of four billion people tuned into Premier League football is by far the most powerful attraction when it comes to the value of the naming rights that should by now have brought in millions of pounds.

West Ham United have now been wholly invested in London Stadium for more than seven years. It is clearly in our best interests for the Stadium to be a viable and successful venue, and we have always been available to offer helpful input.

Indeed, we have always made ourselves available to the stadium owners, offering commercial expertise, practical solutions and investment to make the venue viable in the long term, as well as attempting to help them achieve short-term successes.

The Stadium's issues have not arisen from poor contracts or negotiating it's as a result of a lack of vision, strategy and leadership coupled with a political vs commercial approach to running it.

As a result of the political focus on the deal with West Ham there is a desire for E20 to retro-fit and re-write our watertight agreement. This leads to a myopic focus instead of focusing on the much bigger opportunities to work together and grow OUR income.

There is now an opportunity for E20 to realise the benefit of having a successful Premier League football club on side as a stakeholder and making the most of the opportunity that can be found by working closely together.

We will continue to devote time, effort and money, but London Stadium craves leadership and direction and we hope following the findings of this report the Mayor will focus on the future and go on to deliver it. We believe he has the mettle to do so. We believe this report could be the catalyst for positive change but that requires a complete shift in approach to the Stadium's anchor tenant. West Ham are not the problem but working with us could help to realise the solution.

There is a glaring opportunity here to make our Stadium the absolute jewel in London's crown. On top of the magnetic pull of Premier League football, there are world class sporting and corporate facilities that should be utilised 365 days a year. It's plain for my team and I with our wealth of experience to see how substantial cost savings could be made and greater profit achieved.

I hope this report acts as the trigger for us to work in harmony, to ensure that London Stadium delivers the long-term legacy that the people of our great city deserve.

^[1] [Sky Sports – 14 August 2013](#): *“Securing and maintaining the Olympic Stadium, the venues and the Olympic Park has cost the taxpayer nearly £4m in the last six months, Sky Sports News can reveal. A freedom of information request submitted by Sky Sports News has revealed that the cost of safety and security of the Olympic Park has cost £2,980,200 alone in the six months from January to June this year. The safety and security costs of the stadium come in at an extra £422,487. In addition the costs of maintenance on the Olympic Stadium come in at £495,300. The bill to the taxpayer totals £3,897,987.”*

Thank you for giving me the opportunity to answer the questions, and as previously said if you need anything further please let me know

Kind regards

Karren Brady
Baroness Brady of Knightsbridge CBE

