

# Delivering Flagship Projects in an Era of Regulatory Capitalism: State-led Privatization and the London Olympics 2012

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## Abstract

*Much of the urban studies literature on the London Olympics has focused on its social legacies and the top-down nature of policy agendas. This article explores one element that has been less well covered — the contractual dynamics and delivery networks that have shaped infrastructure provision. Drawing on interviews and freedom of information requests, this article explores the mechanisms involved in the project's delivery and their implications for broader understandings of urban politics and policymaking. It assesses contemporary writings on regulatory capitalism, public–private networks and new contractual spaces to frame the empirical discussion. This article argues that the London Olympic model has been characterized by the prioritization of delivery over representative democracy. Democratic imperatives, such as those around sustainability and employment rights, have been institutionally re-placed and converted into contractual requirements on firms. This form of state-led privatization of the development process represents a new, and for some, potentially more effective mode of governance than those offered by traditional systems of regulation and management.*

## Introduction

Critical writing on the London Olympic Games has mainly focused on the position of communities *vis à vis* the Games organizers and debates over 'legacy building' (see Vigor *et al.*, 2004; Gold and Gold, 2008; Girginov and Hills, 2009; Poynter, 2009). Much less has been written on the processes through which the project infrastructure has been managed, regulated and delivered, and the implications for broader understandings of urban policy and politics in democratic cities. The logistics involved in establishing workable contractual relations and procurement structures for a development of this scale are enormous. It is estimated that the London Games required the drawing up of over 43,000 contracts, each of which must be compliant with laws and regulations on

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tendering and transparency (Lythaby and Mead, 2011). Thus, while there has been much focus on the politics of mega events and the neoliberal discourses of development that underpin them, the practices involved in the day-to-day management of contracts and structures is often put to one side, and presented as a mere extension of top-down development logics. This represents a surprising lacuna in the literature given that many of the policy outcomes associated with the Games, such as those surrounding sustainability and employment, are being implemented through a utopian top-down model of contractual management. In this respect the London Games has represented a new mode of *state-led privatization* in which public funds and objectives have been converted into privately run and contractually delivered programmes of action. In contrast to former Olympics, such as Athens in 2004, the delivery of key infrastructure has been on time and 'to budget', albeit with a budget that has consistently expanded. It therefore seems likely that the processes involved in contract procurement and project delivery will feature highly in any future 'London model' of development.

For authors such as Braithwaite (2008) and Levi-Faur (2011) such processes reflect and reproduce a wider shift towards new modes of regulatory capitalism in which states and corporations have established interconnected policy networks through which abstract policies are converted into concrete interventions. Traditional modes of representative accountability and politics, they argue, no longer hold sway in a context where decisions are increasingly made and implemented through tight-knit regulatory and contractual practices. Under this new system, democracy has been converted into a series of debates over how to best regulate the conduct of actors through the creation of 'communities of shared fate' in which all public, private and third-sector bodies become reliant on each other. It is a process, they contend, that is not *necessarily* detrimental to democratic governance and a collective sense of 'public interest'. Ayres and Braithwaite (2000), for example, points out that if managed carefully, regulation can be made to work in the cause of more inclusive and socially just forms of capitalism. Policy priorities can be embedded into a series of formal and informal regulatory ties that force compliance in ways that other forms of governance are unable to fix.

However, for writers on the critical left such as Swyngedouw (2009) and Wacquant (2008) the implementation of such practices represents an erosion of the democratic process. The removal of politics becomes a precondition for the effective implementation of policy as it enables policymakers to depoliticize development projects, so that professionals are able to act freely to get on with the process of making development happen. Governance becomes dominated by a Blairite concern with 'what matters is what works' and as Levi-Faur (2011: 4) notes, it is a process that carries significant 'liberty costs' in which there is 'the quiet accretion of restriction — an accretion hardly visible because it is hidden behind technical rule-making, mystifying legal doctrine and complex bureaucracies'. It is a cost that arises from a growing uniformity of action across the globe in which states and powerful private actors increasingly 'seek to align and contain variegation and contestation, by constructing a normative consensus that professes expertise about how capitalism should be governed and by whom' (Sheppard and Leitner, 2010: 186). In effect, states sign away their direct rights and obligations to direct spending and devolve responsibility for implementation to public-private networks and contract writers.

This article directly engages with such debates. It draws on research carried out on the delivery of infrastructure for the London Games and the role of regulatory practices in influencing the form and character of development. The work involved two elements: interviews with key policymakers and project managers at the Olympic Delivery Authority (ODA) and a series of detailed analyses of contracts and delivery tools, many of which have been released through freedom of information requests by the author and others. It explores the ways in which a policy focus on 'delivery' has been converted into a series of regulatory structures, underpinned by *contracts* that are designed to institutionalize policy outcomes and the mechanisms through which they are to be achieved. The discussion documents the mobilization of a shared community of fate

surrounding the Games and the role of procurement and contractual strategies in shaping policy implementation on the ground. It explores the innovative nature of much of this work, particularly in the establishment of contractual packages surrounding the development of project infrastructure. It also examines the partnerships that have been established and the ways in which global networks have been mobilized. Collectively, it argues that while certain features of the Games make it 'unique', it would be wrong to overemphasize its separation from broader changes in the ways in which states and corporations now operate. These wider trends have profound and under-researched implications for democratic practices in cities and contemporary forms of urban policy. The article calls for a broader awareness of how such mechanisms shape urban development programmes and their impacts on people and places. The first section analyses key writings on the rise of regulatory capitalism and urban politics. This is followed by a discussion of the coming of the London Games, procurement strategies and processes, and public-private hybridities.

### The rise of regulatory capitalism and regulatory states

Much of the writing on regulatory states has emerged from a creeping realization that there is a paradox underpinning neoliberalism. As Braithwaite (2008: xi) argues, it has become clear that 'while the state was running fewer things, it was regulating more of them, and spending ever higher proportions of its budget on regulation'. This is particularly surprising given that 'the rise of neo-liberalism was supposed to result in deregulation, the retreat of the state, and the triumph of markets and business interests' (Jordana and Levi-Faur, 2005: 110). Authors such as John Braithwaite have termed this the rise of 'regulatory capitalism' or a context in which there is 'increased delegation to business and professional self-regulation and to civil society, to intra-national and international networks of regulatory experts, and increased regulation of the state by the state, much of it regulation through and for competition' (*ibid.*: 11; see also Levi-Faur and Gilad, 2004). The result is that 'not only political science is an anachronism, but public law as something separate from private law and private self-interest is equally so' (Braithwaite, 1999: 90).

There are three elements to these arguments that are relevant to the discussion of the London Olympics in this article. First, they challenge the idea that state practices under neoliberalism represent anything like what Braithwaite terms the 'fairytale' of deregulation and minimal government so commonly espoused by commentators and social scientists. Braithwaite (2008: 8) points out that even during the Reagan presidency, a period that is often characterized as the high-water mark of neoliberalism, 'business regulatory agencies had resumed the long-run growth in the size of their budgets, the numbers of their staff, the toughness of their enforcement, and the numbers of pages of regulatory laws foisted upon business'. Similar trends have emerged elsewhere. In a study of 16 policy sectors in 49 countries, Jordana and Levi-Faur (2005) show that despite the rhetoric of liberalization, governments have expanded the number and power of regulatory agencies, creating on average 20 or so bodies per year per country during the 1990s and 2000s. Paradoxically, this expansion is primarily a consequence of *increased* privatization and liberalization. It is a situation that goes beyond Andrew Gamble's (1988) observations on the paradoxes of Thatcherism in which top-down state power was mobilized to promote a 'free economy'. Instead, it reflects a structural process in which the hollowing out of traditional forms of state power is compensated for by the expansion of regulatory institutions, rules and practices (see Moran, 2003; Levi-Faur, 2005). It is an approach that builds on work by authors such as Clarke (2008) and Power (1999) who argue that modern governance is embedded into an 'audit society' characterized by a lack of trust in the practices of public and private sector organizations and reduced tolerance of perceived risks and failures. It is a reality in which state practices become increasingly focused on rulemaking, new technologies, the formalization of codes and 'less *ad hoc* discretion to

individual auditors in their relationships with auditees' (Levi-Faur, 2005: 13). According to this group of writers, this combination of changes reflects how modern governance works in practice, as opposed to the eloquent neoliberal imaginaries of political economic authors (e.g. England and Ward, 2007; Wacquant, 2008). It seems to provide 'a solution to the inherent tension between the demands of the capitalist order and democracy' (Jordana and Levi-Faur, 2005: 112).

Second, regulatory capitalism is characterized by the emergence of new *public-private hybridities* in the development and implementation of policy interventions. The rise of regulatory capitalism has gone hand in hand with an expansion in the size and scale of multinational corporations (MNCs). While critics of corporate power point to the ability of MNCs to transcend state boundaries and use geographical scales to undermine the regulatory capacities of states and citizens (see Harvey, 2009), advocates of regulatory capitalism point to the substantial regulatory opportunities that a more powerful corporate sector opens up for contemporary states. By working with big businesses, state agencies are able to establish clear lines of influence, regulation and accountability in ways that are impossible to achieve when working with communities of small businesses, citizens and communities. In this way new forms of governance interdependence emerge in which the 'state's capacity to govern is actually extended by its capabilities to enlist through negotiation the governance capabilities of others' (Braithwaite, 2008: 26). As Braithwaite notes, in many sectors, MNCs actively lobby for enhanced regulation and tighter inspection regimes so that smaller, competitor firms are driven out of business. At the same time, however, states can also use MNCs to regulate and police the networks of suppliers and smaller firms that service them, thus facilitating an extension in indirect state power. It can use regulatory threats to cajole actors into 'communities of shared fate' in which it is made clear that the failure to meet specific objectives in any part of the network will result in the collective regulatory punishment for all. In Braithwaite's (1999: 92) terms, the 'logical' structure of regulation is one where 'everyone becomes a guardian of everyone else' (*ibid.*: 93), along with the abandonment of 'hierarchical accountability architectures that bind willingness to take responsibility for making a contribution' (*ibid.*: 94). Therefore, it overcomes the problem identified by Hayek, among others, who argued that top-down bureaucratic management can never regulate practices at the micro scale (see Riles, 2008; Scharpf, 1999). But it also carries potentially enormous implications for traditional and common sense ways of viewing the governance process, many of which are based on what Michael Waltzer (1984) termed the 'liberal art of separation', or the creation of binary distinctions such as public/private or state/individual. If new hybrids are emerging in which private actors regulate on behalf of states, and in turn are regulated by those same states, then notions of democratic accountability through representation lose their salience. In Levi-Faur's (2005: 13) sober terms:

we could now be experiencing a transformation from representative democracy to indirect representative democracy. Democratic governance is no longer about the delegation of authority to elected representatives but a form of second-level indirect representative democracy — citizens elect representatives who control and supervise experts who formulate and administer policies in an autonomous fashion from their regulatory bastions.

And third, the rise of regulatory state practices has emerged at the same time as the expansion of what Yeatman (1995) terms a *new contractualism* in which governance is increasingly organized and managed through legally binding contract writing (see Ramia, 2002). Contracts have become the *sine non qua* of regulation and require the costly mobilization and empowerment of experts, including lawyers and consultants, many of whom then become bound up in networks of regulation and delivery themselves. Contracts also facilitate the creation of new financial and political geographies as multinational investors seek to capture lucrative state contracts as a source of low-risk revenue. For Richard Murphy (2011: 30) such trends have profound implications as they create the spaces through which new international private elites emerge that aim to secure

'irrevocable contractual claims over taxation revenues that they will manage henceforth in their own private companies, which they claim will undertake the tasks of the state so much better than the state could do itself'. Roles previously undertaken by the state are increasingly being handed over to regulated private operators, under a process of *state-led privatization*. Many of these providers are funded by unaccountable (and under-researched) global investment funds and holding companies. Indeed, as Colin Crouch (2011) recently noted, orthodox theories of government and governance have failed to register the rise of giant corporate regulators and the growing irrelevance of traditional distinctions between markets and states. These insights on regulation and governance are particularly relevant to developments in urban policy in which there has been a growing tendency towards the production of flagship projects and entrepreneurial urban strategies. This article now turns to a discussion of these projects.

### Delivering flagship urban projects

The politics of urban development has undergone seemingly contradictory trends in recent decades. On the one hand there has been an international emphasis, promoted by the UN, powerful governments, non-governmental organizations and others on 'good governance' models of devolution, community empowerment and democratization. Across the global North and South urban policymakers have adopted such language and used it to legitimate wider moves towards sustainability and placemaking (see Imrie and Raco, 2003; Giddens, 2009). There is a wider call for new forms of smart governance in which old-fashioned Keynesian modes of intervention and ways of thinking are seen as outdated and out of touch with new realities. Planning systems, for example, are often presented in these terms. They are seen as policy relics that limit development and progress in fast-moving cities and societies. Top-down state bureaucracies that seek to reduce the risks faced by citizens are characterized as outmoded and of a bygone era. The new reality is one of empowered citizens taking a greater role in the coproduction of urban policy. In Giddens' (2007: 212) terms, so-called progressive policy now 'aims to provide resources that will empower citizens, but also to work with them to ensure that the desired outcomes are achieved'.

Simultaneously, however, governments and city authorities are also embarking on projects that they hope will stimulate new growth by attracting inward investment and creative class workers (see Kipfer and Keil, 2002; Peck, 2005). There has been a tendency to embark on big-scale programmes that require infrastructure of enormous technical and regulatory complexity. International finance is relatively easily obtained from private investors who are all too willing to take a greater stake in low-risk, 'public-backed' projects. The main problem often lies in the (in)compatibility of development priorities. As authors such as Flyvbjerg *et al.* (2003) and Crouch (2011) have pointed out, private investors usually push for legally binding contracts in which there are reduced risks for them and guaranteed returns. The longer term and the less flexible the agreed contracts are, the better. Democratic demands become recharacterized as a 'threat' or a 'risk' to future investment returns and the obvious logic is for private companies to use regulations and contracts to insulate themselves from socio-political demands. The language of risk management becomes a priority, with expert advisers used to predict and cost all manner of possible eventualities. For Cutler (2010: 178), this inexorably leads to a process in 'which experts participate in creating their own markets by identifying ever new risks to manage with their expertise'. Their enrolment into urban development processes represents part of the accretion of expert influence highlighted by Levi-Faur above and the growing liberty costs of high-profile project delivery.

In some cases this politics of democratic insulation is also used by public actors to shield themselves from political demands. There may be advantages in signing away direct control over controversial urban policy projects so that criticisms are deflected

onto development partnerships and unaccountable and unresponsive delivery agents. Decisions may also be ideological and founded on a genuine belief that state actors are unable to deliver the same levels of efficiency as those found in the private sector (see Giddens, 2009; Blair, 2010). The more complex the project and the greater the levels of regulatory expertise required, the more likely it is that global multinationals will be able to offer attractive 'solutions' that work through complexities and deliver. This *de facto* involves a sorting process as only a small number of major, multinational developers have the capacity and the proven track record to be able to take on major development contracts.

Increased regulatory complexity also has broader effects. As Bentley and Rafferty (1992) argue, it results in new forms of contractual 'packaging' in which projects are subdivided and broken up into vertically organized, deliverable units. State institutions then act as project *commissioners* and set the parameters for projects through regulations and objectives. To make projects more manageable, regulations and contracts are used to appoint 'gate-keeper' private organizations and project managers. They, in turn, subcontract out their activities to a range of businesses who report upwards through a hierarchy of reciprocal payments and responsibilities. These gate keepers will usually be MNCs specializing in construction management. Their deployment represents a rescaling of political power in which we see 'the incipient formation of a [new] type of authority and state practice' (Sassen, 2002: 91).

For optimistic commentators these forms of governance may open up opportunities for the (re)regulation of corporate practices and priorities by elected state actors and the publics they represent. States may be able to weave progressive policy objectives into the fabric of urban projects in ways that would not be possible without the regulated involvement of property developers, architects and financiers. It is not only citizens and states who face limited room for manoeuvre in the wake of contractual 'lock in', but also professionals and technical experts who may be compelled to deliver on the demands made by social groups and politicians. While Levi-Faur (2011) may be correct in highlighting some of the liberty costs associated with this wider conversion of state authorities into intelligent clients, the same process could be read, in more optimistic terms, as a retooling of the state. Research on architecture firms by authors such as Imrie and Street (2009), for example, has shown how regulations influence the mentalities and practices of architects in relation to themes, such as the accessibility and sustainability of building design. Urban policy programmes may be able to insist on the delivery of broader priorities through the use of regulations. Moreover, failure to deliver on these demands could result in contractual penalties or the removal of a private operator altogether. This, it could be argued, represents a specific form of policy delivery that is 'effective' and transparent as it sets out clear targets, monitoring frameworks and timetables of action. Democratic control within such a system is transferred to those overseeing and writing the contracts and this, again, while closing down some terrains of democratic accountability, also serves to open up others.

It is in this broader context that the article now turns to the example of the London Olympic Games 2012. The Games represents a salient example of such processes in action and the discussion examines the ways in which the development has unfolded. It draws on interviews with policymakers at the ODA and documentary/contractual analysis to explore the core delivery mechanisms that have been established and the ways in which they operate. It examines how policy programmes are governed and managed through regulatory networks of problem identification, project commissioning and procurement. It argues that such examples shed light on the contemporary character of state practices and democratic modes of accountability, and how urban governance processes are being reconfigured and transformed by the growing imperative in many contexts to 'get things done' and deliver 'on time' and 'to budget'. The discussion begins by exploring the coming of the Olympics and the significant governance challenges it raised for development agencies. It then examines the regulatory spaces and networks

that were established to deliver and manage the Games, and the ways in which processes of governance were privatized from an early stage.

## The coming of the Games

The successful acquisition of the London 2012 Games represented a significant achievement for development agencies and policymakers in London and the UK. The bidding process has been discussed in detail elsewhere (see Gold and Gold, 2008; Poynter, 2009) but from the outset one of its key stated objectives was the creation of *development legacies* in and around east London and the establishment of lasting benefits for local communities. Thus, for the London Assembly (2007: 4) the Games will *only* be successful if they bring about a 'transformation in the life chances of London's most deprived communities'. The project dwarfs other initiatives and skews broader spatial patterns of spending on urban policy in the UK. By 2012 at least £10 billion of public money will have been expended on the Games and possibly much more given the costs, such as security, that come from other budgets. This compares with resources devoted to other flagship urban programmes, such as the £2 billion allocated to the New Deal for Communities programme over 13 years (1997–2010) or the approximately £1 billion spent on the government's post-2003 Pathfinder Housing Scheme in northern cities.

As research in cities such as Barcelona and Athens has shown, the Olympics represents a particular example of urban regeneration policy in action in which the considerations that affect projects elsewhere are amplified to a higher degree (see Gospodini, 2009). Unlike other, more open-ended developments, they have a set timeframe by which projects have to be delivered, whatever the extent of local planning and infrastructural challenges to be overcome. They also have visions that are relatively fixed and created, primarily, for the consumption of an external international body, the International Olympic Committee (IOC), with its own rules and requirements. Once an Olympic project is underway, there is a political imperative for it to be delivered, whatever the objections of local and extra-local interests. Market considerations are also rather different. Sponsorship agreements with national and international firms are fixed early and, in the case of the London Games, the key sponsors were already in place by May 2008. Development projects are signed and sealed after the event has been won and, while changing market and credit conditions have an impact on the trajectories of development, they are unlikely to derail an Olympic project entirely or stop development going ahead given the investment of political capital by governments and development agencies. As the Beijing Games of 2008 also demonstrated, there is nothing intrinsically democratic about 'successful' Olympic development planning (see Meyer, 2008), a fact that is particularly significant in east London where there has been a long history of comprehensive regeneration and local political activism (see Brownill and Kochan, 2011). Indeed, as other studies have shown, Olympic bids can form a key part of a wider set of development agendas in which cities and countries look to boost their global credentials or rollout wider political programmes (for the example of Toronto, see Tufts, 2003). The Vancouver Games of 2010, for example, was underpinned by a neoliberal privatization model. As Surborg *et al.* (2008: 345) showed, place-bound investments in the Olympics were used to tie 'local processes into wider economic circuits' that involve 'locally grounded elites as well as transnational actors'. The same team of authors also argued that neoliberal imaginations of business-led projects were used to try and establish wider 'legacies' and impacts on themes such as social inclusion and legacy building (VanWynsberghe *et al.*, 2012; see also Olds, 1998).

In practical terms, the London Games presented policymakers with particular difficulties. It is one of the most complex development spaces in Europe, with responsibilities and resources fragmented between a myriad of public and private sector interests. The chosen Olympic site represented a challenging location for development as

it possessed a vibrant community of small businesses and a range of landowners (see Raco and Tunney, 2010). Development agencies faced similar challenges to those found in Athens in 2004, in which a complex urban landscape formed the backdrop to investment plans. There was widespread resistance in Athens to a top-down model of development and the organizers were widely criticized by the IOC and other powerful international organizations for their apparent 'inefficiency' and their failure to create 'business-friendly' models of development. The city's limitations were equated with too much 'politics' and the important role given to local planners and experts who were seeking to protect public spaces and public interests. The production of what Beriatos and Gospodini (2004) term 'glocalized' landscapes in the city resulted from the combination of global expertise, local planning interventions, state practices and local political traditions. This glocalization came at a price in terms of damage to the city's (and Greece's) reputation with international investors and the perception that the IOC's decision-making processes had failed to adequately account for such 'risks'. Future Games would have to be less political and insulated as much as possible from 'local' demands.

The argument was increasingly made that the less 'political' a Games can be, the more likely that its delivery will be on time and to budget. It should be converted, if possible, into a technocratic process of project management and delivery. It was for this reason that during the bidding stage governments and opposition parties are required to sign agreements 'guaranteeing' that in the event of changes in leadership between the awarding and hosting of the Games, there will be no changes to commitments. The democratic process is thus suspended and replaced by contractual agreements that freeze the commitments of policymakers and citizens to those made at a particular moment in time. The recent publication of the IOC's (2010a) files on 'candidate cities' candidly reveals that:

The Commission believes that having such agreements in place before the election of the Host City is a positive factor in so far as they set out the framework for the planning and organisation of the Games, thus facilitating the transition to and formation of the Organising Committee (*ibid.*: 30).

Cities are required to demonstrate 'popular support' for their candidature during the bidding phase and, as was demonstrated in cities like Vancouver, there is little tolerance of dissent (*Toronto Star*, 2010). The *Olympic Charter* (IOC, 2010b) also makes it clear that visible political disagreement is to be controlled during any games. Thus 'no speeches of any kind may be held by any representative of any government or other public authority, nor by any other politician, in any venue placed under the responsibility of the Organising Committee' (*ibid.*: 103). All efforts are directed at reducing the 'risks' posed by democratic demands. This is particularly significant for the London Games that, for many private companies, represents a model site in which to demonstrate the effectiveness of new forms of project management and regulatory capitalism in action. It was clear from the outset that it possessed huge reputational capital for the spreading of development models to other cities around the world.

In addition, this push for private managerialism has been facilitated by the strict regulatory and contractual requirements set down by the IOC and other supranational bodies such as the EU. The former has an extremely powerful grip over all aspects of the Games. Its *original contract* for the 2012 Olympics, written in 2005, sets out a series of legally binding commitments on all aspects of planning and development. It is clear that the risks are being transferred to local organizations, whose responsibility is to ensure that regulatory structures are put in place that will facilitate private and public sector investment. The contract states, for example, that:

The City, the National Olympic Committee and the Organising Committee shall be jointly and severally liable for all commitments entered into individually or collectively concerning the planning, organization and staging of the Games, including for all obligations deriving from

this *Contract*, excluding the financial responsibility for the planning, organization and staging of the Games, which shall be entirely assumed, jointly and severally, by the City and the OCOG' (IOC, 2005: 11).

The IOC also points out that in the event of any failure on the part of local organizers to deliver the contract as set out, 'the IOC may take legal action against the City, the NOC and/or the OCOG, as the IOC deems fit' (*ibid.*: 11). All liabilities relating to the Games will be borne by the host city authorities, who were forced to sign a contract stating that it would waive its right to make any claims against:

the IOC, its officers, members, directors, employees, consultants, agents and other representatives, for any damages, including all costs, resulting from all acts or omissions of the IOC relating to the Games, as well as in the event of any performance, non-performance, violation or termination of this Contract (*ibid.*: 12).

Alongside these legal protections, the IOC has drawn up an Olympic charter, a host city contract and specific technical manuals to 'set in place a set of guidelines which will establish the rules and regulations to which all parties involved in Games planning and operations *must* adhere' (IOC, 2005: 46). Through legal contracts and changes in national legislation it forces policymakers in cities to adopt a 'management approach' that 'seeks to minimise potential risks while maximising the available opportunities' (*ibid.*: 47). Owing to the scale of potential risks, games management becomes a 'unique and complex task involving many organisations' thus 'an effective partnership between the [city] Organisers and the IOC is critical' (*ibid.*: 48). These partnerships require the inclusion of private sector consultancy expertise and companies such as New World Consulting and PriceWaterhouseCoopers who have acted as core 'advisers' and facilitators of partnership practices for the IOC and whose management discourses are evident throughout the documents. This managerial/technical approach to what are, in effect, politically contentious interventions when applied to cities as complex as London is best summed up in the compulsory games planning process that runs from foundational planning → strategic planning → operational planning → testing → operational readiness (*ibid.*: 114–15). The early phases of this process set out plans that will 'ensure' that delivery authorities are able to capture and mobilize the resources and skills of key private sector development authorities. They are supplemented by master schedules and integrated risk management programmes designed principally by the 'need to address many foreseen and unforeseen issues. These should be identified, analysed and managed as risks in advance, so as to prevent or mitigate them' (*ibid.*: 207).

The process of risk identification, prevention and monitoring is to be formalized and regulated by city and national governments. The IOC insists, for example, that 'to ensure the accuracy of the information provided, it is important that Planning and Coordination Function personnel carry out this monitoring and reporting as far as possible independently, without relying solely on information provided by the various [L]OCOG functions' (IOC, 2005: 206). The local organizers are required to establish independent knowledge management programmes and the production of games knowledge reports to ensure consistency in the process. The push for 'independence' and technical proficiency results in the mobilization of formal regulatory practices that *de facto* structure key governance functions and arrangements. Only a select number of global firms have the capacity and experience to provide such 'independent' services, thus by default limiting the degree of openness within such networks and who will be incorporated into them. While such practices are relatively 'hidden' in relation to contemporary debates over Olympic legacies and the building of infrastructure, these IOC documents play a key role in judicializing and regulating policy interventions.

The UK government also agreed to sign away its ownership of the Games with the passing of the *London Olympic and Paralympic Games Act* in 2006, a legal framework that enshrined the IOC's regulatory demands into English law. The Act set out the fundamental institutional, legal and political structures that *must* be established before a

Games is allowed to go ahead and this, in turn, propagates self-selecting networks of private sector actors who depend on states expanding their regulatory requirements for development projects. This is in line with the *Olympic Charter* (2010), which explicitly calls for political guarantees in which the organizing committee ‘must preserve their autonomy and resist all pressures of any kind, including but not limited to political, legal, religious or economic pressures which may prevent them from complying with the Olympic Charter’ (*ibid.*: 62).

In the next section the discussion turns to some of the institutional structures that have emerged to deliver the London Games and implement some of the wider objectives encapsulated in the IOC’s broader regulatory and policy structures.

## Reframing the governance of development: delivery and procurement management in the London Olympics

To oversee the implementation of the Games an Olympic *Delivery Authority* was established in 2006. Its contractual obligation was to manage a Programme of investment defined as a:

portfolio of Projects and activities that are required for the delivery of venues, facilities, infrastructure and transport on time for the London 2012 Olympic Games and Paralympic Games that are fit-for-purpose, in a way that maximises the delivery of a sustainable legacy within the available budget (ODA, 2007: 6).

The ODA took on the powers of the planning authority for the Olympic Park and its primary objectives were ‘to: buy, sell and hold land; make arrangements for building works and develop transport and other infrastructure; develop a Transport Plan for the Games, with which other agencies must cooperate; and make orders regulating traffic on the Olympic Road Network’ (see ODA, 2011a: 1).

The decision to establish a *delivery authority* is indicative of the governance approach to the Games and the displacement of democratically elected bodies. The ODA was a quango<sup>1</sup> body, made up of appointees and a contracted workforce. It was managed by a board consisting of representatives from a range of business interests, along with a trade union member and others with expertise in the creative industries and voluntary sectors. Its establishment was in large part a reflection of the IOC’s ‘technical’ requirement that an agency be put in place that could override opposition and local practical barriers (such as fragmented land ownership) and ensure that governance became a process of delivery management. There was no attempt to hand over planning powers to local authorities. The ODA worked alongside the London Development Agency, under the control of the Mayor of London, to clear the site and prepare it for the Games’ infrastructure. By 2005 there was no longer any need to engage in democratic discussion; the focus instead was on mobilizing networks to put the Games in place.

The ODA was presented with a challenging role. Its first task was to create the institutional capacities needed to deliver the Games’ infrastructure. A London Thames Gateway Development Corporation existed in the area but its powers were relatively circumscribed and it was in no position to deliver the infrastructure required for a project of this scale. However, as a new body with limited capacities, the ODA was in a similar position. From the outset it looked to private sector consultants and contractors to provide the necessary capabilities to get work completed. Such firms form part of a global network with a vested interest in the spread of major property-led development projects. Access to freedom of information sources reveals the broader scope and remarkable complexity of the ODA’s consultancy arrangements in the early phases of the Olympic development. It spent £30.7 million between 2006 and 2009 on 112 separate

1 A quango is an acronym for a quasi-autonomous non-governmental organization.

contracts. In 2006 alone £11.843 million was given out to just seven companies, including a payment of £1.8 million to global accountants KPMG, £2.3 million to the multinational services group Turner & Townsend Ltd and £2.8 million to Hedra Plc, a consultancy firm that advises on business and procurement services.<sup>2</sup> The list also includes IT specialists, such as Fujitsu Services who received a payment of £5.8 million in 2007 for 'back office systems and services', and £1.2 million to QI Consulting, a business management consultancy group. The list reveals how the formation of a 'state' delivery agency, such as the ODA, rapidly becomes a lucrative business opportunity for the global financial and businesses services industry and reflects the shifts towards 'regulatory capitalism' outlined earlier. Contractors are called upon to provide both the hardware and software required for a new organization, particularly one that is time limited and has to conform to a complex array of statutory and legal requirements. The existence of an 'off-the-shelf' set of 'solutions' provided by contracted out expert firms is a key element in the rolling out of regulatory capitalism (see Francis and Yu, 2007).

These changes go hand in hand with reformed organizational practices that place greater emphasis on the working relationships among individuals, institutions and organizations. It generates forms of self selection in the recruitment of key individuals and those in top managerial posts. In December 2005, for example, the European CEO of Goldman Sachs, Paul Deighton, was appointed as LOCOG's CEO in large part because of 'his experience in leading large teams of people in complex and diverse environments' (Coe, 2005: 1). In September 2012 Deighton took up a post as a government minister for 'economic development'. In 2005 Ernst and Young Accountant David Leather was seconded to the Interim ODA as chief finance officer. A government written answer in 2008 confirmed that this was part of a wider role given to the firm in establishing the ODA in which it was paid £8,344,509 between 2005 and 2007 for the 'provision of financial advisory services and interim staff to the ODA, prior to the recruitment of permanent ODA finance staff' (Hansard, 2008). Such exchanges of personnel and knowledge represent an under-researched element of regulatory structures and regulatory capitalism, yet they play a key part in facilitating the governance frameworks that support urban development.

But most significantly, the ODA effectively privatized the delivery process within a year of being formed by appointing a consortium to act as a delivery manager to oversee the project. The contract was taken up in 2006 by a new private company named CLM Ltd, consisting of three multinational project management companies: CH2M Hill, Laing O'Rourke and Mace (four consortiums were shortlisted). As the Mayor of London at the time stated, 'with CLM we have a team with a fantastic track record on key projects in London and all over the world. They have a breadth of experience that will be key to delivering the best games'. ODA made it clear that CLM's initial selection was, in part, a result of Laing O'Rourke and Mace's existing work on projects such as Heathrow's Terminal 5. Details of the processes through which the project management contract was awarded have been withheld from public scrutiny on the grounds of 'commercial confidentiality', but it is clear that the 'proven' track record of these companies meant that the awarding of key contracts was, to some extent, a process driven by what one interviewee at ODA termed a 'naturally self-selecting' group in that 'only a small number of organizations have the capacity to carry out big projects, they get a track record and then the next project that comes up, they get it'.

The scope and scale of CLM's responsibilities are presented in Table 1. Taken as a whole, they represent quite a remarkable transfer of governance activities to a private sector company.<sup>3</sup> They include financial management of the project, management of the supply chain, production of detailed plans for all aspects of the development, and

2 It has since become part of the multinational Mouchel Group.

3 The information for Table 1 comes from a copy of the Contract between CLM and the ODA that was released under a freedom of information request, reference RF100526.

**Table 1** The services which CLM has been tasked to provide

Task/Responsibility	Description
Strategy	Provision of advice and expertise in development of high-level strategy making for the Olympic programme
Management structures	Development of compatible and appropriate working methods, lines of communication and working procedures with those of the ODA
Transition arrangements	Assisting ODA to transition CLM's services into those of the ODA
Work breakdown and procurement	Advice on and provision of the most appropriate work breakdown structure and procurement strategy for each element of the project
Value for money	Development and implementation of appropriate policies that provide value for money and optimize whole life costing and quality
Approvals	Advising ODA in the provision of statutory approvals and required notifications
Quality	Assisting ODA to meet its objective on quality of project delivery
Construction	Management of construction in conjunction with contractors for the programme
Design	Managing the design process in conjunction with the ODA and coordinating teams of contractors
Time schedules	Preparation of design, construction and commissioning programmes, including regular revision and review
Communications	Provision of information to enable ODA to communicate with wider media and communities
Budgets	Reviewing and commenting on budgets prepared by the ODA, including the higher level overall programme budgets and those associated with individual projects
Financial management	Provision of cost planning, budgeting, estimating, monitoring, forecasting, reporting, managing and controlling costs, assets and liabilities associated with and arising from the design, construction and commissioning process, including value for money, financial management and control and the timely provision of accurate information
Occupational health and safety	Ensuring that appropriate provision is made for performance of statutory functions required on the programme associated with health and safety
Industrial relations	Assisting ODA in the development, implementation and monitoring of performance against an industrial relations strategy
Supply chain	Management of the supply chain including providing forecasting and monitoring of workforce requirements necessary to meet the intended programme and make proposals for overcoming identified shortcomings
Material management	Strategies to overcome shortages of materials and ensure a steady flow of relevant materials. CLM to advise ODA on sources of supply, contractual arrangements and potential opportunities for cost savings
Sustainability	Development and implementation of plans to manage consultants' and contractors' performance against the employer's sustainability objectives and targets . . . including the development, implementation and monitoring of a sustainable procurement programme
Information technology	Providing information management, systems, technologies and services to the ODA
Security	Liaising over all security arrangements
Archiving	Helping to establish archiving systems of key data

**Source:** ODA (2006)

governance responsibilities for activities such as ‘project level interfaces’ with third party organizations (ODA, 2006: 104). CLM also plays a direct role in ‘the management of applications for approval to other organizations in such a way that the design and construction process is not hindered’ (*ibid.*: 104), making them key players in local politics and decision-making structures. It becomes their responsibility to engage with the range of partners involved in the delivery of the Olympics, with the ODA taking on a facilitating role.

The boundaries between decision making and delivery have thus become increasingly blurred. CLM acts as both an adviser to the ODA *and* the organization responsible for the delivery of its programmes. Under contract it ‘manages all aspects of cost planning, budgeting, and estimating, forecasting, reporting, managing and controlling all of the costs, assets, and liabilities associated with, and arising from, design, construction, and commissioning process’ (*ibid.*: 105). Its duty is to inform subcontractors of the regulatory requirements of being an Olympic body and it acts in a ‘gatekeeper’ role as both a client and a manager of the development process. CLM prepares briefs, terms and fee structures for all contracts and it publishes details of procurement practices, including those that go to the *Official Journal of the European Union* for significant tenders. It can then ‘review, appraise and report on tenders received for each project and recommends acceptance as appropriate . . . and negotiates on behalf of the ODA with the supply chain’ (*ibid.*: 106). Moreover, it aims to ‘manage the performance of the ODA’s designers and contractors to achieve sustainable development objectives . . . support designers and contractors to understand and to deliver sustainability through training, and ensure that all staff working on the Projects has an awareness of sustainability objectives’ (*ibid.*: 116).

The rolling out of governance by delivery network in this way requires the establishment of a control structure that delegates responsibility down the contractual chain, to create what one interviewee termed ‘a cascade of obligations’. There were two elements to this strategy. First it was decided to split the tasks associated with the development of the site and infrastructure and to establish substantial contractual ‘packages’ for the development. These became known as tier 1 level contracts and 1,433 of these were awarded by the ODA. In the words of an ODA manager:

the packaging process is key. We didn’t start off contracting at a low level, we recognized early on that the best way of managing risks and mobilizing suppliers and dealing with commercial risk was tier 1 contracts, which is what we decided to do. So a lot of the opening up of the supply chain happens further down.

Below this, 7,500 tier 2 contracts were awarded for smaller but still significant projects. Thousands of much smaller subcontracting contracts were also signed, bringing the overall total to approximately 43,000. The quantitative scale of contracting out makes CLM more than just a partner organization. Its responsibilities are such that it has become a central component of the institutional structures governing the Games, and its actions will play a key part in efforts to meet policy objectives and legacy-building commitments.

This relates to a second part of the ODA’s approach; the setting of strong rules and associated risks and rewards for gatekeeper organizations and subcontractors. Its procurement strategy, in the words of one ODA officer, quickly became ‘used to create new relationships with partners and making sure that they influence the outcomes of *their* performance’. The strategy explicitly states that:

The ODA will not simply award contracts according to lowest price but will take into consideration its broader objectives and values. Ahead of every contract competition the ODA will develop a ‘balanced scorecard’ of selection and award criteria that will inform companies of the commercial and technical factors their bids will be scored against (ODA, 2007: 4).

**Table 2** The ODA’s balance scorecard approach to procurement

Element	Key Features
Safety and security	Health and safety, design, behaviour and culture; security of operations
Equalities and inclusion	Promoting equality and diversity; community engagement; inclusive design; supply chain management; employment, including skills, fair employment and wages
Environment	Environmental responsibility, including waste management and energy use; ethical sourcing
Quality and functionality	Functionality; design impact; construction quality; promoting excellence and innovation
Legacy	Financial viability and whole life cost; ownership and management structure; community and utilization benefits

Source: ODA (2007: 6)

The ‘balanced scorecard’ approach is broken down into five core elements as listed in Table 2. It aims ‘to spread its objectives and values through their sub-contractors and supply chains’ (*ibid.*: 6). Or in the words of one ODA interviewee, ‘the suppliers have to respond to this and tell us in their contractual pledges how they are planning to respond to our issues . . . to give us what we need for delivery . . . Without these guarantees they don’t get the contract’. This has been particularly important for the awarding of tier 1 contracts, with contracting out becoming a form of devolved governance. Thus the ODA applies ‘its scorecard to the procurement of tier one contracts’ and asks contractors to keep the ODA informed of how their suppliers and subcontractors perform on the same objectives (ODA, 2008: 6).

The use of rewards and threats has been the cornerstone of ODA’s activities in all areas. For example, in its *Sustainable Development Strategy* (ODA, 2007: 28), it states that:

Tier-1 contractors will be required to have environmental management systems and environmental management plans in place prior to work commencing. Subcontractors will either be required to have these systems in place or to operate within the systems of the ODA or its Tier-1 contractors.

Similarly in relation to the threat of poor performance on the part of contractors or the risk of insolvency, the ODA’s proactive response has been to establish a supply chain management schedule that requires CLM to make a series of checks on contractors prior to the ‘approval of all Tier-2 contracts’ (Lythaby and Mead, 2011: 3). Potential contractors were required to produce performance schedules, full cost impact assessments of potential risks, and quality performance strategies. CLM is required to ensure that full ‘credit and financial checks’ are made through an elaborate range of regulatory procedures and methods of accounting. All companies had to provide evidence of their credit worthiness and submit spending plans and accounts to CLM for vetting, along with strategies outlining what would happen in the event of bankruptcy. Active monitoring of contractors is also carried out with CLM overseeing the activities of ‘over 80 Tier-1 contracts and 2,700 “critical” packages of work across the Park and Athletes’ Village for indicators of both risk and opportunity’ (Lythaby and Mead, 2011: 13). CLM claims that on 403 occasions it has intervened in supplier practices owing to a perceived increased level of risk.

The extent of interaction arguably goes beyond a ‘partnership’ or a ‘regime’ in the more traditional sense of the term and the next section discusses the relationship in more detail and its wider implications for the governance process.

## Public-private hybridities and the rescaling of political power

The relationship between CLM and the ODA represents a salient example of how contemporary modes of urban policy governance are structured and how they operate. The ODA and CLM have taken on interdependent roles and act as both regulators and the regulated. Each monitors the activities of the other. CLM's position as a 'gatekeeper' for ODA gives it a particularly significant role in creating a community of shared fate, in which subcontractors become locked in to a series of conditional obligations. This role would traditionally have been undertaken by a public sector body, but as the regulatory environments in which governance is conducted have become increasingly complex, so the capacities in the public sector to take on significant project management programmes have diminished. For interviewees the Games has thus become a 'showcase' development for professional and lay audiences in cities across the world. As one influential interviewee noted in a broad-ranging attack on the English Planning System:

there seems to be general astonishment that here in the UK we are able to deliver major capital projects on time and on budget. It can be done . . . and we'll be looking to apply that model globally where we can export the expertise.

The desire to reinforce this message in large part explains the launch of the ODA's *Learning Legacy* programme in October 2011 and its promotion of the Games as a 'showcase for sustainable, safe and successful construction set to raise the bar of UK building industry' (ODA, 2011b: 1).

Contained within such discourses is an implied criticism of the political nature of the British planning system and its inability to deliver major development projects in an efficient and effective manner. For ODA respondents the success of the Olympic developments is 'to a large degree a result of CLM-ODA working as a true partnership with a closely aligned set of objectives through the contractual model'. The wider lesson is what one interviewee described as a 'wake up call for the UK construction industry. We can do this and we can use this again for nuclear power, the Crossrail Scheme,<sup>4</sup> the utilities, whatever'. It was also argued that the scope and scale of urban development projects has mushroomed to the extent that it is no longer possible for projects to be managed directly by elected government institutions, or directed by an outdated planning system, such is the regulatory, legal and financial complexity and expertise that is now required. As one manager noted, 'you have to manage the risk on the job with multiple contracts operating at different stages . . . and you need organizations like CLM that can manage the totality of that'. Or as another put it when asked why delivery could not have been managed by a public organization, 'why reinvent the wheel when there are perfectly good working models in the industry that we could use? Why build an organization from scratch and assume all of the performance risk when you have UK Plc sitting there with a level of capability and expertise waiting to be deployed'.

At the same time, however, the private contractor is protected from the risks associated with unforeseen technical problems or responses made to democratically articulated demands. These risks are converted into quantifiable, financial 'compensation events' and collectively they represent a significant shift in responsibilities onto the public sector. The ODA was thus liable for compensation if it 'gives an instruction changing the scope and/or scale of the services . . . and does not state in its instruction that the change applies to the items in a specific Task or Tasks' (ODA, 2006: 35). Perhaps more significantly, compensation is also triggered when the ODA 'changes a decision which he has previously communicated to the Delivery Partner [or] notifies a correction to an assumption which he has stated' (*ibid.*: 35). These act as a budgetary brake on changing demands and a financial *democratic premium* to be paid as and when changes

4 The Crossrail scheme is a project to construct a new heavy-rail train line under Central London that will connect Heathrow Airport directly with the City of London and the Docklands. It is one of the biggest civil engineering projects in the EU.

in policy delivery are required. It also acts as an effective risk transfer mechanism with CLM able to fix a series of formal tasks and obligations in contractual time that seek to eliminate the risk posed by future costs and changing circumstances. As with contractual agreements elsewhere any subsequent post-contractual changes are only valid if they leave the private company in a 'no better and no worse' financial situation than those agreed at the outset. All price increases, time over-runs and cost increases constitute a change in the project's 'description' and therefore become compensation events. Any 'unanticipated' change in the law that impacts upon the contract constitutes a compensation payment, particularly those that relate to employment law and environmental legislation. Moreover, under the contract, ODA and CLM 'may make proposals . . . for methods of incentivising' the latter's performance. The establishment of incentive schedules is left up to the 'discretion' of the ODA.

In reality Department for Culture, Media, and Sport (DCMS) figures reveal that project costs in terms of payments to CLM had increased from £647 million in 2007 to £718 million in 2011 (Government Olympic Executive, 2011). These 'enhanced payments' were justified by 'the strong progress of the project against agreed milestones and savings achieved. CLM's enhanced payments are based on performance and they are incentivised to drive down costs across the programme' (Government Olympic Executive, 2011: 21). Such payments are a recurring feature of privatization programmes across the UK welfare state and are frequently negotiated into contracts (see Pollock, 2005). In the first months of 2010 four other global firms working on key infrastructure — Carillion, Lend Lease, Balfour Beatty and ISG — were also paid incentives totalling £10,170,000 (DCMS, 2010). Such figures give a sense of how resource intensive privatization through contractualism has become. Expert advice and direct involvement comes at enormous financial cost to state budgets. The more complex the regulatory and legal environments in which urban development takes place, the more advice and expertise is required and the greater the ultimate costs.

The implications of these risk and reward transfers on the democratic process remain implicit as they encourage a process of detachment between decision making and the political process. As project managers, CLM's connections to local communities and politicians are filtered through the ODA and to a lesser extent the Mayor of London and the UK government. Responsibility for policy has been handed over to project managers, with the delivery of the Games converted into a technical programme of action adhering to specifications and decisions outlined in the contractual phase of the development, and therefore subject primarily to technical challenges and adaptations, rather than significant policy objections. It represents a clear example of how decisions become frozen at a particular point in time to facilitate the development process. It can *de facto* and *de jure* undermine efforts by others to make changes to the planning and design of the new urban environments and was a point neatly summarized by the ODA's chief Executive who told the ODA Board in 2008:

Progress on the Programme meant that scope was now largely fixed, though pressure for some changes continued, and the emphasis should move to efficient delivery: between now and December 2009 CLM should have been responsible for expenditure of some £2bn (ODA, 2008: 1).

A freedom of information request shows that as of November 2011 there were no disputes between ODA and CLM that required intervention from an official dispute resolution panel, indicating a degree of consensus in the delivery of the contract and an elision of public and private sector interests and ways of working. However, it could also indicate that the terms and conditions of the contract are very beneficial to CLM and there has been no need to contest mounting costs as the risks fall disproportionately onto the public sector. By 'taking the politics out' of the development process, privatization and hybrid formation has shielded those involved in delivering the Games' infrastructure from the wider controversies that their actions have caused in East London and beyond

**Table 3** Number of ODA contracts awarded to firms located in the regions of the UK, 2006-11

Regions	No. of Suppliers	%
East Midlands	44	3.0
East of England	135	9.4
London	726	50.7
North East	21	1.5
North West	53	3.7
South East	218	15.2
South West	60	4.2
West Midlands	58	4.1
Yorkshire and Humber	40	2.8
<i>England total</i>	1,355	94.6
Northern Ireland	5	0.35
Scotland	25	1.7
Wales	11	0.8
Overseas	37	2.6
<i>Total</i>	1,433	

Source: Adapted from figures from DCMS (2010: column 56W)

and made it less clear how decisions over spending and risk transfer have been arrived at. It is also indicative of the wider point made earlier in the article that private sector elites have become adept at capturing state contracts. In the desire to create level 'playing fields' for private sector competition there is a growing liberty cost in which control over spending and finance become less explicit, even if this means that the outcomes of policy run counter to wider stated aims and public demands.

This is exemplified by recently released government statistics on the distribution of tier 1 Olympic contracts and their combined value, as shown in Tables 3 and 4. They show a concentration of benefits going to firms registered in London and the South East who have taken 65.9% of the contracts with a combined value of £3.965 billion. Other parts of the UK have received very little in the way of spending, with Welsh-based firms, for example, only obtaining 0.01% of the total amount. The figures demonstrate how governments can lose control of their own spending as in the words of the UK's former sports minister Hugh Robertson (2010: 13), 'all contracts have to be competed for on a commercial basis . . . there are strict rules that govern that . . . we cannot simply award contracts to one part of the country because it has not had enough of them before'. In other words, commercial contractualism and regulatory capitalism prevent states from targeting their spending to where elected representatives and publics believe it should be spent. In the case of the London Olympics there has ostensibly been a reverse form of regional policy that transfers government spending indirectly from areas of need to areas of growth.

However, there is further confusion over where the spending then goes, indicating a further loss of control and accountability. These figures almost certainly underplay the extent to which London-based firms are acting as conduits for multinational companies, some of whom could be exporting their profits to tax-efficient subsidiary and holding companies across the world (see Shaxson, 2011). But even more significantly the subcontracting process below tier 1 contracts becomes a 'commercial matter', subject to commercial confidentiality. The ODA has no way of knowing how the £5.6 billion it has expended through contracts is ultimately distributed spatially or between different

**Table 4** Total value of contracts awarded to firms in the regions of the UK, 2006-11

Regions	Total contract value	
	£	%
East Midlands	271,823,439	4.8
East of England	719,818,580	12.8
London	3,148,804,475	56.0
North East	9,644,108	0.2
North West	97,055,679	1.7
South East	816,822,052	14.5
South West	9,557,345	0.2
West Midlands	425,371,681	7.6
Yorkshire and Humber	66,407,039	1.2
<i>England total</i>	5,565,304,398	99.09
Northern Ireland	17,094,646	0.3
Scotland	23,367,258	0.4
Wales	668,663	0.01
Overseas	12,224,949	0.2
<i>Total</i>	5,618,659,914	

Source: Adapted from figures from DCMS (2010: column 70W)

industrial sectors. By instigating forms of regulatory capitalism, governments cede control over such matters to the vagaries of commercial processes and surrender their right to determine how and where state money should be spent. The implications for spatial and urban policy are, of course, enormous. Demands over the fair allocation of spending continue to be made to governments and politicians at the same time as their ability to act is being eroded through wider state-led processes of privatization and political reform.

## Conclusions: towards a 'London model' of development?

The article has argued that the contractual processes involved in the delivery of the London Games reflect and reproduce wider changes in the governance and management of urban projects in the UK and beyond. While much academic and policy work highlights the 'uniqueness' of the event, this article has argued that its delivery reflects and reproduces wider changes taking place in the political economy of global capitalism and a process of what might be termed state-led privatization. It represents a primary example of governance through contract, or a system of project implementation that is underpinned by institutional and regulatory networks. A new reproducible London model of development is actively being promoted by the UK government and Olympic bodies that emphasizes the benefits to be had from the employment of management and regulatory practices (see Foreign and Commonwealth Office, 2012). If what matters is what works, then the delivery of the Olympic infrastructure constitutes a successful governance model. The complex requirement to host the Games, founded on the loosely articulated priorities set out in the bidding document, has been converted into a disciplined and costed project. It represents a significant management achievement and if governance is to be defined through its (in)effectiveness then it represents good governance at its most profound. Given the scale and complexity of contemporary urban

projects such as this, there is clearly a powerful logic to the handing over of project management to experts from the private sector, who are able to mobilize their own networks and capacities in line with project delivery demands.

The discussion has illustrated the sophistication of these regulatory and legal networks and the importance of contractual *detail* in shaping the contours of development, and by extension urban political processes. For project champions this is not something to be criticized but celebrated as a utopian governance solution to the financial and managerial problems faced by public agencies (see Lythaby and Mead, 2011). It is interesting to note that the Rio Olympics of 2016 will also be using an ODA, drawn on the London experience (see Municipality of Rio, 2010). However, the implications go beyond urban policy. In a context of 'austerity governance' across the global North, governments are increasingly looking to private sector sources of finance for infrastructure projects at all scales and a London model could provide an important benchmark for future projects. And as the article has pointed out, the paradox of a private-led model is that it increases costs to the state rather than tackling imagined funding gaps. The more complex a project and the more onerous the regulatory requirements placed on private developers, the greater the business opportunities for elite firms and investors.

However, the study has also demonstrated that these physical developments have come at a price, in terms of democratic accountability, or what Levi-Faur (2011) terms a 'liberty cost'. The more complex the legal and technical arrangements surrounding a development, the more difficult it becomes to identify the *location* of power and decision making. The discussion has shown how much of the governance process was effectively privatized in the handing over of responsibilities from the ODA to the consortium CLM. This *de facto* relegated community engagement and political processes to that of a 'risk factor', to be calculated as part of the wider 'risk environment' of project delivery. Political demands become something to be mitigated, controlled and managed rather than embraced. Indeed, politics is re-placed and re-characterized as an 'event' or 'moment' in which discussions were held over the original decision to bid. Project implementation was then boiled down to a series of legal and contractual steps to be taken, underpinned by the 'objectives' set out by policymakers at the beginning of the process. The article has highlighted the ways in which risk registers are used as a form of pre-emptive governance, with lawyers and experts given the responsibility to identify how and where they are to occur, how they are to be mitigated and whose role it is to ensure that such processes are monitored and delivered. Decision making was therefore moved 'upstream', where it has been fixed and 'locked in' in ways that prevent significant changes later on. If policy production is fragmented and decoupled from the democratic process in this way, then the implications for the implementation of wider policy demands for issues such as social justice and/or sustainability are highly significant.

This in turn opens up broader epistemological questions over the types of knowledge required to explain and make sense of contemporary development processes in cities and our understandings of what modern states have become. It may be that there has been an extension in what Hall and Biersteker (2002) term global private law; that is, the existence of a parallel set of decision-making mechanisms and structures alongside those that exist in formal public politics. As Riles (2008) shows, it is increasingly common for firms in high-knowledge sectors to develop their own systems of exchange based on informal or private regulation. Often, she argues, it is through a greater understanding of how these parallel networks operate that explanations for the form and character of policy interventions are to be found. Moreover, such practices are more grounded in local social relations than is often assumed and 'encompass diverse and even at times contradictory subjects, ideologies, and practices' (Riles, 2005: 976). In urban development projects there is an urgent need to develop understandings of how such private shadow networks operate, what they consist of, and how they influence development. There is also an enhanced need to develop methodological approaches that make sense of the accountancy practices of regulatory capitalism and shed light on where the money from major state-funded projects ends up.

Moreover, we need to better understand the geographies of such processes and what the implications are for the politics of demands. It may be that ‘public interests’ become the focus of contractual negotiations between and within technocratic elites, funded by public and private sector agencies. Citizens and communities may be increasingly forced to look to alternative modes of resistance, away from the formal political system. These could include judicial reviews and the use of legislation to challenge policy decisions (see Biehl *et al.*, 2009 and Rios-Figueroa and Taylor, 2006 for a wider discussion of the process of policy ‘judicialization’). Traditional representative democracy, and even participative representation as understood in recent proclamations of good governance, may be becoming less significant as the location of politics shifts to ever more technocratic domains. The article has sought to develop some understanding of how elite power is channelled into the ‘contractual capture’ of state spending on urban projects and then enforced through a complex set of regulatory procedures and structures operating from the global to the local scale. Implications for the future of urban policy, our understandings of how globalization works and even the very nature of urban democracy are potentially profound.

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