



All Assembly Members

26 July 2016

Dear Assembly Member,

Over the last four years the Welsh Government has worked in partnership with Commonwealth Games Wales and many others to undertake an in-depth investigation of the viability of hosting the 2026 Commonwealth Games. I am grateful for the detailed information and advice that all these partners have made available to us to allow us to build up a full picture of the opportunities and challenges of holding a Games. I am particularly grateful to Commonwealth Games Wales for all the efforts they have put into this work.

After careful consideration, and given the current financial uncertainty, the Welsh Government Cabinet has reluctantly concluded that it is not in a position to bid for the 2026 Commonwealth Games.

My officials have produced a summary of the detailed qualitative and quantitative analysis that has been undertaken to review the potential advantages, benefits, risks and costs that might reasonably be expected to result from holding the Games. In that context we considered a variety of delivery models to try and help ensure the benefits of a Games would be spread across Wales. A copy of the summary is enclosed.

The work that has been undertaken shows that to prepare for, and successfully deliver, a Games would cost in the region of £1.3 billion - £1.5 billion. It is clear that bidding for and delivering the 2026 Commonwealth Games would be one of the biggest undertakings we have ever made, with the financial commitment stretching over three Assembly terms. Taking account of wider priorities and the financial uncertainties resulting from the UK referendum decision to leave the European Union it was very difficult to justify a bid to host the Commonwealth Games at this time.

The work that has been undertaken will not be wasted. I am going to prioritise a review of sports facilities provision in order to ensure Wales is in the strongest possible position to host high profile sporting events in the future.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

We remain committed to addressing the physical activity agenda and increasing the activity levels of children, young people and adults right across Wales. I will be working with my Ministerial Health and Sport colleagues on a strategy that delivers on those objectives.

Whilst we may not be bidding for the 2026 Commonwealth Games we are already looking forward to welcoming the UEFA Champions League final and the Volvo Ocean Race to Wales in the next two years. We will continue to build on our outstanding record of success in hosting events with a view to attracting further high profile sporting and cultural events across the whole of Wales in the future.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ken', written in a cursive style.

Ken Skates AC/AM

Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure

Number: WG 29339



Llywodraeth Cymru
Welsh Government

Welsh Government

Summary of Wales 2026 Commonwealth Games Feasibility Study

July 2016

Summary of Wales 2026 Commonwealth Games Feasibility Study

Overview

1. Since December 2012, Welsh Government (WG) has worked with Commonwealth Games Wales (CGW) and other key partners including Local Authorities and Sport Wales to explore the feasibility of bidding to host the Commonwealth Games in 2026 – a previous *Programme for Government* commitment. In addition officials have engaged with the Scottish Government and other stakeholders to learn from Glasgow's experience of hosting the 2014 Games.
2. In November 2014, following the initial work and attendance at the Glasgow 2014 Games, the Commonwealth Games Ministerial Steering Group chaired by the First Minister, concluded that Wales could mount a successful bid for the Games but noted that the costs were likely to be high and asked for more work on detailed costs.
3. To that end, in 2015 further work was commissioned to assess the availability and quality of existing venues across Wales and the potential costs associated with providing the necessary new venues. Account was also taken of the Economic Impact Study and other reports from Glasgow 2014. Cabinet considered this additional work in October 2015 and, in order to facilitate a final decision, requested additional work on the business case, in particular, analysis of the potential for an all-Wales bid in addition to a South East Wales only or South East / North East Wales bid.
4. The Wales 2026 Commonwealth Games Feasibility Study Business Case ("the study") collated key information relating to the potential advantages, disadvantages, benefits, risks and costs that might reasonably be expected to result from holding the 2026 Commonwealth Games in Wales. The study presented findings from qualitative and quantitative analysis and research of possible Games options as well as evidence from other Commonwealth Games evaluation reports in order to facilitate discussion at Cabinet.
5. In conclusion, the study presents evidence that while a bid by Wales for the 2026 Games is technically possible, the wider the geographical spread of the Games and events, the more expensive the event would become, the greater the logistical challenges, and the less likely the proposals would be to receive support from the other voting Commonwealth nations.
6. It is clear from the work undertaken that hosting the 2026 Commonwealth Games would be one of the biggest undertakings the Welsh Government has ever made. The financial commitment would be in place over three Assembly terms and would include a sustained and significant commitment over the next ten years from all Departments across the Welsh Government at a time when, following the EC referendum, there is increased uncertainty regarding funding. Local authority partners, transport and other private companies would also have significant roles to play.

Analysis of Options

7. The final study considered three bid options:
 - (i) All-Wales
 - (ii) Joint North East / South East Wales
 - (iii) South East Wales
8. The detailed analysis was undertaken with CGW utilising independent experts with in-depth knowledge of the Glasgow 2024 Games in particular the development of the venues and athletes' village for Glasgow. The analysis focused on adapting existing venues to meet the bid requirements of the Commonwealth Games Federation (CGF) in order to limit the creation of potential "white elephants" with lengthy and ongoing revenue costs. The work included estimates of the costs of adaptation and assessed the potential costs and requirements for travel for athletes, accommodation, security and policing, potential for spectators, the operation of the Games themselves, and "winnability" of a bid.
9. Figure 1 presents the potential venue locations identified for an all-Wales option. Figure 2 the joint North East / South East Wales option, and Figure 3 presents the locations identified for the South East Wales option. In all options the key requirements include the need for new-build athletics stadium, aquatics centre, velodrome and athletes villages(s).

Figure 1: All-Wales Option

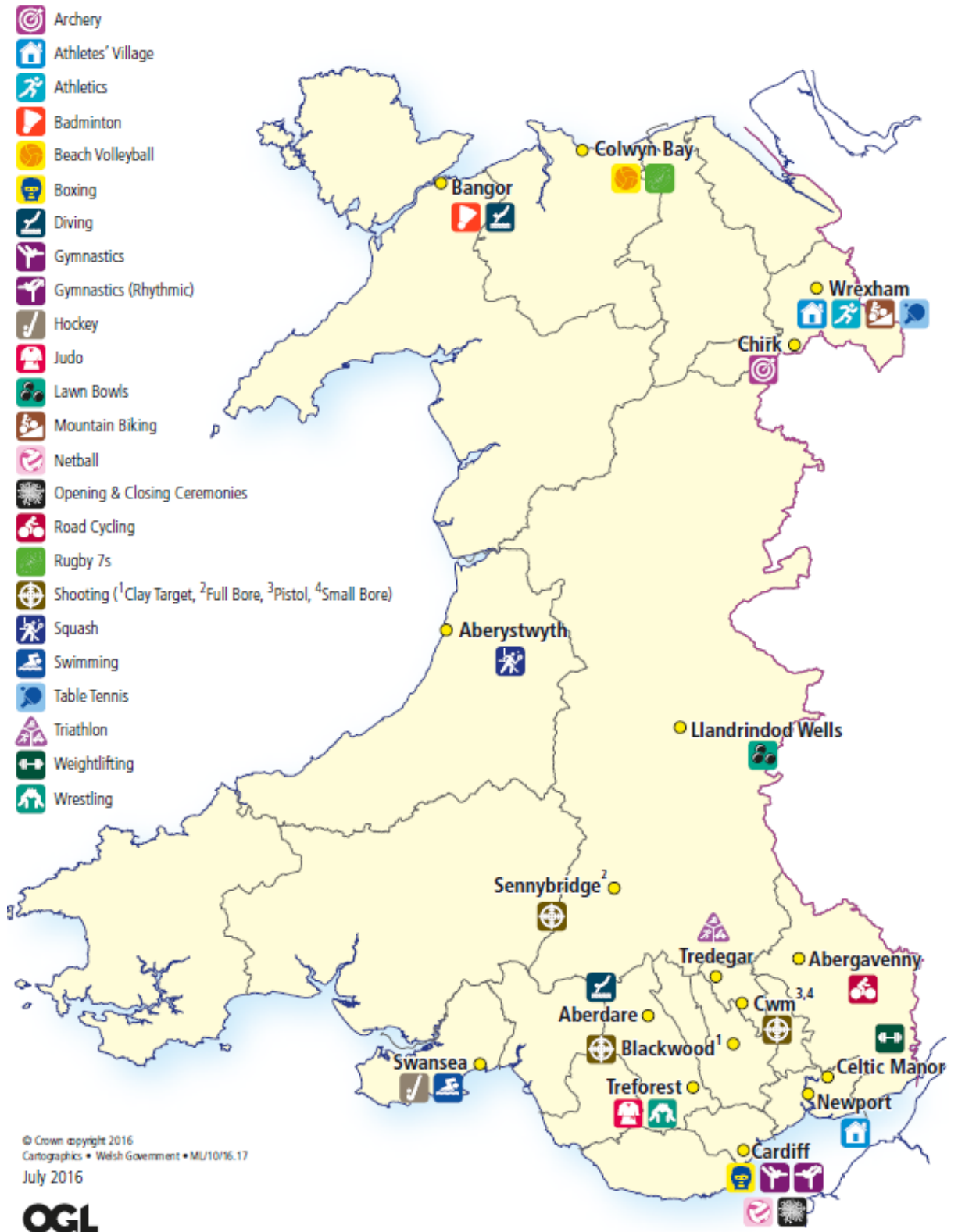


Figure 2: Joint North East / South East Wales Option

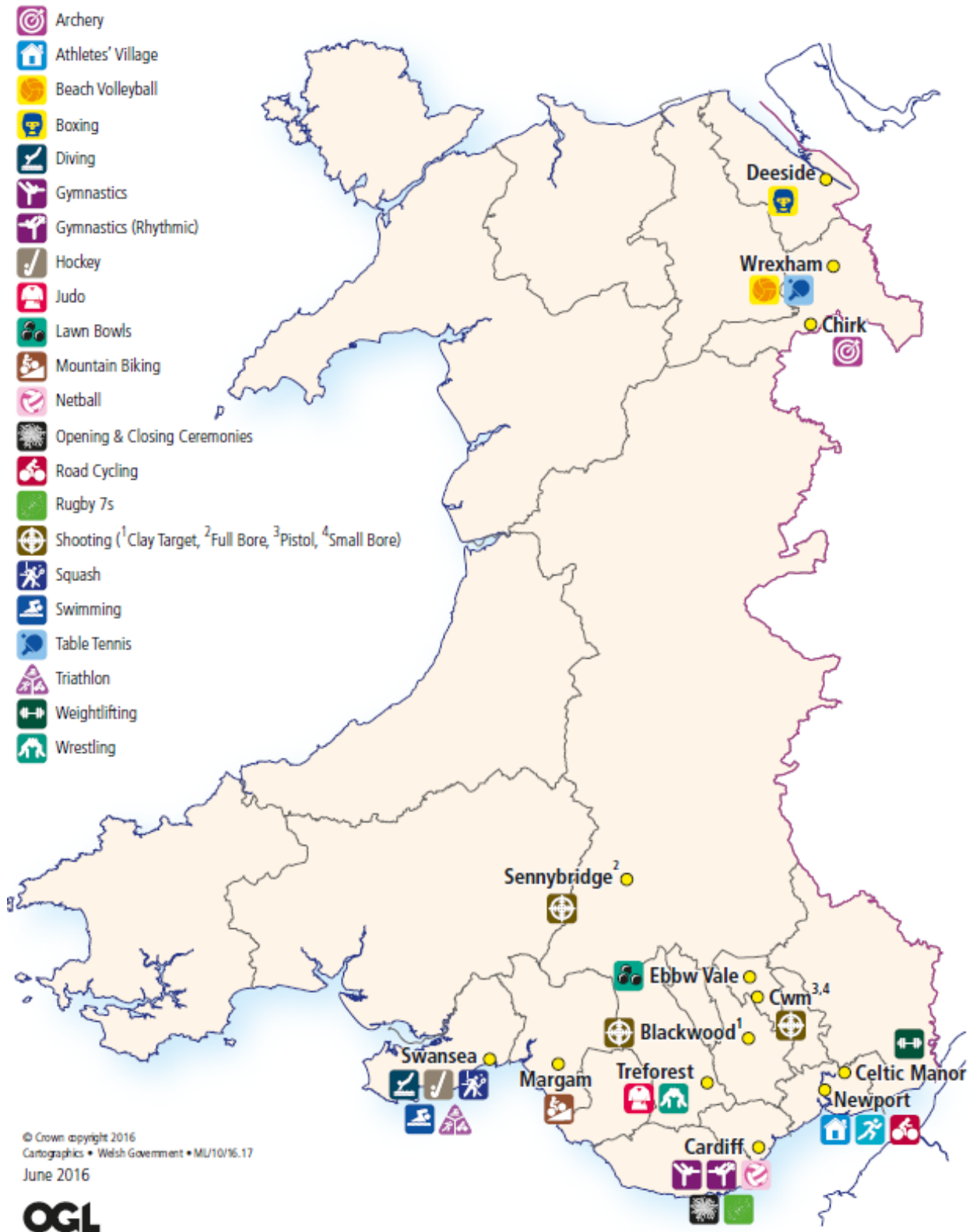
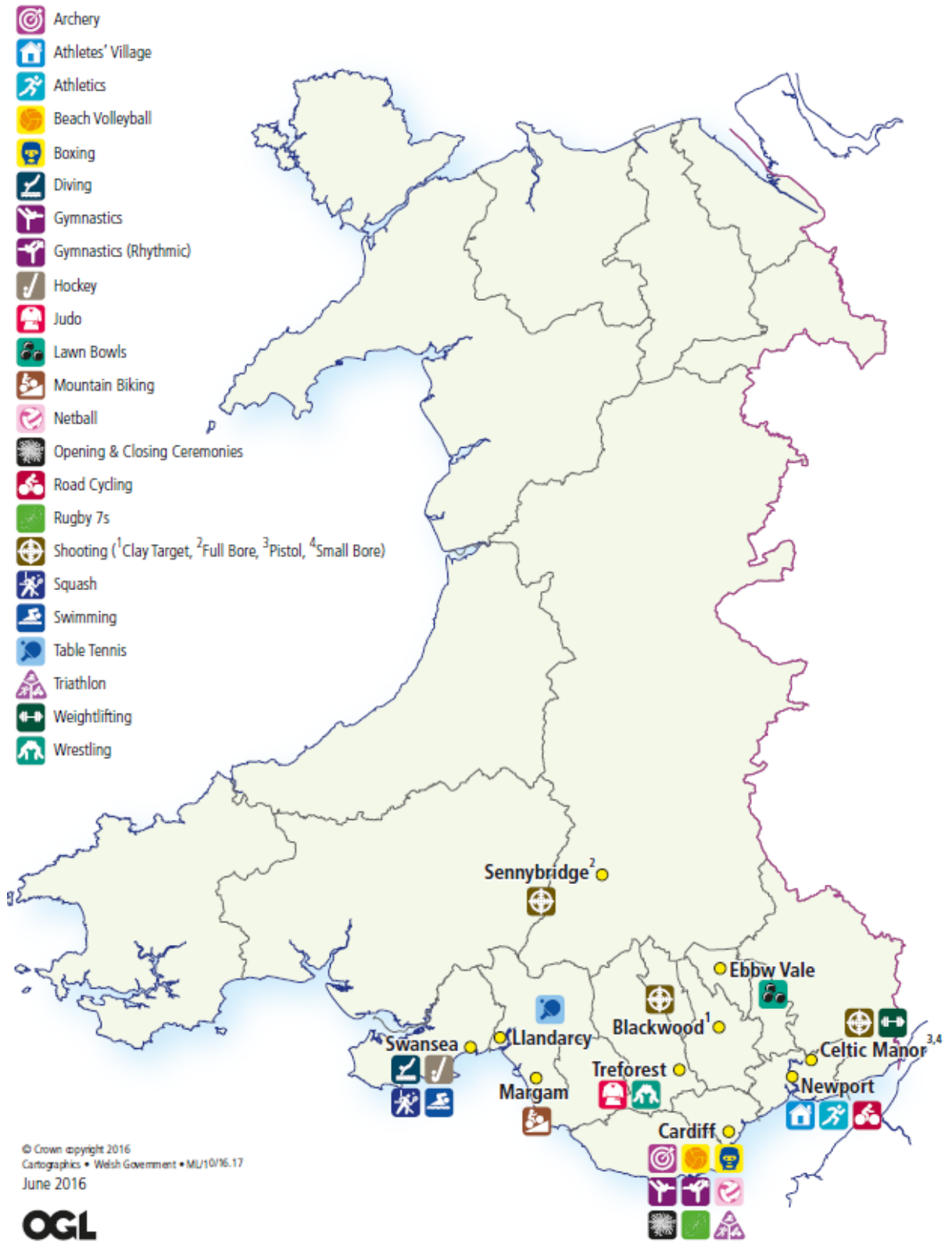


Figure 3: South East Wales Option



All Wales Option

10. To keep travel times as low as possible (at least within the 45 minute recommendation by the CGW) multiple accommodation sites would be required in an all-Wales option, including athletes' villages in the Wrexham / Deeside area, in Newport and in Swansea, as well as additional accommodation in Aberystwyth and Bangor.
11. Technical officials would be housed in other local university or hotel accommodation. Games Family and VIPs would need at least two high quality accommodation venues which would be both a duplication and potentially challenging to secure around some venues. Volunteers, Games operational staff, media and spectators would find their own accommodation. Security and policing teams would need to be transported in daily from other forces or private companies from across England and Wales.
12. The **cost** of an **all-Wales** option has been calculated as **between £1.296 and £1.542 billion by closedown in 2032** (range reflects potential inflation between 2016 and 2032 and a contingency budget of 24% developed from Treasury Green Book advice). On the basis of these estimates the all-Wales option would cost approximately £220 million more than a South East Wales option.
13. More importantly, CGW, who would need to submit any bid, have indicated they would not support a proposal for an all-Wales bid on the basis that:
 - it would not satisfy the requirements of the CGF Games Family who prefer to see events in a focussed area - to create a positive social event founded in sport;
 - it would mean a very disjointed network of events, with significant need for athletes to travel regularly in excess of the desirable 45 minutes leading to very negative athlete experiences; and
 - spectators would be widely dispersed with no central Games hub which would impact on the Games experience for example compared to Glasgow 2014.
14. In addition, CGW must consider the strength of any potential competing bidders for the 2026 Games where a single city bid, like Glasgow 2014, is likely to be more attractive to the CGF Games Family and voting nations.
15. On that basis CGW have concluded that an all-Wales bid would not meet the requirements or spirit of the CGF or the aspirations of the other Commonwealth Games Associations for their athletes and therefore an all-Wales proposal would not win and CGW would not support, and therefore not submit, an all-Wales bid.

Joint North East / South East Wales Option

16. Analysis was undertaken to develop a Games proposal with events in both North East Wales and South East Wales. Figure 2 presents the venue locations identified for the joint North East / South East Wales option.
17. The joint North East / South East Wales option has key advantages compared to the all-Wales model:
 - reduced costs (accommodation, travel, security);
 - two lively hubs for supporters;
 - regeneration opportunity (to create a multi-use flexible space for exhibitions and concerts as well as sport events);

- potential for legacy benefit to Wrexham Glyndwr University (e.g. creation of additional accommodation for para-athletes that could be used after the Games as accessible accommodation for students); and
- ticket sales enhanced, via access to the North Wales and North West England markets.

18. The **cost** of a **North East / South East Wales option** has been calculated as **between £1.219 and £1.451 billion by closedown in 2032** (range reflects potential inflation as noted above).

19. Although less expensive than the all-Wales option, the North East / South East Wales option remains significantly more expensive (approximately £100 million) than a South East Wales only option. It is also less likely to be supported by the Commonwealth Games Associations of other countries. Whilst CGW believe the strongest bid, in terms of “winnability” remains the South East model, CGW would support a North East / South East Wales model as outlined in Figure 2 but believe the proposed split of sports to North Wales is at the limit of acceptability in terms of a winning bid.

South East Wales Option

20. It was clear from an early stage that a Cardiff only bid was not feasible in terms of required facilities and therefore, following constructive discussions with the CGF, detailed consideration was given to a South East Wales regional bid. Figure 3 presents the venue locations identified in a South East option across Swansea, Cardiff, Newport and the Valleys. In addition to the new builds common across all the options, a new facility for table tennis would be required located in Llandarcy.

21. The key advantage of the South East Wales option is the more compact nature of the Games. This would not only be preferred by athletes and spectators but would also result in reduced costs because there would be a smaller requirement for athletes’ accommodation, travel services and security provision. The South East Wales regional model was also seen as the most compelling bid option in terms of securing votes from the CGF Family but there were real concerns regarding ensuring the significant investment in the Games would deliver all-Wales benefits and therefore the All-Wales and joint North East / South East models were also given detailed consideration.

22. The **cost** of a **South East Wales option** has been calculated as **between £1.113 and £1.323 billion by closedown in 2032** (range reflects potential inflation as noted above). The South East model is therefore the least expensive of the three options.

Funding Requirements

23. Table 1 presents a summary of the costs calculated for the three options. CGF are working hard to reduce the cost of staging a Games, and the costs continue to fall. However, for Wales to bid and host a successful Games significant investment would be required in infrastructure as well as Games delivery, etc. In addition, in order to ensure the Games benefit the whole of Wales investment would be required in, for example, the active Wales journey and a comprehensive cultural programme. Table 1 therefore gives a full estimate of costs and has been developed in partnership with CGW.

Potential Local and UK Government Funding, Income and Value in Kind

24. Glasgow 2014 was approximately 80% central government and 20% Glasgow City Council funded. In terms of a Wales bid no formal approaches have been made to the local authorities regarding funding but there has been wide engagement with those authorities impacted by the proposals. In addition the WLGA are on the steering group. There has been clear support for a bid but just as clearly the view is that given the enduring financial pressures securing direct local authority funding for the Games would be a challenge. Therefore at this time, there have been no commitments of funding from Local Authorities.
25. At a UK Government level the Secretary of State for Wales has publicly supported a bid but any support would be subject to detailed discussion and it is clear that the Glasgow 2014 model, where no UK Government funding was provided, sets the precedent for funding of the Games in devolved countries.
26. Glasgow 2014 figures (Audit Scotland, 2015) indicated commercial revenue streams generated £118 million including broadcasting rights. An estimate of £81 million (at 2016-prices) has been made in terms of a Wales 2026 Games. This figure is lower than Glasgow primarily because in discussion with CGF they have indicated they are proposing to take broadcasting rights arrangements in-house, this reduces income and costs.
27. It should also be noted that sponsorship generation in Wales has always been a challenge and probably a bigger challenge than the rest of the UK because there are not the same number of major companies with headquarters in Wales. For Glasgow 2014 the value-in-kind from sponsors was approximately half the total sponsorship figure achieved.

Table 1: Overall Costs for Each Option (not including income)

	Option 1 All-Wales (£ million)	Option 2 North East / South East Wales (£ million)	Option 3 South East Wales (£ million)
Athlete development <ul style="list-style-type: none"> Allocated via Sport Wales to elite and talented athletes to build capacity to win medals. 	12	12	12
Cultural programme <ul style="list-style-type: none"> Games-time cultural events, Queen's Baton Relay and longer-term community programmes. 	52	52	52
Regeneration legacy <ul style="list-style-type: none"> Infrastructure for Games-time and in to the future, e.g. park and ride sites, station up-dates; opportunities to gain experience and skills; support for physical activity policy initiatives. 	154	154	148
Games delivery <ul style="list-style-type: none"> Delivery company staff, legal and financial services, logistics and transport, technology, advertising, sponsorship and village operation. 	400	390	334
Venue (build)	145	147	136
Venue (overlay)	65	61	60
Venue Use Agreements	25	23	23
Village <ul style="list-style-type: none"> Leasing units, undertaking necessary works to accommodate athletes and returning units afterwards. 	66	38	37
Security <ul style="list-style-type: none"> Venue and village security, before and during the Games. 	120	100	90
Bid	6	6	6
Contingency @ 24% (2016 prices)	251	236	215
TOTAL (2016 prices, including 24% contingency)	1,296	1,218	1,113
TOTAL (by closedown in 2032 incl. 24% contingency & inflation)	1,542	1,451	1,323

Economic Rates of Return

28. The economic rate of return was investigated as part of the detailed feasibility study. The forecast figures were in-line with the findings of the Glasgow 2014 Games economic evaluation. Taking in to account displacement, deadweight effects and the impact of discounting future costs and benefits, the rate of return for Glasgow 2014 was in effect 1 to 1. Any decision to bid for a Games would not simply be based on economic rates of return. Wider benefits would need to be taken into account (see below) and strong arguments are made that Glasgow 2014 boosted the reputation of the city, and Scotland more generally, and raised the profile of both as locations for inward investment and tourism.

Potential Benefits

29. A wide range of potential benefits could result from holding the Commonwealth Games in Wales in 2026. In summary the four key potential areas and related issues are:

- **Raise the profile of Wales on a world stage**

30. Holding the 2026 Games would be used to strengthen international perceptions of Wales as a confident and independent nation – a place to visit, learn, do business and hold major events, and build a sense of pride and “feel-good factor” for all citizens of Wales.

31. The counter-balance is that the Commonwealth countries are not currently the primary target markets for Wales in terms of business and tourism.

- **Positive economic impact**

32. The delivery of the Games could provide a short-term boost in economic activity, GVA and GDP, by developing venues, delivering the Games, increasing revenues for local businesses and increasing job opportunities. Over a longer-term, the development and back-drop of the Games could help develop long-term business links and relationships, encouraging sustained increases in visitor numbers. There would also be increased opportunities for training, apprenticeships and skills development in a wide range of employment sectors.

33. However, evidence on value for money from the evaluation of the Commonwealth Games held in Glasgow 2014 indicates that these short term economic impacts are likely to be of a broadly similar scale as would be derived from any government investment of equivalent size.

34. In the longer-term, there is little evidence that the Games would have a positive impact on the wider economy. Economic return resulting from investment in infrastructure brought forward to accommodate the Games by a specific deadline are positive, but are not the direct result of the Games.

35. Other benefits would therefore be key to realising the potential overall benefits of holding the Games.

- **Drawing forward investment in infrastructure**

36. Holding the Games would create a non-negotiable dead-line for the delivery of a number of key infrastructure projects crucial to maximising the success of the Games. For example, the first phases of the South Wales Metro and the proposed M4 relief road. It could also act as a catalyst to other infrastructure schemes which might not otherwise come forward such as an iconic refurbishment of Cardiff Central Station and other important public transport and park and ride facilities that would

have longer-term legacy benefits. The Games would then be used to showcase the improved infrastructure of the region to potential investors.

37. However the level of financial commitment required over the next ten years to deliver all these projects and deliver the Games would be unprecedented, extremely challenging and allow almost no flexibility in budget allocation should Government priorities change over the intervening years.

- **Positive impact on health**

38. The development and delivery of the Games would be used as the catalyst to deliver a once in a lifetime initiative to promote and facilitate opportunities to increase participation in sport and physical activity. This would be done across Wales by, for example, investment in community-based sports and other physical activity hubs, challenging negative attitudes, increasing engagement and participation and contributing to a sustained improvement in health with a particular focus on tackling obesity.
39. There is currently no clear evidence that holding major sporting events leads to sustained increases in physical activity or increased participation in sport. It is too early to reach conclusions in terms of the impacts of the Glasgow 2014 Games but evidence from the London 2012 Olympics suggests that the Games did not lead to the targeted increases. Stakeholders in Wales are confident that a sustained and wide-spread programme of investment at the community level linked to the Games would deliver on the physical activity agenda and produce significant health benefits but it will be a challenge and investment in the physical activity agenda could be delivered without the catalyst of a Games.

Legal Powers and Legislation

40. In order to hold the Commonwealth Games in Wales, it is likely that primary legislation would be required, elements of which may need to be progressed through the UK Parliament, depending upon its content. The time needed to develop and agree the legislation could potentially be in the region of two years, from initial policy development until the legislation comes in to force. This will depend upon the content and length of the legislation and available Parliamentary/Assembly time. As the required legislation must be ready to be approved on the day the Commonwealth Games Federation awards the Games, the start date for this work would need to be early to mid-2017. There would be a cost associated with this work if additional resource needs to be procured.