

Funding the key to avoiding Olympic legal wranglings

Throwing even more money at London 2012 will be the key to saving the Olympics from descending into a Wembley-style legal bloodbath sparked by contractual disputes and delays.

Legal expert Joe Bellhouse, partner at law firm Wedlake Bell, said contractual problems at the Olympics would inevitably be solved with large fistfuls of cash on top of the current £9.3bn budget.

He said: "It is not going to be plain sailing. Problems inevitably get transferred onto the cost and that is when you see huge acceleration payments.

"There will need to be a sophisticated bonus arrangement and acceleration arrangement keyed in with an early warning system at the Olympics."

Bellhouse praised the Olympic Delivery Authority (ODA) for setting up a dispute avoidance panel that aims to resolve contractual problems before they cause delays.

He said: "How quickly and how well you deal with problems is key."

Bellhouse's comments came after the Public Accounts Committee raised concerns that builders have the ODA "over a barrel" and might exploit the Games for extra cash.

In evidence forming part of a document that savaged a rise in the Olympic budget, Scottish MP Ian Davidson said his concerns related to the lack of competition for major contracts, including the Olympic Stadium and Aquatic Centre. The stadium attracted only one bidder - Sir Robert McAlpine.

He said: "One of the things that worries us is that builders, while not as voracious as farmers, are somewhat keen to exploit the situation where perhaps the client is over a barrel."

Bellhouse said the Olympics was in an unusual position in that it didn't have a second contractor to fall back on if McAlpine could not complete the stadium.

He said: "You do hear that people won't do it because they can see the risk of getting it wrong and just won't do it."

Savills director Patrick Grincell, involved in planning applications for the Olympic Stadium, said the successful construction of Arsenal's Emirates Stadium showed Wembley-style problems could be avoided.

The construction of Wembley Stadium by Multiplex suffered disputes with contractors, rising costs and changes to plans that are still being argued over in court.

About Wedlake Bell

Wedlake Bell is a 42-partner law firm with offices in central London and Guernsey. Its core practice covers corporate finance, intellectual property and media, employment and pensions, commercial and residential property, investment funds, banking, tax and trusts, construction and litigation. Internationally it is a founder member of Trans European Law Firms Alliance (TELFA) and is associated with the US law firm Fredrikson & Byron.

Wedlake Bell

ENDS

Press enquiries:

Joe Bellhouse
Wedlake Bell
Tel: 0207 395 3000

April 2008

Published in Contract Journal, 30 April 2008

© Wedlake Bell 2008