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When getting it right or wrong, size matters

Carol Lewis

At first, it was a crowd-pleaser, the thousands in Trafalgar Square cheering its coming merely a hint of the party to come in 2012. Then — now — it is seen by some as a saviour, a vast exercise in economic regeneration in the middle of the deepest recession in decades. But there is a danger that the London Olympic Games, or rather the type of huge infrastructure project that it represents, could backfire.

According to Bent Flyvbjerg, a leading commentator on such “mega-projects”, increases in spending on large-scale developments such as the Games, not merely in Britain but worldwide, could make an already grim economic situation even worse. “When it is too easy to get funding, discipline goes out of the window,” he said.

Professor Flyvbjerg, who moves into the BT Chair of Major Programme Management at Saïd Business School at the University of Oxford this week, believes that today's mega-projects are becoming more risky and more likely to fail or go over-budget. He gives three reasons: rapid spending via stimulus packages is creating an unsustainable boom; there is greater investment in India and China, where the political and financial risks are higher than in the West; and the increasing amount of complex IT involved. “All these factors could make things worse and you could see a lot more malfunctions.

“About nine out of ten mega-projects overrun. It is really encouraging that there are one in ten good examples. This means that it is not just a matter of luck — these are the result of good management. These are projects where people took the project preparation seriously.”

Two examples of successful projects given by Professor Flyvbjerg are the Madrid Metro and the Guggenheim Museum in Bilbao — “it has had twice as many visitors as expected and is a huge success”. Both were built on time and to budget.

But London 2012 need not look far for examples of where it could go wrong. Montreal 1976, the last time that a Games was opened by the Queen, was a sporting festival and a financial disaster. It took 30 years for the city to pay off the costs of building the main stadium alone, an echoing concrete bowl that wasn't finished in time for the event and is now empty. Suggested budget in 1970, C\$134 million; eventual cost, more than C\$1.6 billion (£900,000 in today's sterling).

Closer to home are the Channel Tunnel — “a lot of people lost a huge amount of money” — and the West Coast rail upgrade, both of which were late and over-budget. Worst of all was the Sydney Opera House, which was 1,400 per cent over budget. But, Professor Flyvbjerg said, “disasters can turn into successes later”, a transformation achieved by the Opera House, now one of the world's iconic buildings.

“We need to stop being so optimistic about these projects,” the professor said. Instead, we need to be more cynical. “There can be deliberate strategic misrepresentation of budgets and timescales as people rush to get money from governments.” He called for greater transparency and public scrutiny of large-scale public-funded projects.

Last week he told delegates at the Chartered Institute of Management Accountants annual Anthony Howitt Lecture that the solution was “cool and level-headed management”. He said that politicians, architects, engineers and economists tended to get so excited about being involved in career-defining projects that they acted rashly. “They jump in and go head over heels. They are so excited: ‘What a wonderful project, lets build it now.’ There needs to be some discipline.” He said that there was consistent underestimation of the risks involved in large-scale projects. “We need to be much more realistic about risk and stop believing fairy tales. We need to have more thorough risk assessments.”

There should, he added, be greater incentives for success, with those who exhibit good project-

management skills rewarded with bonuses and further contracts. "Often, though, we see managers who fail being awarded contracts for more projects. There is a feeling that these are one-off projects, unique, and there is nothing to learn from past mistakes."

Mistakes, however, can be costly, especially with mega-projects. Professor Flyvbjerg hopes that Britain will learn from its earlier examples and remain "cool and level-headed" in the run-up to 2012.

Olympic proportions

£2.4bn Original estimate, including security, of what London 2012 would cost

£9.3bn Most recent estimate of what London 2012 will cost

£6bn Current estimate for cost of building venues for 2012. According to Locog, this is on time and on budget. The cost of raw materials is falling

Source: Times research

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