



the
UNIVERSITY
of
GREENWICH

EXAMINATION PAPER: **ACADEMIC SESSION 2006/2007**

Campus **Avery Hill**

School **Architecture and Construction**

Title of Programme **MSc PORTFOLIO**

Level **Postgraduate**

TITLE OF PAPER **RISK MANAGEMENT**

COURSE CODE **BUSI 1160**

Date and Time **15th May 2007, start 9.30 am**

Duration **3 hours**

Answer all questions. All questions do not attract equal marks.

Read the case study and answer all questions in this section

Candidates must comply with the ‘Instructions to Candidates’ printed on the examination answer book.

READ THE CASE STUDY AND ANSWER ALL QUESTIONS IN THIS SECTION

True figure for Olympics costs 'still years away'

By Brendan Carlin, Political Correspondent

Last Updated: 1:08am GMT 05/02/2007

The real bill for the 2012 London Olympics may not be known for years, government sources admitted last night.

Rising security costs — above and beyond the £190 million set aside — meant that the full cost of the games would probably not be arrived at until much closer to 2012.

Amid fears that the original budget of £2.375 billion is soaring towards £8 billion, ministers have tried to calm speculation by promising a revised budget next month.

As of last night, that budget — being thrashed out between the Treasury and the Department for Culture, Media and Sport (DCMS) as well as the Olympic Delivery Authority (ODA) — was still not agreed.

But a well-placed source indicated that it would not reflect the total security bill. "There will be aspects that will be very difficult to finalise until closer to the games."

DCMS officials have said the £190 million security bill, agreed before the July 7 terrorist atrocities in London in 2005, will have to rise substantially, with some, including the London Mayor Ken Livingstone, suggesting another £550 million is needed.

As well as increased security, the original Olympics costs have soared because of a £1 billion regeneration project for the east London Olympic Park and rising raw material prices and consultants' fees.

They are being pushed up by an unforeseen Vat bill that may reach £250 million and the Treasury insisting on a potentially huge contingency fund for cost overruns.

Tessa Jowell, the Culture, Media and Sport Secretary, boasted yesterday that London was well advanced in finalising its budget.

She told BBC1's Sunday AM programme: "This is five years before the games. Sydney did not settle their budget until two years before they hosted the most successful games ever."

Miss Jowell played down a report yesterday that the ODA had drawn up a revised £5.1 billion budget, not including the Vat bill and a revised contingency fund.

The National Audio Office said on Friday a revised budget was "a matter of urgency".

<http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/02/05/nolympics05.xml>

The London 2012 Olympics project has been subject to much press scrutiny since the bid was successful in 2005 with very little of the coverage being positive. Even some of the supporters of the initial bid are expressing concern about the escalating costs.

As the project progresses, it is inevitable that other risks will affect the project.

Answer ALL Questions

1. A project of this scale will be affected by many risks throughout its life, frequently the larger the project the greater their number and magnitude. Identify and discuss the risks that could affect the London Olympic bid.

(20 Marks)

2. “If you can’t measure it, you can’t manage it”. The sentiments of this old saying can be applied equally well to risk; it is impossible to manage risks that have not been identified. Discuss the typical risk identification techniques including whether or not they would be appropriate for the London Olympic Bid project.

(20 Marks)

3. Effective risk response can help prevent a project failing or at least reduce the negative impacts of risks that affect it. Discuss the risk response strategies that could be used for the London Olympic Games explaining how each strategy could be applied.

(20 Marks)

4. There is an argument made that it does not matter whether or not the project is a success or failure, in the long run the subsequent benefits will greatly exceed the initial costs. Discuss this argument in the context of the case study, using other examples, if appropriate, to support your views.

(20 Marks)

5. It could be argued that the original estimate of £2.4 billion was just another example of politicians following the EGAP principle – everything goes according to plan. Discuss the EGAP principle in the context of the case study and explain how it is so dangerous for large projects.

(10 Marks)

6. There is some confusion about the total cost of the London Games, in particular over a contingency ranging from 23% to 60%. Discuss what contingency is and why it is included, including typical contingency levels and the implications of the contingency proposed for the Games.

(10 Marks)