

Cayo column: Why public projects go so badly wrong

Backers underestimate costs, exaggerate benefits -- and get away with it

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When big public projects go wrong, it'd be nice to be able to look inside the heads of elected officials -- to know for sure if we ought to be blaming it on honest error, or if they just lied.

But we don't.

So we can't be certain why the cost of Expo 86 soared from \$800 million to \$1.5 billion.

Or why and how the price tag on three fast ferries somehow grew from \$210 million to \$466 million.

Or how it came to be that the estimate to expand the Vancouver Convention Centre started out at \$495 million but now it's \$883 million and, for all we know, still counting.

We're lucky, I suppose, that the money sunk into Expo paid off with a huge boost to the image of Vancouver and the province and a richly revitalized neighbourhood.

The fast ferries, of course, were a much worse deal. They never worked well and were eventually sold for just \$19 million to the yard that built them.

And the convention centre? We'll have to wait to know its eventual value as well as its cost, but it's not comforting to know that governments tend to overestimate the need for, and potential performance of, their big projects more or less as often as they underestimate the costs.

The Coquihalla Highway, pitched as a \$250-million project in the mid-1980s, gave us an unusual insight into what to blame for wrong estimates -- lies or goofs -- when an inquiry was held into a 66 per cent cost overrun.

It found officials knew early on that it would cost at least \$400 million and the attitude of the Socred government of the day bordered on contempt for taxpayers and the legislature.

Although we rarely get such proof a government knowingly falsified estimates for a pet project, a Danish academic argues convincingly that a great many big projects around the world get approved on the basis of lies.

In a thesis published this summer in support of his candidacy for what will be his fourth doctorate, Bent Flyvbjerg of Aalborg University wrote, "planners and promoters deliberately misrepresent costs, benefits and risks in order to increase the likelihood that it is their projects, and not the competition's, that gain approval and funding.

"This results in the 'survival of the unfittest,' where often it is not the best projects that are built, but the most misrepresented ones." Flyvbjerg is best-known for his analysis of transportation projects, but he has been studying all manner of megaprojects in all parts of the world for years.

He, too, has trouble peering inside decision-makers' heads to know their innermost thoughts, but he applies a simple test of logic to make his case for widespread lies.

The incidence of cost overruns and benefit shortfalls is startlingly high, he notes.

Yet costs are almost never overestimated, and benefits rarely exceed the promises of the proponents.

Since mere incompetence would result in bad guesses falling equally on both sides of the mark, he concludes a lot of big project proponents lie a lot.

What's galls me is how often they get away with it.

One of Flyvbjerg's favorite examples is the famed Sydney Opera House, built in the 1960s.

It ran 1,400 per cent over budget. Yet today, people remember only the benefit -- a striking building held in worldwide acclaim.

So, perhaps, if the fast ferries had worked wonderfully well, people today would laud their efficiency rather than spit nails at the memory of their cost.

And, perhaps, if the convention centre actually proves to be the asset the Liberals claim it will be, the huge overruns -- regardless of the cause -- will be forgiven, too.

But Flyvbjerg argues that if the problem of persistent underestimates of costs and overestimates of benefits is ever to be solved, it will result only from making project planners and proponents accountable.

"The key principle is that the cost of making a wrong forecast should fall on those making the forecast, a principle often violated today," he wrote in an article for Harvard Design Magazine.

A benefit of some public-private partnerships -- not all -- is that they do just that.

But P3s tend to have problems of their own.

More on that tomorrow.