



Evening News
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Professor tracks true cost of 'biased' bill for trams

EDINBURGH'S tram proposals have become the subject of academic research by a Danish professor.

Bent Flyvbjerg, from Aalborg University in Denmark, has highlighted the inaccurate cost estimates for the scheme, as first presented by transport firm TIE.

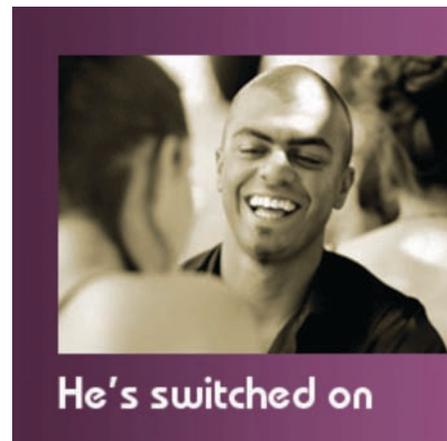
In his report, he explains how a consulting firm provided MSPs with a more "reliable estimate" of the cost of running a tram line from the city centre to Edinburgh Airport and Newbridge.

A Holyrood committee spent months examining proposals for tram line two, and commissioned Ove Arup & Partners to analyse TIE's preliminary estimates.

Prof Flyvbjerg said: "The overall conclusion of Ove Arup was that the promoter's capital cost estimate of approximately £320 million was optimistic. Most likely, tram line two would cost significantly more.

"Ove Arup was able to take an outside view on the capital cost forecast and thus de-bias what appeared to be a biased forecast.

"As a result the Scottish Parliament was provided with a more reliable estimate."



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Comments

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1. famous 15, Edinburgh / 12:21pm 4 Jan 2007

Trams are only barely economic if th infrastructure is in place. Build from new they are horrendously expensive and dare I say it the SNP pointed this out at an early stage.

2. Paul Voltaire, www.paulvoltaire.spaces.live.com / 12:24pm 4 Jan 2007

I bet there won't be much change from a billion quid for this particular white elephant.

3. Sarah B, Edinburgh / 12:33pm 4 Jan 2007

For Heavens sake! If the Parliament was provided with a more reliable, de-biased cost estimate, then why on earth have they passed the tram bill without ensuring that the scheme would represent good value for money, based on the more reliable figures, and also how the even bigger funding shortfall would be met? It just goes to show: never let politicians be involved in assessing a major construction project.

I have read many of Professor Flyvbjerg's reports dealing with the reasons for perpetual cost overruns on major projects and would dearly love to know what he thinks of the latest draft business case for the trams. Given the already high cost of the scheme, I would have thought a few extra thousand pounds to employ him would be money well spent.

4. Grumpy / 1:01pm 4 Jan 2007

Sarah (£) - Hear Hear. Even employing him now will save us money in the long run, but you've got to remember that Edinburgh Council is of the same party as Jacko and his pals, so like the medical profession, they'll back each other up all the way. But why has Nicola Sturgeon not picked up on this?

5. NorT, Edinburgh / 1:22pm 4 Jan 2007

Is this not the same person that has examined many public sector high cost schemes and found that they all underestimated the true costs to get approval for them.
Tie have done the same and not taken account of everything - their business case is way of the mark and full of unanswered questions.

6. Disheartened, Edinburgh / 1:25pm 4 Jan 2007

at least when the first tram line is built it will provide a "fast, reliable, economic" means of getting me to the airport to get the hell out of this city before we become shackled with this phenomenal debt.....

7. Oli / 1:27pm 4 Jan 2007

I dread to think what will happen once this scheme gets under way. After all, the public sector has time and again shown itself incapable of looking after our best interests when it comes to major construction projects. I just bet the private sector sharks are rolling their eyes in anticipation. If the kind of blank-cheque approach employed during the construction of the parliament is adopted then heaven help us. They NEED to cap the cost before work begins.

However, once it is underway, what exactly will they do if costs overrun? With the years of chaos that will result from the disruption of traffic and the ripping up of roads/diversion of services there will be little option but to complete the project. Having already docked the 'spur' to Granton it would be a humiliating failure if they were to fall short of the revised plan. It would be Edinburgh's new disgrace!

8. Sloo, Edinburgh / 1:33pm 4 Jan 2007

Why is my money being spent on a project which will not benefit me at all? I have the misfortune to live in the South of Edinburgh which has poor public transport, no leisure facilities (unless you count ned-dodging at Gracemount Leisure Centre) and terrible roads. Why am I less important than non-existent people who are apparently going to be living in houses not yet built?

9. Disheartened, Edinburgh / 1:36pm 4 Jan 2007

Oli, I agree completely.
It will be an enormous disgrace that we will continue to pay for in generations.
As for Capping the cost of the project...they did this on the Parliament white elephant.....several times.

Tie, and the other consultants are the only ones gaining any great benefit from this debacle.

10. Sarah B, Edinburgh / 1:53pm 4 Jan 2007

NorT - yes he is one and the same man. He has studied hundreds of major projects worldwide and concluded, unsurprisingly, that cost overruns are a global phenomenon and have been happening for over 100 years. He concludes that, in many instances, the reasons for this are that project promoters employ "strategic misrepresentation, ie, lying" in order to secure the initial funding to take a scheme forward. They downplay costs and overstate anticipated benefits. Politicians get hooked in by what looks by an OK proposal and then, as costs rise and benefits decrease, they find it difficult to withdraw support. The end results are that the public continues to be fleeced on projects which do not deliver the benefits anticipated and cost too much and that, as long as it is considered acceptable for Promoters to lie, then it is very difficult to prioritise what is and is not a worthwhile project to build.

He has prepared several reports, including one for the Department for Transport which many believe was partly the reason for Mr Darling's eventual decision to scrap several proposed new English tram schemes.

Personally, I think his reports should be made mandatory reading for anyone involved in such schemes and perhaps the result for the public may be a little more honesty, transparency and accountability. As he says, ""The

key policy implication for this consequential and highly expensive field of public policy is that those legislators, administrators, bankers, media representatives and members of the public who value honest numbers should not trust the cost estimates presented by infrastructure promoters and forecasters." Read his work and laugh out loud!

11. Scallywag / 2:09pm 4 Jan 2007

It's like a broken record. We know all this. This is not news.

If you believe the good Prof and Sarah B then "overruns are a global phenomenon and have been happening for over 100 years".

Therefore, the simple assumption is that people in power simply choose to ignore this information.

This is the reality of the world we live in. Both Politicians and the International Coporates will do what they want and we all end up taking the slack when it all goes wrong.

Want to change it? - then you have to be a bit more radical than writing a few posts to the Evening News. Chances of success - almost nil.

12. Sco, Edinburgh / 2:21pm 4 Jan 2007

Folks, the amount of money being spent on these transport schemes while huge for us as individuals really is not that much in the grand scheme of things over the number of years over which they will be built.

Whatever the pros and cons, investment in transport infrastructure is essential. Unfortunately, it's always the vocal minority and NIMBYs that make themselves heard!

13. Douglas, Bathgate / 2:26pm 4 Jan 2007

If the council and it's officers insist that all costings etc have been done properly then make them personally responsible for all overspend.

All consultants, contractors and suppliers bonded and working under penalty clauses.

Simple enough to do and you might even see different companies tendering for the work instead of the usual suspects who can play the game of fleece the public.

14. Sarah B, Edinburgh / 2:47pm 4 Jan 2007

Scallywag, you are right - this is the reality of the world we live in but that does not make it right.

And, yes, in my way I am working on changing it, despite your gloomy prediction of success.

15. Rob me blind / 3:01pm 4 Jan 2007

#12 I agree with some of what you say but trams are just not the answer with the ever increasing changes to our failing infrastructure we need something more flexible. What we need to do is have bus services that get the same road priorities as the trams but have the flexibility to be moved to accommodate problems as and when then arise

16. Hugh, Edinburgh / 3:01pm 4 Jan 2007

I like trams, but can't see any occasion when I would actually use any of the projected routes, so "it's a no vote from me I'm afraid". However, bring back the 10 and the 27 and I'd be all for it!

17. Hmm ... / 2:07pm 4 Jan 2007

I understand that Alistair Darling was so impressed by Prof. Flyjborg's work that he commissioned him to produce Guidelines for the Department of Transport on provision for "optimism bias" (a euphemism for cost underestimate) in major transport projects.

It IS therefore compulsory reading but only in England and Wales, where the Department for Transport is responsible for transport issues.

So it would seem that there are things we would do well to learn from England - including to avoid new tram

projects!

18. Hmm ... / 1:52pm 4 Jan 2007

Sounds as though it is not the tram proposal that is misguided but rather the MSPs who encouraged Edinburgh councillors to press on with it!

We need neither the trams of these councillors in Edinburgh - neither can demonstrate value for money!

19. Scallywag / 3:32pm 4 Jan 2007

Hear what is being said and I am not wholly convinced about the proposals as they stand. However is there counter research out there that says that at times we have to be brave and step into the void. If we only ever proceeded on the basis of what accountants tell us we might still be living in mud huts.

While not like for like let's remember that the Forth Rail Bridge took (an estimated) 98 lives and cost £235 million in today's money. The Sydney Opera House cost 102 million and was completed in 1973 as opposed to the original target of 7 million and opening 1963.

You win some you lose some and the proof of the pudding is in the eating etc etc (That's enough of that nonsense - Ed)

20. The Ghost of Sir William Arrol, The Forth Bridge / 3:44pm 4 Jan 2007

The construction of the tram lines is actually very straightforward and hardly challenging in engineering terms. There is no unforeseen reason why construction costs should escalate if contracts are capped. Are we to believe that because transport projects have historically run over budget - The Victorian railways cost three times their original estimate on average - we should shy away from constructing new infrastructure? Nothing would ever get done!

All these nimbys and naysayers are not considering the changing world in which we live. Cheap buses came in with cheap oil, as did tyres and tar-mac. As we leave the cheap oil age behind the cost of using motor vehicles and maintaining roads will escalate in a way currently unimaginable. We have to be ready for the future and have our transport infrastructure modernised for a world short of oil resources, not stuck in the past.

Can't defend the route design costs etc which have been obscene, but that's Tie for you.

21. Sarah B, Edinburgh / 4:04pm 4 Jan 2007

Sco (12) and ghostly Sir William (20). Are you saying that this Danish professor is a NIMBY? I mean, I know some people love steel wheels so much that the cost to them is irrelevant but, given his geographic location, I don't think he is likely to be personally affected by this particular scheme, do you?

The point is that, where public money is being spent, the public has a right to accurate information regarding any proposal. With the amount of money available for projects being limited and the price of some projects being large enough to destabilise national economies, eg, the Athens Olympics, then the need for accurate information becomes essential. I am not suggesting that the tram scheme will destabilise our economy (though Lord knows that may yet happen with TIE still involved), but I am saying that if its costs and anticipated benefits are not accurate, then it will be constructed at the expense of other more worthwhile projects. Sadly, we do not have inexhaustible funds available to squander on trophy schemes.

Contrary to what Scallywag thinks, I believe things are changing. The Department for Transport was the first to require Promoters to provide an allowance for optimism bias on major projects precisely to protect the taxpayer from spiralling costs. TIE have allowed a contingency of 12% on the tram scheme but that falls way short of what the DfT would require. However, as Hmm states, the DfT has no remit here and Transport Scotland appear to be reluctant to follow the same procedures as would be required south of the border. It seems that, contrary to what TIE and our local politicians have said, the lessons from English tram schemes have not been learned.

22. rof, Sheffield / 4:59pm 4 Jan 2007

Now they've got their tram set, who cares, it's only public money! - ere we go, ere we go, ere we go.

23. Scallywag / 5:02pm 4 Jan 2007

Sarah B. I'm all for financial scrutiny but while we moan and groan (as we have done for years) the rest of the world gets on with it and builds the transport infrastructure they need, whether it be road, rail or for other forms of public and sustainable transport. How can other countries manage?

Are we in the UK not supposed to be one of the richest countries in the world??

24. Sarah B, Edinburgh / 5:18pm 4 Jan 2007

Good question, Scallywag. Are the local and national economies in the red or the black? I know that as far as the Council is concerned, it is definitely in the red, although I don't know for sure nationally. If it is also in the red, then it makes the need for prudent spending and proper accounting even more important.

25. Scallywag / 5:34pm 4 Jan 2007

Depends on whether or not you are sinking your money into Wars in the Middle East or Nuclear weapons. What does the good Prof say about that!!!

26. Sarah B, Edinburgh / 5:36pm 4 Jan 2007

Not alot, Scallywag, he is busy bringing pressure to bear on scheming officials and manipulative politicians re major construction projects. More power to his elbow, I say!

27. Ricky / 6:58pm 4 Jan 2007

What a laff all this transport infrastructure is - ludicrously enuff the tram line that is proposed is really engineered to cater mainly for 2 extremely rich organisations 'Ferovial baa' and 'RBS' and to supply their needs without having to contribute - ha! ha!

Think about the citywide picture and everywhere else the tram line could run - but no! Leith to Edinburgh Airport it is!

And with Train links and a whole loada other transport plans kicking about for consideration - what are the dips thinking? - It's certainly not joined up!

And as for the airport being a must on the route - I think that concerns should also be raised about cost following this story from the independent yesterday

<http://news.independent.co.uk/uk/transport/article2121672...>
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