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But Dreamers Built The World...

'Megaproject development is currently a field where little can be trusted'

Vinayak Chatterjee

Messrs Flyvbjerg, Bruzelius and Rothengatter of Denmark, Sweden and Germany, respectively, have evidently tried to strike a raw nerve by subtling their book, Megaprojects And Risk — An Autonomy Of Ambition. As development planners and transportation economists (who apparently also dabble in social psychology), the trio have not spared any punches in linking the failure of megaprojects to human greed.

Their clinical methodology and dour conclusions provide a perfect complement to the richly textured arguments closer home of Arundhati Roy in her damning indictment of the Narmada Dam and the Sardar Sarovar Project in The Greater Common Good. The bone of contention in both cases are mega infrastructure projects. The three European professors provide a fascinating account of how promoters of multibillion dollar megaprojects systematically and self-servingly misinform Parliaments, the public and the media, to get projects approved and built.

They show how the formula for approval is an unhealthy cocktail of underestimated costs, overestimated revenues, undervalued environmental impacts and overvalued economic development effects. The Channel tunnel, which opened in 1994 at a construction cost of £4.7 billion, is a case in point, with several near-bankruptcies caused by construction cost overruns of 80 per cent, financing costs that were 140 per cent higher than those forecast and revenues less than half of those projected.

Recent years have witnessed a steep increase in the magnitude, frequency and geographical spread of this new phenomenon called the "multibillion dollar mega infrastructure project". The basket has a mix of ports, airports, high-speed rail, urban rail, tunnels, bridges, ports, motorways, dams, power plants, water projects, oil and gas extraction projects, information and telecommunications technology systems, and so on.

The situation is similar in both industrialised and industrialising countries—from Asia to Europe to the Americas. Witness the Channel tunnel in Europe, the Oresund bridge between Denmark and Sweden, the Vasco da Gama bridge in Portugal, Hong Kong's Check Lap Kok airport in Asia, China's Quinling tunnel, the Akashi Kaikyo bridge in Japan, Sydney's harbour tunnel, Malaysia's North-South Expressway and Thailand's Second Stage Expressway.

In the Americas, there are Boston's "Big Dig", freeways and railways in California, Denver's new international airport, Canada's Confederation bridge, the Sao Paulo-Buenos Aires Superhighway, the Bi-Oceanic highway right across South America from the Atlantic to the Pacific, and the Venezuela-Brazil highway. The proposed US\$ 50 billion project to link the US and Russia across the Bering Strait—the "biggest project in history", according to its promoters—is also in the mega-project scheme of things.

Outside the field of transport infrastructure, there are the Three Gorges dam in China, Russian and Central Asian natural gas pipelines, the Pergau dam in Malaysia, flood control in Bangladesh and the Bolivia-Brazil gas pipeline. Also in the league of megaprojects are the Venezuela-Brazil power line and, again and everywhere, the ultimate megaproject, the Internet with associated infrastructure and telecommunications projects (not to forget the Motorola sponsored Iridium Satellite phone misadventure).

We in India have the Sardar Sarovar project (ask Medha Patkar!). We also have the 15,000km National Highway Development Programme and the all-time favourite from the 1950s, the national river linking project, which the Prime Minister has recently reinvigorated. Add the

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Yet, as the authors point out, when actual versus predicted performances of megaprojects are compared, the picture is often dismal. The authors have documented in this book that cost overruns of 50-100 per cent in real terms are common in megaprojects and more than 100 per cent overruns are not uncommon. Demand forecasts, they say, go wrong by 20-70 per cent.

The extent and magnitude of actual environmental impacts of projects are often very different from forecast impacts and post-auditing is neglected. The substantial regional, national and, sometimes, international development effects commonly claimed by project promoters typically do not materialise, or they are so diffuse that researchers cannot detect them. Actual project viability typically does not correspond with forecast viability, the latter often being brazenly over-optimistic.

Did one believe that freedom of information issues were largely confined to state secrets, weapons of mass destruction, defence deals, espionage and terrorism? “The transport sector and its institutions are hardly in the vanguard regarding freedom of information. In some cases, we were unable,” the authors tell us, “using the formal channels for information gathering, to get the data and in-depth information we needed to write the book the way we wanted to write it.”

Megaproject development is currently a field where little can be trusted, not even numbers produced by analysts. The authors provide a peep-show into social psychology. Politicians have a “monument complex”, and also salivate at the prospect of huge kickbacks. Investment bankers love to cut megasize deals and wash their hands off them after collecting sizeable financial closure related “success fees”. Engineers like to build things and contractors just want the contract. If these interested stakeholders are involved in, or indirectly influence, the forecasting process, they may influence outcomes in ways that make it more likely for a project to be built.

The authors suggest that risk and accountability be much more centrally placed in megaproject decision making. They propose a rearrangement of public and private responsibilities in megaproject development, by shifting risk from the public to the private sector and establishing a substantially clearer regulatory and audit role for government.

Finally, they propose that four basic instruments of accountability be employed in megaproject decision making: transparency, performance specifications, explicit formulation of regulatory regime and the involvement of risk capital. The book offers a wealth of empirical evidence, but there are aspects that the authors do not touch upon. Their book, for instance, is empirically far too Eurocentric.

There is clearly a difference between infrastructure projects in wealthy, mature economies and poverty stricken or emerging economies. However, the book uses the same brush strokes for any infrastructure project anywhere in the world. Finally, are megaprojects (from sending a man to the moon to building the Taj Mahal or the Eiffel Tower or the Channel) amenable to being based on cold, clear logic, QED?

Megaprojects And Risk— An Autonomy of Ambition

*by Bent Flyvbjerg, Nils Bruzelius and Werner Rothengatter;
Cambridge University Press;
Rs 850; Pp 207*

The authors attempt to grapple with the issue and, as expected, come to the sobering conclusion that all projects should be based on research, logic, risk analysis, etc. But then, the world has been built by dreamers.

Someone, somewhere said, “The reasonable man adapts to the world. The unreasonable man wants to change the world and make it adapt to his ideas. Therefore, all progress depends on the unreasonable man.” Do read this book to find out which side of the fence you are on.

Mr Chatterjee is chairman of the integrated infrastructure development company, Feedback Ventures (P) Ltd

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