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14-country study: Runaway railway costs to be expected

By Sharon Kedmi

Israel Railways is experiencing major budget overruns in its Tel Aviv light rail, Ben-Gurion 2000, and Jerusalem high-speed train projects, as well as for new lines to Ashkelon, Be'er Sheva via Ofakim, Sderot and Netivot.

Does the blame lie with professionals who may have been less than professional? It's not clear yet. Three Danish researchers found in a 2002 study that when it comes to major public works projects, "Underestimation cannot be explained by error, and is best explained by strategic misrepresentation - that is lying."

According to the authors, professors Bent Flyvbjerg and Soren L. Buhl of Aalborg University and Skamris Holm, a planner with the Aalborg Municipality, the "policy implications are clear: Legislators, administrators, investors, media representatives and members of the public who value honest numbers should not trust cost estimates and cost benefit analyses produced by project promoters and their analysts."

The magic phrase is initial unexpected costs. The higher such costs are, the more excessive expenses have to be absorbed.

Few are the professionals who know what will turn up once the first tractor has set out on the project's grounds. Trans-Israel Highway representatives say, for example, only half-jokingly, that whoever planned the road made sure the route would pass through every possible graveyard and archaeological site.

The 2002 article was based on a sample of 258 transportation infrastructure projects worth \$90 billion, representing different project types, geographic regions and historical periods.

The study "found with overwhelming statistical significance that the cost estimates used to decide whether such projects should be built are highly and systematically misleading," according to Flyvbjerg.

According to the report, rail projects have the highest rate of cost overruns of all infrastructure, averaging 45 percent gaps between planned and actual investment costs. Bridge and tunnel projects end up over budget by 34 percent on average, while road projects tend to exceed projected costs by just 20 percent on average.

The team has just published a paper in the scholarly journal of the American Planning Association (APA), entitled, "How (In)accurate Are Demand Forecasts in Public Works Projects?" They looked at 183 road and 27 rail projects in 14 countries. The paper "found that rail passenger forecasts were overestimated by 106 percent on average, resulting in an actual ridership of less than half of that predicted. For nine of 10 rail projects, estimates were high, according to the study."

Both papers have drawn fire from professional associations, which critique them as having analytical flaws promoting "pet theories." However, the history of Israeli cost overruns leave the public to draw its own conclusions.

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