



Transparent need for new approach to public works

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I WAS on BBC television last week, being interviewed by the estimable Iain McWhirter about the Fraser Inquiry into the spiralling cost of the Scottish Parliament building.

I was in mid-pontification when the architectural expert appearing with me interrupted with a censorious smirk. It was an ignorant media said he, looking pointedly in my direction, who were responsible for doing down this wonderful project. Did we not know that great architecture costs money? If they (meaning me) knew anything about the complexities of building construction, we would not be so glib in our criticism of Holyrood.

He might have had a small point, except that, in a long career of dabbling, I actually have been responsible for major public building projects. Indeed, I made a nuisance of myself by insisting on employing big-name foreign architects, much to the annoyance of the cosy Scottish architectural profession.

For more than a decade I found myself in charge of Edinburgh District Council's efforts to fill in the capital's notorious holes in the ground. Impressed by what was going on in places such as Barcelona, I saw this was an opportunity to create some iconic contemporary architecture to give Edinburgh a more modern image. A billion pounds of investment later, I reckon I know some of the difficulties inconstructing large civic projects, juggling conflicting political interests and massaging the egos of those signature architects - one insisted on having written into his contract that he fly only on Concorde when dropping into the UK. Then there was the time my Labour colleagues revolted against having their private (and free) car park used for a more important civic development. Not to mention renovating historic buildings, which instantly fell foul of the inevitable dry, wet and everything-in-between rot, sending cost projections into the stratosphere.

However, in all this we never ended up in the mess that is Holyrood. Which is why, when I look at the new Scottish Parliament building, I know that, regardless of its architectural merits, it does not deliver £400 million worth of value. At a

pinch, it is worth half that sum, and probably nearer a third.

Remember, the Scottish Executive building in Leith, designed by the same architects, cost £20 million. Nor is Holyrood equivalent, as some ill-informed commentators have mooted, to the experimental engineering of the Sydney Opera House. There is nothing technically new in the parliament building. If you want to see experimental architecture, look at Frank Gehry's Maggie's Centre in Dundee, which makes use of new wood-plastic laminates that can be twisted into fantastically wonderful shapes.

What did go wrong at Holyrood? The first week of the Fraser Inquiry was dedicated to the proposition that it was all the fault of the late (and conveniently unavailable) Donald Dewar. But there's much more to it than that. Some interesting clues as to what went wrong can be found in a devastating new piece of research by Professor Bent Slybjerg, of Aalborg University in Denmark. Prof Slybjerg is one of those pesky academics who beaver away, asking difficult questions, until suddenly a host of seemingly random incidents form a pattern - just call him the Inspector Morse of cost overruns in mega building projects.

What the professor has done is to marshal evidence from hundreds of major public projects around the globe, finding a definite and consistent pattern of failure.

He says: "At the same time as many more and much larger infrastructure projects are being proposed and built around the world, it is becoming clear that many such projects have strikingly poor performance records ... cost overruns and lower than predicted revenues frequently place project viability at risk."

The fun in Prof Slybjerg's highly readable analysis (which Lord Fraser should have at his bedside table) is the sheer universality of the Holyrood effect, which I define as "ambition outpacing commonsense to the point where a project's promoters start believing their own inflated promises". Of the 258 projects studied by Prof Slybjerg, worth collectively \$90 billion, actual costs were, on average, 28 per cent higher than first estimates. This was true across 20 nations in five continents.

For rail projects, actual costs were on average 45 per cent above estimate; for roads, they were 20 per cent above estimate, and for fixed links, (tunnels and bridges) they were 34 per cent above.

Sadly, cost under-estimation has not decreased in the past 100 years. The Suez Canal was 1,900 per cent over estimate, which was much the same as the Sydney Opera House (1,400 per

cent) and Concorde (1,100 per cent).

In recent times, nobody has been immune. The efficient Germans were 80 per cent over budget on the Karlsruhe-Bretten light railway, and the French went 60 per cent over the top on the Paris-Nanterre rail link. The big Boston motorway tunnel doubled in cost.

There are good examples of cost control - most of the French high-speed TGV train service, for instance. But, even here, there was a classic tendency to inflate passenger projections to get the project funded. The Paris Nord TGV line had barely 25 per cent of the anticipated traffic in its opening year. Prof Slyvbjerg says: "Don't trust traffic forecasts, especially for rail."

How does he explain this pattern of failure, into which Holyrood not only fits but comes out as a top-of-the-range financial overshoot?

He says: "It is undoubtedly common for project promoters and forecasters to believe their projects will benefit society and that, therefore, they are justified in 'cooking' costs and benefits to get projects built."

In the Holyrood case, of course, we now know that Donald Dewar actually dispensed with the normal cost-benefit appraisal of the Holyrood site in case it caused delay or came up with awkward results. On the other hand, when Edinburgh District Council built the Festival Theatre, it did get a prior cost-benefit study. But anybody who read it knew it was, shall we say, highly selective in its findings.

So, can we improve the management of such public mega projects? Prof Slyvbjerg recommends more transparency, as in not hiding behind that Holyrood fib of "commercial secrecy". Next, set up, on day one, a separate regulatory regime for the project, which will be independent of the public body that commissions construction. This avoids obvious conflicts of interest, which promote secrecy, when costs inevitably starts rising. Finally, involve more genuine risk capital at the onset, as in design and build contracts. This acts as a sensible hurdle to ensure that such mega projects are better evaluated before they start. That, says Prof Slyvbjerg, is implying there is a category of blue-sky public projects, initiated for political reasons, that will, in all probability, always defy the rules of cost accountancy.

Looking back on my experience, we were lucky, for I detect the same lurking dangers. But I think in the Edinburgh council case there was more transparency than in the Holyrood example.

Where such transparency exists, as in the Welsh and London

Assemblies, the cost of the new buildings has been kept under much better control. Also, in Edinburgh our priority was not just the building, so much as the efficient use to which it could be put. That acted as a capital cost control over inflated egos. Would that we could say the same of Holyrood.

(Megaprojects and Risk, Bent Slybjerg, Cambridge University Press.)

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