

The Political Dimension

In recent years major civic, sports, energy and transport projects have often been plagued by cost overruns, delays and benefit shortfall. The Channel Tunnel, Millennium Dome, Wembley Stadium, Heathrow Terminal 5 have all faced these difficulties and their high profile shortcomings have been responsible for an increasing public scepticism over the delivery of megaprojects. These initiatives are by their very nature complex but contingencies are often planned for and their complexity in itself does not explain the underlying reasons for the continued problems afflicting megaprojects. Given the vested commercial and public service interests of the private and public parties involved, there has been and will continue to be a need to understand the reasons for the failures of these megaprojects.

The complexity of megaprojects stems from elaborate management partnerships and the multi-faceted character of their delivery. Megaprojects often involve wide-ranging partnership dynamics that feature a miscellany of interested parties possessing different degrees of accountability and powers of decision-making. Although responsibility is divided to provide democratic decision-making, frequently impetus is reduced and tension between parties subsequently escalates. Megaprojects also require the scheduling and co-ordination of numerous individual planning and construction initiatives, often with little room for error. In many cases there is little precedent for the management of a similarly complex project. Whilst in a wider environment it is possible to observe large scale projects, that particular organisation might have never undertaken that scale of project before or might be unlikely to do so again for some time.

Bent Flyvbjerg provides three typologies for the causes of megaproject cost escalation and deadline delays¹. Firstly, he cites technical problems. These relate to the use of unreliable or outdated data in scheduling and cost estimation or the use of inadequate or inappropriate forecasting models. Although these play a role in many case studies, for Flyvbjerg there is little evidence of these types of errors being responsible for major overruns or delays. Instead, the reasons Flyvbjerg identifies as principally culpable for the delivery difficulties of megaprojects stem from his second and third typologies, the psychology of actors and political-economic factors.

According to Flyvbjerg, psychology influences megaprojects through the delusional optimism of planners that provide little or no rational weighing up of gains, losses and probabilities². This inadequate estimation of risk overlooks the potential for mistakes or miscalculations that will, and have so frequently in megaproject history, further delayed delivery. Certain cognitive biases in the way the human mind processes information explain this behaviour yet these 'human' mistakes can easily be offset by reality checks. The third typology, political-economic factors, relate to the role of forecasters and promoters in (often deliberately) misinforming decision makers over costs, benefits and risks of projects. For Flyvbjerg, the competition for limited resources reduces these agents to lying about how cheap, effective and easily deliverable megaprojects are.

Through the work of Flyvbjerg it is apparent that causes of difficulties, particularly those of cost-overruns, are not chiefly technical and when psychological, they are possible to

¹ Bent Flyvbjerg, 'Truth and Lies About Megaprojects', p.6.

² Bent Flyvbjerg, 'Truth and Lies About Megaprojects', p.7.

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mitigate through better planning measures and increased accountability. More insidiously, it is political and economic issues that often destabilise megaprojects and it is this typology that is considered in this paper. There is a need to consider the political complications of megaprojects from outside the perspective of their innate organisational complexity. Instead, the major political decisions themselves must be analysed to discover what strategies can better enable successful project management and delivery. This paper seeks to differentiate the decision making of setting up a project and forcing through the original decisions as compared to projects where politicians remain involved in the detail of the project through its whole life. To distinguish, many projects are very political until the decision is made and then there is less influence. Others have continued involvement – in this paper I will look at the latter.

This requires an exploration of how these overt political decisions manifest themselves in megaprojects. I consider three prominent case studies in megaproject history and use these to establish what can be done to mitigate these problems in the future. Three key examples of cases where political issues have influenced megaproject delivery are the Scottish Parliament, the World Trade Center and the Sydney Opera House. The overall hypothesis is that political issues can fundamentally destabilise megaprojects and these projects need to be considered in different ways.

The decision to create a new Scottish Parliament building was founded on Labour's 1997 election pledge to deliver devolution which was then approved by a referendum of the Scottish electorate in September that year. Although the formation of a parliament was promised, what was not included in the referendum was the construction of a new building to house it – a fact that added to grievances when costs escalated. Instead, the Scottish Office, led by the Secretary of State for Scotland, Donald Dewar, made the decision, first proposed in the July 1997 White Paper 'Scotland's Parliament'. Initially three sites were shortlisted for the parliament building and reviews and appraisals of the three locations were undertaken in the months up until December 1997. On the 8th of December, Holyrood (the developed site) was surprisingly added to the shortlist, having made the longlist but been omitted because it was not deemed deliverable in the project timescale. When Holyrood was announced as the selected site in January 1998, the choice was controversial and established a lack of transparency that dogged the project for some time³.

Doubts were raised at an early stage over the capacity of the Holyrood site⁴ and over the validity of an extremely vague cost estimate for the project of between £10-40 million, that took no account of the location or design of the building and stemmed back to the July 1997 White Paper⁵. The appointment of EMBT alongside RMJM was controversial because the firm were not Scottish and the press reported that Miralles had demanded a larger fee and up front payments after his firm's initial appointment⁶. The firm was heavily criticised by Lord Fraser for emphasizing the importance of design and quality over cost and their relationship with RMJM was largely dysfunctional, marked by poor

³ Isobel White and Iqwinder Sidhu. "House of Commons Research Paper", p.5.

⁴ Isobel White and Iqwinder Sidhu. "House of Commons Research Paper", p.6.

⁵ Lord Fraser, 'Spitting Tacks', p.27.

⁶ The Scotsman, "Miralles 'demanded bigger fee'", February 4th, 2004.

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communication with each other and the project manager. In addition, the changes of project manager through the process stifled progress whilst the selection of construction management was later heavily criticised as one of the key failings. A commitment to rapid, rigid construction delivery that complied with the highest possible standards left the project vulnerable to cost overruns. In addition, the death of the architect, Miralles, and the political champion, Dewar, during the process, hampered any momentum built up and weakened ties with the project's conception.

Date	Cost Estimate	Explanation (source: The Holyrood Inquiry)
Jul 1997	£10-40 m	Projection takes no account of the location or design
Jul 1998	£50-55 m	EMBT and RMJM announced as architects
Jun 1999	£109 m	MSPs vote 66 to 57 to proceed based on Dewar's cap
Apr 2000	£195 m	A secondary parliamentary debate sets new budget cap
Nov 2001	£241 m	A third debate incorporates major design changes
Mar 2002	£266.4 m	Estimated final cost reported to Finance Committee
Oct 2002	£294.6 m	Revision of estimate due to new security requirements
Jan 2003	£323.9 m	Further revision of the estimate blamed on delays
Jul 2003	£373.9 m	George Reid announces a new final cost
Sep 2003	£401 m	Additional final cost reported to Finance Committee
Feb 2004	£431 m	Further cost escalation, later reduced by £16.1 million

On the 1st of June 1999, the Scottish Office handed over responsibility for the project to the cross-party Scottish Parliamentary Corporate Body headed by the Parliament's then Presiding Officer, Sir David Steel. Inheriting heavily increasing costs, the new client then decided the initial design was poorly prepared for the work of parliament and set about amending the design to increase floorspace and security. Three parliamentary debates were then held with voting in favour in all three for the continuation of the project as long as it accorded with budget caps that doubled between the first and third votes.

Lord Fraser's report into the failures of the project argued there was no one single factor, group or individual responsible for the cost overruns of the Scottish Parliament building, rather a litany of errors were at fault. Fraser did, however, cite the capriciousness of the client in its approach to design consultation: "costs rose because the client (first the Secretary of State and latterly Parliament) wanted increases and changes or at least approved of them in one manifestation or another"⁷. Donald Dewar was exonerated to a degree by Lord Fraser, who argued he was continually fed misinformation⁸, but there is no doubt his personal determination to build a new building and insistence on fast-tracking the procurement process influenced further mis-management to come. The approach of Dewar may have created a culture that resulted in problems in the future.

An inadequate, heavily politicised management structure left the Scottish Parliament project highly susceptible to interference. The combined political and economic motives of those involved demanded innovative design, comprehensive security and fast-track construction – to this end, cost overruns were inevitable. Moreover, elaborate partnership

⁷ Lord Fraser, *'Spitting Tacks'*, p.283.

⁸ Lord Fraser, *'Spitting Tacks'*, p.291.

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and power structures troubled delivery: the relationship between EMBT and RMJM was dysfunctional⁹, communication between civil servants and senior politicians was poor, and the cost consultancy was hampered by misinformation. More crucially still, there was little evidence through the project as to who held responsibility for decisions. In the end everything that could go wrong did go wrong with the largest share of the blame to the clients.

The rebuilding of the World Trade Center was another project severely constrained by leadership. Yet in the case of the World Trade Center the political and economic motives of some were arguably even more influential in creating cost overruns and delays. Two figures that directly altered the course of events and impacted on the decision-making process were Larry Silverstein, the leaseholder of the World Trade Center and Governor of New York, George Pataki. Their respective commercial and political judgements impacted on the organisation placed in charge of the management of the rebuild. Two factors remained in the background that continually influenced the decision-making of the project. For Silverstein, the catastrophic implications of financial loss and an impending insurance claim. For Pataki, the need to curry favour for the 2002 gubernatorial elections, as he tried to retain his position as Governor.

In November 2001, Pataki and then-Mayor Rudolph Giuliani established the Lower Manhattan Development Corporation (the LMDC) as an official State-City corporation charged with overseeing the rebuilding process. The objective of the LMDC was to create action and one of its first acts was to request design proposals from 24 Manhattan architecture firms for the redevelopment of the World Trade Center site. These requests were subsequently withdrawn and Beyer Blinder Belle was appointed as masterplanner without competition. However, following poor feedback from a sample of 5,000 New Yorkers¹⁰, all six of their design concepts were rejected and the LMDC organised an open international design competition.

After the LMDC announced the design competition semi-finalists along with New York New Visions – a coalition of 21 architecture, engineering, planning, landscape architecture and design organisations – Larry Silverstein wrote to LMDC Chair John Whitehead to express his dissatisfaction with many of the designs. As the World Trade Center's insurance money recipient, Silverstein claimed he alone had the right to decide what would be built on the site, and announced that he had already picked Skidmore, Owings and Merrill as the masterplanner – despite the fact that they withdrew their competition entry in January¹¹. On February 1st 2003, the LMDC selected the THINK team (led by Rafael Viñoly) and Studio Daniel Libeskind as finalists. On February 25th, the LMDC called a meeting and chose the THINK team as official masterplanners, a day prior to the formal vote¹². Having set up the LMDC himself, Governor Pataki intervened and overruled the corporation's decision. On February 27th, Studio Daniel Libeskind were officially announced as the 'competition' winners. In addition, through the input of Silverstein, Libeskind's original proposal was forced to undergo extensive revision in co-

⁹ Lord Fraser, *'Spitting Tacks'*, p.298.

¹⁰ Paul Goldberger, *Up From Zero*, p.93.

¹¹ Daniel Libeskind, *Breaking Ground*, p. 164.

¹² Philip Nobel, *Sixteen Acres*, p.169.

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operation with Silverstein himself, and Skidmore, Owings and Merrill¹³. Although Libeskind was allowed to design the site, the buildings were to be designed by different architects. The Masterplan presented to the public by Libeskind was then eroded as he continued to develop it with SOM.

It is clear from the events above that the LMDC was a hamstrung organisation, accountable to numerous parties but with no real power of its own. The array of parties and scheduling complexity of adjacent sites demanded strong management – but the LMDC were subject to the actions of a leaseholder understandably concerned about his investment and a Governor intent on securing re-election. The assorted public authorities chose not to acquire Silverstein's interests nor reach agreement on working together, rather Silverstein maintained his own programme whilst the LMDC seemed to vary its stance to meet popular opinion and political objectives.

New York's Attorney General, Elliot Spitzer criticised the LMDC for the “abject failure” of its attempts to co-ordinate the rebuilding of lower Manhattan, disparaging a political climate amongst the memorial building project team specifically as one where “there was nobody willing to make decisions”¹⁴. In May 2006 Gretchen Dykstra (President and CEO of the World Trade Center Memorial Foundation) resigned from her posts citing the excessive political input - and resulting gridlock – over the design and funding scheme of the memorial as responsible for a lack of progress. For Dykstra, a “[growing number of] authorities had made it difficult for anyone to move forward expeditiously”¹⁵. Tensions between the agencies and foundations, State and City, Republicans and Democrats undermined the decision-making process. As with the Scottish Parliament, the fact that the rebuilding of Ground Zero was behind schedule and over budget was long known by top government officials but rarely acknowledged in public. In short, the secrecy and partisanship of the political climate prevented transparency and hampered management and delivery.

In many ways the World Trade Center is very different to the Scottish Parliament and much more difficult. The Scottish Parliament was a single scheme with a single decision making body – however politics was involved day to day and the scrutiny was very intense. The World Trade Center is a most disaggregated and less transparent system involving current opinion and an exponentially more complex project. In such circumstances it is inescapable to assume that the delivery of this type of project will be efficient and effective. This is a panacea that will remain unattainable. The issue is how to manage it.

Although the structure is now celebrated for the birth of 20th Century iconic architecture and the starting point for the Guggenheim Effect, the building of the Sydney Opera House is also renowned for the loss of the architect half way through the project, chronic programme delays and cost increases that ran 1,400% over budget¹⁶. The idea for an

¹³ Paul Goldberger, *Up From Zero*, p.166.

¹⁴ Elliot Spitzer, news report, http://www.absoluteastronomy.com/topics/Lower_Manhattan_Development_Corporation

¹⁵ Gretchen Dykstra, http://www.lowermanhattan.info/news/memorial_foundation_director_resigns_24625.aspx

¹⁶ The Economist, 'Jørn Utzon: Obituary', http://www.economist.com/obituary/displaystory.cfm?story_id=12758955, December 11th 2008

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opera house in Sydney was championed by the English composer Eugene Goossens, who by 1954 had gained the support of New South Wales Premier Joseph Cahill. A design competition was announced by Cahill on the 13th September 1955 and received 233 entries from 32 countries. The Danish architect Jørn Utzon was chosen as the winner in 1957 and moved to Sydney in February 1963 to advise on construction and solve technical problems. Utzon's time in Sydney was to be plagued by sour relations with different project managers and political leaders, brought about in part by strong cultural differences in working styles. The programme was beset by delays and overruns against a clearly undeliverable budget of seven million Australian dollars and Utzon was later forced to resign when his fees were withheld. The architect never saw the finished construction, finally completed in 1973, but was later awarded the Pritzker Prize, predominantly for his iconic opera house design.

Political judgements played a central role in events. The first major factor in delays and overruns was the decision to split the procurement to commence part before an election, and partly afterwards. Cahill's masterstroke had been to create a lottery to fund the project, simultaneously raising the profile of the building whilst creating more funds than originally needed. Yet the decision was then made to divide construction into different stages, with the podium, the roof and exteriors, and the interiors, promenade and approaches constructed in three phases. The political context meant that the election would fall in the middle of the second building stage, leaving the project vulnerable to criticism from Robert Askin's opposition for being profligate with public spending¹⁷. The election of Robert Askin was then to have a direct bearing on the project. Moreover, the passing of the Sydney Opera House Act in 1960 - an attempt to mitigate cost escalation by demanding that any 10% increase in the budget would require the Act to be modified by Parliament - had only led to an intensification of the political spotlight on the project. Even marginal cost overruns were now subject to the grandstanding and machinations of oppositional politics, a situation which even led the government of New South Wales, the original orchestrators of the project, to turn against the building.¹⁸

Robert Askin had been a "vocal critic of the project prior to gaining office"¹⁹, yet, the second major factor was actually his appointment of the Country Party's Davis Hughes as the new Minister for Public Works. At the time New South Wales had a system of rural over-representation in drawing electoral boundaries that provided a disproportionate presence in government for the conservative Country Party²⁰. Hughes briefly led the party in 1958 but was forced to resign in 1959 after it was found he did not have the university degree that he claimed he did. Although Utzon was said to have been pleased at a new appointment, believing optimistically, and ironically, that a change of power might ease tense relations, at an election night dinner party in Mosman, Hughes's daughter Sue Burgoyne boasted that her father would soon sack Utzon²¹. The political

¹⁷ Anne Watson, *Building a Masterpiece: the Sydney Opera House*, p.127.

¹⁸ Bent Flyvbjerg, 'Design by Deception: The Politics of Megaproject Approval', p.54.

¹⁹ Elizabeth Farrelly, 'High noon at Bennelong Point', *The Sydney Morning Herald*, December 1st, 2008

²⁰ Nick Economou, "What Happened to Rural Weightage?", <http://arts.monash.edu.au/psi/news-and-events/apsa/refereed-papers/au-nz-politics/neconomou.doc>

'How Frank Packer installed corrupt Askin in NSW, with dire implications', <http://sydney.indymedia.org.au/story/how-frank-packer-installed-corrupt-askin-nsw-dire-implications>

²¹ Elizabeth Farrelly, 'High noon at Bennelong Point', *The Sydney Morning Herald*, December 1st, 2008

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structure of government then allowed a marginalised figure and reactionary personality to exert his political judgement over the entire project.

Davis Hughes was intent on reducing Utzon's control over the procurement of materials and forcing the architect away from many of the non-design related decisions. Utzon was further sidelined through Hughes's implementation of a management structure where architect, contractors and engineers each reported to the client directly and separately. This had serious implications for procurement methods and cost control, with the New South Wales government insisting all contracts were put out to tender whilst Utzon wanted contracts with suppliers to be negotiated.

However, as with any megaproject, the breakdown of relations was a complicated matter, also due greatly to a clash in methods and practice. There is no doubt some of Utzon's behaviour was unorthodox. In an incredibly complex and very technical project, Utzon was disinclined to solicit advice until the situation was desperate, leading to delays and escalating the costs of contractors. Furthermore, he took long holidays during crucial stages of the project, worked on other projects simultaneously, and perhaps most exasperatingly, moved from his Bennelong Point site office to a 1920s Palm Beach boatshed without a telephone²². There is no doubt the power struggles between the client and architect were complex and not as one-sided as historical revisions have suggested, but the interest to our megaproject analysis is in the way two clear factors - the decision to split the procurement stages and the appointment of Davis Hughes – and their political implications, detrimentally influenced the management of construction and the delivery of the building.

The Sydney Opera House sits between the Scottish Parliament and the World Trade Center in terms of impact. If there is day to day political decision making over a long project changes of government can have a devastating effect. There is no doubt that the political issues affecting these projects impacted greatly on their success, at least in terms of keeping to costs and schedules. The question is how these factors could have been mitigated and how they might inform future practice? In the three case studies related above, to varying degrees, politicians have directly influenced the management of projects. The electoral systems of Western governments demand elections at regular intervals and in this way it is hard to anticipate that megaprojects, with their often decade-spanning construction periods, can avoid being subject to oppositional politics. Yet there is no doubt these problems can be alleviated by the implementation of stronger management organisations which distinguish between a decision to pursue a project and its executive delivery.

Irrespective of whether the client is a public body, private company or a public-private partnership, responsibility for management of the project should be invested in one organisation, where the power of politicians to intervene should be known and factored into risk forecasting. Governor Pataki's reversal of the design competition emphasized the lack of power possessed by the LMDC in the decision making process and weakened their authority. Likewise, the transfer of responsibility to the Scottish Parliament

²² Elizabeth Farrelly, 'High noon at Bennelong Point', *The Sydney Morning Herald*, December 1st, 2008

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Corporate Body during the architectural process of the Scottish Parliament created serious issues. Perhaps the most extreme example is the ability of Davis Hughes to change the course of the Sydney Opera House programme through his decisions.

The types of project examined in this paper are extraordinarily complex – often controversial – and regularly carried out by organisations or groups that have not encountered this work before or will do again. The Scottish Parliament was not short of experienced project managers. It is naïve to assume that the organisational complexities and decision making can be removed however they can be improved. In this regard it is important to distinguish three aspects:

- the promotion or original decision making of a project. The decision to proceed. This is hypothetical and occurs over a relatively short timescale (relative to the project) and is principally connected with forecasting and a single decision. This cost, this benefit and it will take this long. At this stage reference class forecasting can be a major advantage in adding realism to the decisions.

- the second aspect is a decision to proceed which may be subject to political liaison and oversight and scrutiny but not executive decision making. For this type of project structures can be created to allow the scrutiny to be managed – if the project is set up well and the feasibility thorough this should be manageable.

- the third element is the most difficult. Projects with executive decision making by politicians through the process such as the Sydney Opera House. Of course no advisor or official would state that we need to have a risk factor to take account of decision making by politicians during the process that is to their own political ends and not in the best interests of the project.

However if executive political decision making is a factor then at least the first point in the process is to acknowledge it and use contingency and structure to contain the difficulties. No amount of contingency could have prepared the Sydney Opera House or Scottish Parliament for programme and cost delay but smaller steps can be made. The single message of this paper is the need to undertake an assessment of political decision making in relation to the structure of the project and to seek to objectively assess the impact of politics. In particular the extent of political decision making on a day to day basis.

The Scottish Parliament won the Stirling Prize, Jorn Utzon was awarded the Pritzker Prize for the Sydney Opera House, and the World Trade Center buildings will feature designs by some of the world's leading architects, including Calatrava, Foster and Rogers. Similarly, the surveyors, engineers, planners and cost consultancies employed on all three projects are the leading practitioners in their fields. Yet the management and delivery of megaprojects often run chronically over budget and behind schedule. Beyond technical reasons, or mere human frailty, and partly due to their scale and accountability, this is because they can be especially vulnerable to political circumstances and behaviour. This vulnerability can never be removed but it can be contained.