5. Overcoming the 'White Elephant' Syndrome in Big and Iconic Projects in the Public and Private Sectors

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Introduction

This chapter¹ analyses 'big,' 'iconic' or 'mega' projects and their impact on effective project management and also on the effective allocation of funds for priority infrastructure. It is argued that part of the problem of Australia's perceived present infrastructure shortfall is not just the lack of spending on infrastructure as many suggest. Rather, it is as much about the misallocation of spending on 'big' and so called 'iconic' or prestige projects that too often become expensive 'white elephants' requiring considerable post-completion maintenance and support and further wasting valuable resources that could be used elsewhere. Such projects, because of their status, size, and complexity too often disrupt effective project management practices in their original scoping, assessment and implementation and fail to have clear purposes or functions.

This is not a project management or even an infrastructure problem confined to Australia. Concerns about misallocation of funding of big, mega or iconic infrastructure type projects have been observed elsewhere. Flyvbjerg (2003: 3, 9) in his overview of 'megaprojects' around the world noted:

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 in terms of economy, environment and public support. Cost overruns and lower than predicted revenues frequently place project viability at risk and redefine projects that were initially promoted as effective vehicles to economic growth as possible obstacles to such growth ... Megaprojects are becoming highly public and intensely politicised ventures ...

Indeed, despite all the techniques now available in project management what is striking, as the *Economist* (2005) recently lamented, was the large proportion of major projects across both the public and private sectors that failed to deliver on time and within budget. The problems that the Australian based firm, Multiplex is having with the Wembley Stadium project in the United Kingdom

is a further recent example of poor project management (Australian Broadcasting Corporation 2006a).

Australian Infrastructure Spending and Misallocation: So What's the Problem?

In Australia, many commentators and interest groups argue that there is an infrastructure-spending shortfall. Declining infrastructure spending give some credence to this view. In 1969, 8 per cent of Australian GDP went on infrastructure. By 1975 this had fallen marginally to 7.2 per cent. In 1989 it was 5.5 per cent and down to only 3.6 per cent of GDP five years later (2004). While some blame the Whitlam Labor Government's (1972-75) changed expenditure priorities from infrastructure to welfare services it has been a pattern that was not reversed by subsequent federal governments (EPAC 1985; EPAC 1990). Others contend that the problem has been exacerbated by the drive for governments to run 'balanced' budgets, to accrue surpluses and meet the demands of external credit rating agencies than the real needs of their respective communities (Anderson 2006; Allen Consulting 2003).

A similar decline in infrastructure spending is evident across the states. In New South Wales the public transport crisis has been blamed on low state infrastructure spending. Queensland has seen infrastructure spending as a proportion of Gross State Product fall from 5.4 per cent in 2000 to 4.2 per cent in 2003 (see also Allen Consulting 2003). Given that Queensland is responsible for key Australian exports like coal that rely on the provision of extensive infrastructure then any shortfall in this area has the potential to adversely affect Australia's overall economic growth. Reports recently commissioned by the Queensland Government have also highlighted inadequate spending on refurbishing energy infrastructure.

Concerns about infrastructure spending have prompted calls from the federal Opposition (Australian Broadcasting Corporation 2005), the business sector and other interest groups for an infrastructure summit (Taylor 2005), special infrastructure councils between business and government and increased spending. Partly in response to these demands the Howard Government in March 2005 appointed the *Taskforce on Export Infrastructure*, headed by Henry Ergas, to assess the issue.

While much of the debate has been about the amount being spent on infrastructure, some have suggested that the problem, especially for the public sector, is more about the need for better targeting and priority setting. Reluctance to accept this view is understandable. It is easier to increase spending than to make choices. It is easier to satisfy everyone by spending more than to disappoint some and set priorities. It is also easier to take broad strategies than to try to set long term goals and stick to them. Such strategic activities are inimical to

government and interest groups. As commentator Alan Wood (2004) summed up the issue thus:

The lack of cost-benefit analysis means a significant amount of the money spent on infrastructure has been wasted ... But establishing whether there is in fact a critical shortage of national infrastructure is impossible to achieve with any degree of accuracy.

Obsession with 'Big', 'Iconic,' and 'White Elephant' Projects

One of the underlying problems of why funds are misallocated is that governments, and, sometimes even the private sector, have sought to develop, 'big', 'iconic,' 'landmark' or 'signature' projects. These projects are characterised by their large physical size (buildings), extent (e.g. events like Olympic or Commonwealth games), costs, and alleged 'iconic,' prestige and symbolic value. Such projects are often linked to the use of technology in their construction, appearance or operations, that too often becomes an end in itself (Scott 1992). The issue, concluded Flyvbjerg (2003: 6) is that 'more and more megaprojects are built despite the poor performance record of many projects'. There is a long record of these project management failures (see Hall 1968 for some earlier examples).

The most notable example of an 'iconic' project is the \$400 million Guggenheim Art Gallery in Bilbao in northern Spain. Its aim was to help revive a depressed area by being an 'attraction' in its own right because of its size and stunning building design rather than because of the quality of the art gallery it was built ostensibly to house. Form dominated function. Although its wider regional economic benefits have been less than expected (tourists fly in and fly out rather than stay), many have sought to emulate the 'Bilbao' effect with each new construction more expensive than the one before, but often having only limited success. In Australia the Geelong City Council tried vainly to attract the Guggenheim to duplicate the Bilbao project, while in 2000 the Queensland Government established a taskforce to examine the possibility of developing a 'Landmark Building' in Brisbane. One architect described this obsession with 'big' projects by governments as 'monumental madness' (Hall 2001).

Enthusiasm for 'big' iconic projects also pervades the event attraction industry with nations, states and regions often competing for major events like the Olympic or Commonwealth games, and Formula One car racing to surf life saving carnivals. However, the stated economic benefits of events have often been contested.

At a regional level this is most explicitly seen in tourism based projects that ostensibly act as destination attractions to boost economic growth (e.g. South Australian Wine Centre, Queensland's Stockman's Hall of Fame), have been built.

The problem with many of these 'big' or 'iconic' projects is that they are frequently undertaken more for reasons of prestige (personal, governmental, organisational) than for reasons of function. Broad, ill defined 'public' benefits are usually stressed in relation to these projects rather than any quantifiable economic positives. Recent comments by the organisers of the 2006 Melbourne Commonwealth Games in the light of its less than expected economic impacts (Australian Broadcasting Corporation 2006b) highlights this sort of justification. The emphasis was on the 'profile' the Commonwealth Games gave to Victoria and, Australia, than its tangible economic benefits. Similar justifications have been offered for numerous projects across Australia ranging from Queensland's Suncorp Football Stadium (a world class sporting facility), and the Adelaide-Alice Springs train-link (a symbolic linking across Australia, see Brockman 2005). Even scientific projects like the synchrotron project that Victoria snatched (thankfully) from Queensland in 2000 (Baker 2003) have stressed the broader scientific capacities of such a facility than its direct economic benefits.

'White Elephant' Projects

Many of these 'big,' 'iconic' projects too frequently degenerate into what has been described as 'white elephant' projects (Scott 1992). 'White elephant' projects are not only often large and expensive to build and take longer than originally estimated, but also form and 'prestige' so dominate over function that the project never performs satisfactorily either in terms of stated role, unclear as it is often is, or financially. Moreover, what really make these projects 'white elephants' is that they become expensive to maintain because of poor design, confused role and lack of what may be best described as a 'business case' for their very initiation. These problems are most explicitly seen in those projects in the arts such as art galleries and museums where even in the best of circumstances purpose is often ill-defined and clear criteria for success, difficult to articulate. Such buildings are characterised by a failure to meet anticipated attendance levels and frequently need repeated and expensive refurbishments that often cost more than their original construction. Scott (1992) reminds us of 'white elephant' projects covering many other areas ranging from technology parks, very fast train proposals, spaceports, to the famed multifunction polis.

Of course, 'white elephant' projects are not limited to the public sector. Examples in the tourism industry include the construction by various entrepreneurs during the late 1980s and early 1990s of numerous 'prestige' and 'iconic' resorts up and down the Queensland coast. Most ran at a huge losses and were usually on-sold several times at a fraction of their original development costs. Indeed, many of these resorts today, although apparently viable, are only profitable in terms of their operating, rather than full capital costs (Syvret and Syvret 1996) and have become viable by considerable changes in their scope and range of activities. Development of strata title units for on-selling has been one strategy used for

these tourism developments. So numerous are 'white elephant' projects that one commentator suggested they were not limited to one off examples, but had become a 'herd' that pervaded the Australian landscape too frequently (Scott 1992).

Problems of 'Big,' 'White Elephant' Projects and Project Management

The important feature of these 'big' of 'iconic' projects is that many of the key elements of good project management are downgraded, distorted or ignored. These problems include:

- Goals both at the beginning, during and after the project remain unclear and are dominated by post-project justification;
- Overt and covert political goals and political interference in setting the project goals;
- Limited initial or independent evaluation of the project's viability so that expectations are exaggerated, over optimistic, or unspecified;
- Often supply rather than demand driven – the we can build it rather than we need it, often expressed in the 'build it and they will come syndrome,';
- Poor risk analysis;
- Suffer from the 'sunk costs' mentality whereby even if project value is correctly challenged, the project is continued because of previous investments (financial, personal and political);
- Changing specifications during the project implementation phase;
- Budgets are poorly developed and expansive;
- Timeframes are compressed, uncertain, or established to meet election cycles, with little accompanying consultation with relevant stakeholders;
- Poor project governance with little separation between project management and project client resulting in excessive interference in both design, budgets, and management;
- Long lead times so that their full impacts (and costs) are not appreciated till project is nearly or fully completed and frequent changing goals;

Examples of Australian 'White Elephants'

A number of projects undertaken in Australia have highlighted the problems of 'big', 'white elephant', and 'iconic' projects.

The Port Adelaide (SA) Flower farm

The Port Adelaide Flower Farm (PAFF) project illustrates very clearly deficiencies in project conception and definition.

On August 1988, the South Australian Minister of Local Government approved the development by the Port Adelaide Council of a farm on the LeFevre Peninsula

for the growing of native plants. The project became known as the 'Port Adelaide Flower Farm'. Work started in September 1988 but, after continual financial losses in operation, the farm closed on 3 August 1995.

PAFF would have created much needed employment in the Port Adelaide area at a time of significant economic recession. The aim was to successfully grow, harvest and export Kangaroo Paw and Geraldton Wax flowers to Japan and Europe with prospects of extending to the North American market (South Australia 1997). The demise of the project after such a short time was a waste of public money and resources.

PAFF provides important lessons, particularly for local government, including:

- PAFF was not only a new venture, but it was a new venture in a fledgling industry. At the time, 'no one had any long experience' in the growing of Australian native plants for the international cut flower trade (South Australia 1997). More importantly, this was not made clear in the project Business Plan. The lesson is that government is not the appropriate vehicle for taking such economic and technical risks, particularly with totally inadequate research and planning;
- The Business Plan as presented to the Port Adelaide Council was deficient in a number of areas. Financial projections were overly optimistic, significant technical issues relating to the varieties of plants to be grown were not addressed, the marketing plan was extremely ambitious and based on dubious information and the risks associated with the flood-prone location for the farm were not identified;
- The Business Plan set out a number of 'wider social, economic and environmental objectives for the project,' but did not relate these to the critical success factor – that the flower farm had to be commercially viable for the project to achieve its objectives;
- Key project sponsors, that is councillors who were in office at the time, were advised by consultants and council officers that the project would be profitable and provide benefits to ratepayers and other key stakeholders. They were not adequately briefed as to the significant risks associated with the PAFF project. Failure to adequately assess project risks is a common theme in the audit reports on public projects.

A key lesson from PAFF concerns the identification of a clear business need to underpin public projects. In the mid to late-1980s councils were being encouraged to be more entrepreneurial and to become less reliant on revenue from ratepayers and government funding. While this may explain to some degree the willingness of the Port Adelaide Council to embark on PAFF it does not justify undertaking such a high-risk venture with totally inadequate research and planning.

Magnesium 'Light Metals' Project (Queensland)

For some time a light metals industry was mooted based in Rockhampton.² It was to produce magnesium for use in the car industry. However, no commercial backer came forth. Nevertheless, the Queensland Department of State Development pursued the project, despite advice from a major industry partner of the project's lack of long term viability, and even internal departmental assessment that questioned many of the basis of many of the project's underlying assumptions. This critical view was echoed even more strongly by Treasury assessment. In addition to these economic issues, there were technical concerns. For instance, the technology for the production processes was not satisfactorily resolved even as government funds started to be allocated to the project.

Nevertheless, both the Queensland and federal governments provided over \$300m worth of funding, though this was still not enough to attract major commercial interest. The Queensland Government subsequently developed a scheme to attract small investor support. Sadly, the project then collapsed with reputed losses of \$450m that has been borne by the two governments and small investors (Cunningham 2006). Ultimately, it appears the project has cost taxpayers alone \$240m (Fraser 2004).

The magnesium project reflected all the aforementioned problems of poor project management. It also highlighted what happens when projects are hijacked for 'political' purposes to meet electoral timeframes and how the lack of transparency concerning advice, clothed as it was in the cloak of 'commercial in confidence' arrangements (de Maria 2002) in a public service, in this case the industry department, lacking independence and too eager to please the government rather than analyse.

National Wine Centre, Adelaide

The National Wine Centre in Adelaide was conceived and built for the purpose of focusing national and international attention on the Australian wine industry and South Australia as a principal wine-growing and wine-making state (DiGirolamo and Plane, 2002). The business need as set out in the *National Wine Centre Act 1997* (SA), stated that the purpose of the centre was to conduct a range of functions, 'including the promotion and development of the Australian wine industry and the management of a wine exhibition (South Australia 2002). Under the Act a board of directors was established to control and direct the centre with the board responsible to the appropriate Minister.

Construction of the National Wine Centre in Adelaide was problematical enough with cost overruns and time delays, but those difficulties were overshadowed by the crippling losses that the Centre made on operations subsequent to its opening for business in early October 2001. Reports suggested that the centre was costing South Australian taxpayers \$50,000 per week, despite major cost

cutting measures (*The Australian*, 2 October 2002). The South Australian Treasurer, Kevin Foley described it as the 'cash-burning' National Wine Centre.

The original business need for the National Wine Centre could be questioned. Less than two years after its opening under State government ownership, operation of the debt-ridden facility was handed over to the Winemakers' Federation of Australia. Eventually, on 1 July 2003, it was taken over by the University of Adelaide for \$1 million on a 40 year lease.

This project highlights the issue that public 'icon' projects are frequently launched without an adequately identified business need. In fact, unlike private-sector projects, taxpayer funded projects are frequently conceived and defined to meet a political need or justification while the business need is cobbled together to 'legitimise' the expenditure of significant public funds. This is not to say that a political need is not legitimate, but the 'what?' and 'why?' questions must be clearly stated and agreed by all stakeholders if large, complex projects are to have any chance of proceeding successfully.

Hindmarsh Soccer Stadium Redevelopment Project (South Australia)

The Hindmarsh Soccer Stadium Redevelopment Project (HSSR) provides another important example of the dangers of inadequately defining the business need of a large public project. In February 1994, the South Australian Soccer Federation proposed to the South Australian Government that Hindmarsh Soccer Stadium be upgraded to a 22,000 seat facility at an estimated cost of \$22.5 million. The redevelopment received bi-partisan support (SA Auditor-General 2001).

From December 1995, under the sponsorship of the new Minister for Recreation, Sport and Racing, the scope of the project was increased. In the opinion of the South Australian Auditor-General (SA Auditor-General 2001: 3) 'that increase was pursued without proper or adequate due diligence'. In June 2001, the total cost of the redevelopment of the stadium was \$41 million.

The business need identified for the redevelopment of the Hindmarsh Stadium was to secure the staging of preliminary matches in the 2000 Sydney Olympic Games. No alternative to the upgrading proposal 'was given serious consideration'.

The subsequent controversy over this project damaged the already embattled Liberal government of South Australia. The difficulty for the government was in providing sufficient justification for the escalation in the scope of the project. True, South Australia acquired a soccer stadium of international standard (with seating capacity for 15,000 spectators) and seven Olympic soccer matches were played there in September 2000. From then on, however, Hindmarsh Stadium was used for a limited number of National Soccer League (NSL) and other soccer matches and trials with an average attendance of less than 3,700 spectators (SA

Auditor-General 2001: 10). Premier and State League finals attracted over 1,000 spectators with other events not achieving this level. Attendance has not exceeded 5,500 and income generated by ticket sales has been far less than required.

The South Australian Auditor-General (2001: 10) concluded that, 'In economic and financial terms, there is a very strong basis for concluding that the Hindmarsh Soccer Stadium Redevelopment Project was not cost-effective'. The political damage that was caused to the government and the relevant ministers was severe. The apparent waste of taxpayers' funds was also significant and increasingly apparent to the general public. So what went wrong?

First, the government committed to the expenditure of substantial sums of public funds without adequate justification (business need). In fact, the Auditor-General could not find that either the Sydney Olympics organisers (SOCOG), or South Australian soccer officials had insisted on the redevelopment of the stadium in the first place. The business need was never clear and the decision to proceed was taken entirely by Cabinet on the recommendations of the relevant ministers.

Second, project management controls existed but were repeatedly ignored (SA Auditor-General 2001: 11). The controls ignored included:

- inadequate feasibility study or cost/benefit analysis was undertaken;
- cabinet submissions recommending major contract and financial commitments were 'inaccurate and incomplete in material aspects';
- an alternative to redeveloping Hindmarsh Stadium was not adequately considered;
- Treasury instructions on project management were disregarded;
- FIFA and SOCOG requirements were inadequately defined. As a result, the required minimum pitch size was compromised to provide for corporate boxes and other non-essentials; and
- ownership and management issues were not resolved before the project commenced.

The main lesson from this case was that proven project management practices should have been followed to avoid fundamental mistakes. There was ample evidence of previous bungled projects, but that experience was ignored. There appears to have been a strong element of groupthink in the South Australian government's management of the Hindmarsh Stadium project. Once work started, error piled on error, despite the then government being in considerable political difficulty. Unacceptable risk was built into the project from the start, but the government apparently failed to identify and analyse the risks and to manage them effectively.

The Millennium Train Project (New South Wales)

The Millennium Train project was initiated on 8 October 1998 when the New South Wales State Rail Authority signed a contract for the design, construction and in-service management of 81 new suburban double-deck electric passenger trains. These became known as the Millennium Train.

While the New South Wales Auditor-General (2003) found that the train represented value for money, the project came in well beyond schedule and considerably over budget. As at June 2003:

- capital costs had increased by \$114 million or 24 per cent to \$588 million; and
- total project costs had increased by \$98.4 million or 17 per cent to \$658 million.

The Millennium Train project highlights issues concerned with technically complex and innovative public projects. Risk management is an essential element of such projects, particularly where the number of suitable suppliers or contractors is limited. This inevitably places the client (government) in a relatively weaker bargaining position and the supplier in an almost monopolistic position (New South Wales Auditor-General 2003).

The risks of achieving contract delivery requirements in the Millennium Train project were significant but the New South Wales State Rail Authority and the Minister for Transport were not provided with a risk management plan for the Millennium Train. With an aggressive delivery schedule (prompted by government election commitments to meet public transport service goals) the risk was borne disproportionately by the client. As the New South Wales Auditor-General (2003: 5) rightly pointed out:

... because governments cannot readily walk away from such projects, even if difficulties arise, they necessarily carry significant risk for such projects. Contract provisions designed to share risk with private sector providers thus need to be robust and enforceable should the need arise.

An essential requirement in this type of project is that government contracting authorities must be both competent and experienced. Private sector suppliers in this type of project are commonly blessed with long-serving project managers and contract administrators. Government managers and staff, on the other hand, frequently occupy their positions for a relatively short period of time and may lack the longevity and experience of their private-sector counterparts with whom they must conduct complex project negotiations involving very significant sums. The New South Wales Auditor-General (2003: 5) stated that:

... the restructure of the New South Wales rail authorities in 1996 and a disruptive purchase environment at State Rail had some effect on the Millennium Train project.

The lesson is that risk management plans must be adequate to protect the public interest. Considerable information on public project management exists in a variety of sources and governments should share expertise and experiences to offset the disadvantage of public-sector employment policies and practices.

Melbourne's Federation Square Project

Federation Square is situated at the corner of Flinders and Swanston Streets, Melbourne. A major 'icon' project, the objective was to redevelop the site of the old Gas and Fuel Corporation building to provide a range of recreational, commercial, cultural and communication facilities. Project performance was anything but satisfactory. The Square was opened in October 2002, two years behind schedule but with all construction still not complete (Vic Auditor-General 2003). From an original estimate of \$110 million when the Square was conceived in 1996, the estimated cost rose to approximately \$395 million by June 2002 and by May 2003 had risen to \$473 million, with work still required for completion.

The Federation Square project had major 'icon' implications and was high profile, located as it is at a major inner-city intersection. Accordingly, any difficulties with the project were bound to become very public and reflect on the project sponsors, the Victorian State Government. The project had its fair share of difficulties including the other original joint venture partner, the City of Melbourne, withdrawing and a requirement to change the status of a function centre from privately to publicly-funded.

In his *Report on Public Sector Agencies* for June 2002, the Victorian Auditor-General (2002: 4.21) reported that:

Two of the key drivers of cost increases included the adoption of a 'fast track' approach to construction, whereby construction moved ahead of the detailed design work, and the adoption of a complex and unique architectural design.

These issues echo the experiences in the Sydney Opera House project almost 40 years before and yet they still bedevil public projects today. Significant risk was obvious from the start of the Federation Square project, but risk management still appears to have fallen far short of the standard required.

The Auditor-General reported in May 2003 (Vic 2003: 2.236) that the Federation Square Management Pty Ltd's 'quantity surveyors' have progressively identified a number of major risks that could impact adversely on the latest estimated completion cost of the Square. These risks, which represent ongoing project

management challenges for the company, involve the potential for higher costs arising from:

- cost variations associated with incomplete documentation;
- trade contract disruption and delay claims;
- managing contractor cost increases (due to further project delays);
- tenancy fit-out costs borne by the project;
- consultants' fees and management delivery expenses;
- unplanned prolongation to completion of outstanding works leading to additional costs for the project;
- latent design defects;
- operator initiated changes (post-completion);
- poor or uncoordinated workmanship; and
- failure to secure full reimbursement for costs of works undertaken on behalf of major tenants.

The main lesson from Federation Square is that project definition and planning processes must be improved, particularly for large-scale, complex 'icon' projects. Prestige projects such as Federation Square have the capacity to create lingering major controversy and to become a sinkhole for taxpayers' funds and maybe the government of the day.

Parallels with Overseas Experience: The Holyrood Building Project, Scotland

There are certain similarities between the Federation Square project and the construction of the new Scottish Parliament House (the Holyrood Project). Holyrood was an extremely difficult and complex project. The Auditor-General of Scotland (2004: 8) commented that, 'in the recent history of Scotland there has not been a public building project as complex or as difficult to deliver as the Holyrood project'.

In 1998, the client (the Scottish Parliament Corporate Body) required the new parliament house to be built by mid-2001. In fact it was not completed until 20 months after that date while cost more than doubled from £195 million in September 2000 to £431 million in February 2004. There is no doubt that the resulting building is an outstanding facility and an 'icon' for the Scotland's new found independence, but the excessive cost could have been reduced by better project management practices.

The Holyrood project was faced with a very tight and far too ambitious construction program. The use of the 'construction management' method of procurement and contracting was identified as the main reason for the significant cost increases. In construction management the design is incomplete and uncertain when construction starts, whereas in normal construction contracting most of the costs are determined at the time when the contract is awarded. In

the Holyrood project, the Auditor-General (2004: 6) identified that, 'design development became a process of costing a developing design rather than developing the design within a cost limit'. Given the high degree of uncertainty and complexity associated with the various work packages, there was significant risk. The method of contracting placed most of the burden for risk on the client and not the contractors, and also left open the opportunity for contractors to claim additional payment for time-related cost increases.

One of the main criticisms made by the Auditor-General of Scotland was in regards to project management and control of the Holyrood Project. Leadership and control of the project was apparently not clearly established (2004: 7). The Project Manager (or project director) was the Chief Executive of Parliament who should have been assigned clear responsibility for making decisions about balancing time, quality (performance) and cost. The Auditor-General stated that the client (in effect the Parliament) did not give the project director the responsibility for managing the project. The report states, 'in the Holyrood project there was no single point of leadership and control' (2004: 7). As a result, the parties to the project could not agree on a cost plan and, when a draft plan was prepared in late 2000, 'it was an indicator of the costs rather than a reliable estimate of the costs'.

The Scottish Auditor-General's report identified a number of important lessons for management of public-sector projects.

First, the form of contracting adopted should place the risk on those best able to manage it. Using construction management methods the risks stay with the client and not the contractors. In public 'icon' projects, the temptation exists to err on the side of performance (including prestige and appearance) rather than on cost and time. Consequently, public project sponsors should ensure that appropriate measures including adequate safeguards are put in place to ensure that construction costs do not 'run away' on technically complex projects.

Second, there is a need to 'scrutinise the business need for a project at key stages in its life-cycle, before key contracts are awarded, to provide assurance that it can progress successfully to the next stage' (2004: 8). In project management this can be achieved by establishing key milestones or decision review points where 'go/no go' decisions can be assessed and made.

Third, the Auditor-General of Scotland (2004: 9) recommended that, 'In all projects, care should be taken to put in place a payment regime that provides incentives to contractors to perform against clear targets for quality, time and cost'. In 'icon' projects this is especially relevant, as the practice has often been to chase quality, prestige and performance, by committing funds well over initial cost estimates.

Fourth, there should be a clear distinction between the project sponsor and the project director. This is particularly important where governments are concerned as the political need is so inextricably linked with the business need. If big projects are to be effectively and efficiently managed, there must be a clear separation between project sponsorship and project direction or management. There should be a single point of leadership and control for a project.

Fifth, to ensure that time, cost and performance targets are met, there should be agreed project budgets, timetables and specifications. Key performance indicators that can be used throughout the project to measure performance should support these.

Last, the Auditor-General (2004: 9) emphasised the importance of adequate project planning, particularly in projects where there is significant complexity or technical risk, or when there is a tight schedule for completion. There may be some political cost in establishing more realistic time frames for big projects, but these costs are preferable to the death of a thousand cuts situation experienced by governments as scandal-ridden projects struggle to completion.

The Project Performance Paradox

These cases highlight the very real problems of effective project management in relation to particular types of projects. The paradox is that, despite long experience in public projects, governments (and many private sector firms) repeatedly make the same mistakes.

Why are the lessons of the past apparently not learned and applied in big projects? One a New South Wales may be the 'phenomenon of institutional amnesia' (Pollitt 2000: 5). Seeking to explain 'the declining ability – and willingness – of public sector institutions in many countries to access and make use of possibly relevant past experiences,' Pollitt offers the following causes:

- Constant restructuring of departments and institutions. As governments and/or chief executives change, each one seeks to put their signature on the administration (the 'new broom'), frequently through the vehicle of organisational change. One of the adverse effects of this is that organisations and key people lose touch with experience and/or records that contain important lessons.
- Changes in the form of record keeping, from one media to another, or to a new and different operating system or software, may mean that important information on lessons learned is lost or the location of the information is forgotten;
- The decline of the concept of public service as a permanent career (to which could be added the increasing politicisation of the public service). Thus important project decisions may be made by managers with little or no experience of past debacles and little interest in longer-term perspectives.

- The embrace of 'unceasing, radical change', with its attendant dismissal of the past and primary focus on the future.

Lessons for Project Management: Let's Not Do it!

There are some important lessons in the history of big projects in Australia and overseas.

First, in the conceptual phase of the project it is essential to establish and agree the business need among all stakeholders. Failure to agree and accept the business need is at the root of many poorly performed public projects. The business need should be clearly distinguished from the political need (where appropriate) and offered to stakeholders to obtain consensus *before any planning is commenced*. Where a strong business need cannot be established and agreed, decision-makers would be well advised to resist the temptation to proceed, but to seek alternatives. A valid alternative is always to do nothing. If only the Queensland Government had not persisted with the magnesium project despite the lack of commercial partnerships, then the taxpayer would not have seen several hundred million dollars wasted and small investors would not have lost considerable funds they had so hopefully invested in a project seemingly guaranteed by government.

Second, in setting up a project management structure, there should be a clear separation between the project sponsor (often individual politicians or the government of the day) and the project director/manager. The project sponsor's role is to provide political and other support to the project management organisation, not to manage the project. The project sponsor should prepare a project charter or directive and, in it, assign specific responsibility to the project director for decisions on cost, time and performance. The Hindmarsh Soccer Stadium Redevelopment Project provides clear evidence of the problems when this distinction between project sponsorship and management is blurred.

Third, there should be increased emphasis on project definition and planning to ensure that adequate consideration is given to how the project objectives can best be achieved. The temptation to plan on the basis of 'ready, fire, aim' should be avoided. Additional time spent in planning may not satisfy the need to appear to be doing something, but it can provide an opportunity to consider how best to award contracts, how to deal with complex, technically demanding projects and how to identify, assess and manage risk. The Federation Square project could have benefited from these basic guidelines.

Last, there should be an improvement in the procedures for identifying, assessing and managing risk in big projects. A common thread of numerous adverse reports by the respective auditors-general is inadequate risk management. Measures for avoiding political embarrassment, an area where the public sector frequently outperforms the private sector, are an inadequate replacement for disciplined

project risk management techniques. There needs to be more realistic assessment of the risks involved in big projects, not least because the costs of doing otherwise are so great. The Adelaide Port Flower Farm highlights the need for this risk analysis.

Some Reforms

All these issues highlights the need for some fresh thinking about the way new major project proposals are assessed so that they do not turn into 'white elephants'. Flyvbjerg *et al* (2003: 7) concluded in their international survey of poor megaproject management that:

... good decisions making is a question not only of better and more rational information and communication, but also of institutional arrangements that promote accountability ... We see accountability as being a question not just about periodic elections, but also about a continuing dialogue between civil society and policy makers and about institutions holding each other accountable through appropriate checks and balances.

It seems that existing processes and institutions and now accepted norms in public sector management are no longer adequate in ensuring effective project management of major public infrastructure. Auditor general reports, as highlighted in this chapter, do provide useful insights into what went wrong. However, these evaluations are necessarily after the event. Nor can exhorting elected officials to act in the public interest be effective. Such exhortations are like asking children put in charge of a sweet shop not to eat the merchandise! Treasuries certainly have the capacity to do the analysis, but treasuries are part of the bureaucracy and face all the limitations that this imposes as has been discussed above. As Ian Lowe (1992:142) suggested:

The crucial lesson to be learned (from white elephant projects) ... is that we ought to be able to do a better job of foreseeing problems. The need is for improved foresight: an enhanced ability to analyse the future impacts of our decisions and actions.

Others too, have stressed the need for improved long term policy development processes in Australia, but these suggestions have focussed on the broader policy framework (Marsh and Yencken 2004). The need, it seems, is to provide some brake of the 'Let's do it' approach in project initiation which while possibly acceptable for entrepreneurs like Richard Branson of Virgin Airlines fame, are so patently unsuitable for major long term public sector projects, and one suspects most private sector ones.

While Lowe stresses the need to challenge some of the underlying rationale of many projects such as the obsession with growth and faith in technology, what

is also needed is some institutional renovation to better manage infrastructure issues in general. This is especially needed at the state level where many infrastructure decisions are made. Also, at the state level there are fewer and less transparent processes of decision making, accountability and advice giving than nationally.

Indeed, in many ways the problems in effective project management now so evident in the public sector are similar to those that surrounded industry assistance at the beginning of the 1970s. In those times there was a lack of any real independent and public evaluation process of what industry assistance was really costing the Australian public both directly in the form of subsidies and indirectly in terms of extra costs to consume certain products. The solution was the establishment in 1973 by the Whitlam Labor Government of the expert based, independent Industries Assistance Commission (IAC), which has now become the Productivity Commission. Notwithstanding the potential narrowness of IAC's economic analysis, it gave the Australian public some insight into the real costs of assistance across both the manufacturing and agricultural sectors through a very public and consultative process (Rattigan 1986; Warhurst 1982). John Howard (1976:12), when Minister for Business and Consumer Affairs in the Fraser Government summed up the rationale for the IAC:

Most economic issues involve some kind of dilemma, some kind of striking a balance and that is one of the reasons why it is important as part of the process of arriving at decisions on industries, that you have an independent advisory body such as the IAC to give government advice.

While different state business groups have proposed an infrastructure council composed of representatives of government and business, this smacks of decisions behind closed doors between consenting interest groups. Such an infrastructure council would lack any sense of independence or have any real research and analytical capacities.

Another suggestion to tackle both the infrastructure selection issue, to improve choice, ensure public involvement, enhance accountability and potentially improve subsequent project management is for an expert, statutory base state priorities commission.

Such a body would audit a state's present infrastructure needs, identify gaps, and make public recommendations for improvement. Done annually, this would provide a report card on a state's infrastructure needs and their overall performance. In addition, such a commission could evaluate openly any new proposals for new infrastructure or events and to provide a means for effective consultation with both the business and wider community. It could provide government with a convenient post box to which complex proposals could be

despatched and so give everyone time to think, before acting. The government could lay down priority areas and criteria that the commission would use to determine priorities and make assessments.

Of course, a priorities commission could only provide advice to governments – elected officials would have to make the final decisions. Nevertheless, such a process would give governments a better means of making choices from a range of projects that maximise benefits. It would also provide greater public participation in decision-making, improve accountability and assist in more efficient allocation of taxpayers' funds on big projects.

Conclusion

'Iconic', or 'big' projects are an important component in infrastructure. They can provide significant benefits and focus, but not if they are mismanaged and do not meet clear performance criteria. Public cynicism towards politicians and public organisations is reinforced when taxpayers see examples of where more and more of their funds are seemingly squandered on projects that run seriously over cost estimates and well exceed scheduled completion dates.

More importantly, the failure of 'big' projects to meet performance criteria through poor project management can mean that an otherwise important 'icon' can present an ongoing reminder of the failure and inefficiency of public administration. Successful projects on the other hand, while often not attracting the same degree of spectacular media reporting as problematic projects, can deliver the lasting economic and social benefits that were intended and build a positive image for a government.

'Good' government is not just about having grand visions and building 'big' projects. These have their place, but ultimately, 'good' government is about allocating funds in a timely manner to maximise benefits and meet real needs. Project management is tools to assist governments achieve these goals, nothing more and nothing less. Project management cannot make up for poor policy choices and craven political behaviour. However, adherence to project management principles and processes can help improve public policy outcomes if it accompanied by the same features that improve all aspects of accountability – transparency and integrity of process. Too often in the past the 'Let's do it' approach, the obsession with project prestige and the electoral cycle driven timeframe has so overwhelmed project management as to render it useless. The result has been poor project conception, design and execution, resulting all too often in 'white elephant projects. This is bad policy and ultimately bad politics when the money runs out, the roads become clogged and taxes have to be increased to pay for urgent and overdue infrastructure repair.

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ENDNOTES

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² This case study is based on a report Mike Cunningham, a former Queensland State Treasury official, in D. Moore, *The Role of Government in Queensland: Report to Commerce Queensland, May 2006*, Brisbane.