

Country case: Governance failures in the management of the Berlin-Brandenburg International Airport

Description

Inexperienced and non-specialist management and supervision

In 2003, the political leadership of the project decided to fire the consortium of private companies initially set up to finance, build, and operate the airport and to make the construction of the airport a fully public project, arguing that the private sector should not benefit at the expense of the public sector. This was intended to save money, promote the local construction industry, and keep the project on schedule. None of the members of the political leadership had any actual experience with such large construction projects. Supervision ended up almost exclusively in the hands of politicians, civil servants, and union officials. The lack of expertise and technical knowledge of the supervisory board prevented proper and rigorous oversight of the planning and progress, resulting in delays, confusion, and major cost overruns.

Inaccuracy of budget estimation

A number of experts have pointed to the fact that the initial cost provisions of the airport were significantly underestimated, causing management problems all the way through execution. It was important for the political leadership to keep the estimated costs of the construction of the new airport low in order to strengthen political support.

Experts have identified this as a common feature in major infrastructure projects. The literature suggests that there is a similar pattern in democratic societies, where politicians have a tendency to deceive the public about the actual costs of these projects. In consequence, cost overruns rarely come as a surprise. Politicians often try to calculate the price to be as low as possible in order to obtain support for the projects, deliberately veiling the potential risks. Often those at the political helm take a calculated risk by assuming they will not be held personally responsible if costs start to explode. Danish researcher Bent Flyvbjerg of Oxford University argued that it often is not the best projects that are completed, but those that “are made to look best on paper (and that also) are the projects that amass the highest cost overruns and benefit shortfalls in reality.” This phenomenon is called “survival of the unfittest”.

Public Procurement
Principle: **Capacity,**
Efficiency
Procurement Stage:
All phases
Audience: **Procuring Entity,**
Private Sector

Poor planning and procurement

The modification of the governance structure at the very beginning of the project made the preparation team lose substantial time. In 2007, new plans had to be drawn up and invitations to bid had to be prepared. The main construction contracts were only awarded in early 2009, and yet the airport was supposed to open in October 2011. The European Court of Auditors noted weaknesses in project preparation in the airport infrastructure project: planning documents were not ready and had to be modified during the tendering process, leading to significant cost overruns.

The poor planning process led to the operating agency directly awarding several additional contracts without a bidding process. This meant that the airport company systematically violated EU public procurement directives. The additional work covered by those contracts, the auditors noted, was foreseeable to management and should thus have been awarded via a bidding process.

The comptrollers from the European Court of Auditors found several eyebrow-raising items, such as a plan to create elevated parking spaces for Berlin Mayor and his VIP guests, so they could have easier access to gates, with a cost of EUR 567,000.

Changes and variations

A number of significant (and allegedly unnecessary) changes were integrated in the project along the way, increasing costs and time resources. For example, the board devoted considerable attention to the question of whether and where a two-story jet way for the Airbus A380 was to be built, and just before construction was slated to begin, the board decided to move the costly jet way from the main terminal, where all airlines can dock, to the Air Berlin departure area. Such variations or change orders contributed to blurring the execution of the project, creating opportunities for abuse and increasing overall costs.

Lack of internal communication

The lines of information and communication between the governance and management entities were allegedly uneven, particularly with regards to the potential opening date. This is to be linked to the poor supervision of the project, due to a lack of technical expertise. The asymmetry of information between the different bodies led both to management difficulties as well as to public communication issues.

Source: OECD (2015), [Effective Delivery of Large Infrastructure Projects: The Case of the New International Airport of Mexico City](#), OECD Publishing, Paris.