

## KEY MESSAGE NORTH/SOUTH METRO LINE SURVEY COMMITTEE

### *Conclusions*

**The 'College of Aldermen' of the municipality of Amsterdam has repeatedly made mistakes in the preparation, decision-making and construction-management process of the North/South metro line. The political desire of the College of Alderman and the majority of the City Council to complete the North/South metro line took precedence over the complex technical and organisational issues involved in the project.**

In the 1990s the College of Aldermen and the City Council opted for a very complex alternative for the completion of the North/South metro line. In this alternative the metro line was to be constructed by drilling a tunnel under the heart of the city of Amsterdam with deep metro stations. The North/South metro line had to adhere to the following political conditions: no buildings were to be demolished and any inconvenience to normal city life had to be minimized. With these political conditions the other less risky alternatives were not feasible. The final decision in 1996 in favour of the drilling option was not based on an extensive technical and financial risk analysis.

In 1999 it became evident that the national government was only willing to sign a fixed-price agreement for the North/South metro line project. Any extra costs accruing during the process would have to be borne by the city authorities. This risk was paid for by the Government by means of an extra one-off payment. This agreement between the City of Amsterdam and the Government further implied that the Government's expertise would no longer be available to the project.

The City of Amsterdam had little relevant in-house technical and management expertise. The Public Works directorate had gradually been dismantled from the end of the 1970s. For the construction of the North/South metro line the City of Amsterdam chose a project organisation which consisted of a small public management team assisted by a large number of private entities. The project organisation did not have the necessary experience or authority. The project was not managed well by the municipality. The Infrastructure, Transport and Traffic directorate fulfilled its role as a public contractor poorly. The other involved public parties were not able to evaluate the project properly.

Given the risks for Amsterdam and the complexity of the project, the College of Aldermen and the City Council decided to invite tenders for the project. The results of this tendering process would determine whether it was feasible to complete the project within the allocated budget. Only after this tendering process would the go-ahead be given. The results of the different tender rounds demonstrated that it would not be possible to complete the North/South metro line within the allocated budget. The results of the tendering process should have led to the reconsideration or cancellation of the project. The city authorities, however, decided to use the tendering results as the basis for negotiations with the contractors. In order for the project to remain on budget, the city authorities chose to bear more and more risks which the contractors would otherwise only have borne at an unacceptably high price. At the same time,

the budget earmarked to cover these risks was insufficient. Moreover, important contracts were unusually open-ended. The municipality of Amsterdam appeared to have limited any budget overrun but future increases had in fact been predetermined.

In 2002 the College of Aldermen and the City Council decided to commence with the building of the North/South metro line. The College relied on the expertise of the project organisation and the plans were the subject of discussions which were politically focussed rather than on content. The City Council was pushed beyond of the extent of its capabilities and expertise. Neither the College of Aldermen nor the City Council realised that, at the time of the original go-ahead, an uncontrollable situation had been created. The project organisation had not been transformed into an organisation equipped to manage the construction process. There were insufficient checks and balances embedded in the public project organisation to ensure reliable project management. The project organisation paid insufficient attention to possible disturbance for the inhabitants of the city. At the same time open-ended contracts were signed and the risk reserves were too low. None of these aspects was tested externally prior to the definitive decision.

In the construction phase (2003 – 2009) of the North/South metro line the consequences of the choices made in the preparation phase quickly became apparent. The open-ended contracts led to claims for more work and discussions with contractors. These were immediately translated into budget overruns. The risk reserves were insufficient and the planning for the completion of the North/South metro line was postponed by eight years, which in turn resulted in further budget overruns. The total project budget rose by € 1 billion; the costs for the city of Amsterdam quadrupled. Both the financial project management and the risk management were not up to the challenge. As such the project organisation became part of the problem. The professionalisation of the project organisation did not occur quickly enough. From the start of the building of the North/South line was audited, but only in 2007 were the required changes in the project organisation undertaken. In contrast to the political promises given, the city has suffered from significant disruption because of the construction of the North/South line.

In the construction phase problems were repeatedly left unaddressed. As a result an accurate overview of the current status of the project is not available. In the period 2005 – 2008 (financial) forecasts were continually adjusted and the planning and finance information presented to the city council was subjected to influence. This happened at project management level and often with the knowledge of the alderman responsible. Due to the fact that it had been provided with unrealistic forecasts, the city council was unable to perform its supervisory function. At the same time the City Council did not make sufficient use of the means at its disposal to acquire structural reinforcement.

### ***Recommendations***

A more critical review of large and risky projects must be conducted in the preparation and decision-making phases. This should include a cost-benefit analysis. Before the definitive go-ahead is given an external review must be conducted, in which all important facets of a project are taken into consideration. The consequences of the decision concerned would thus be evident prior to the making of the decision. The local authority and the Government must

work closely together with regard to the planning of large infrastructural projects in the Netherlands. This recommendation would ensure that relevant (perhaps scarce) expertise is available for any given project.

A strong project organisation is required, operating at “arm’s length” of political decision making. This project organisation should be held accountable for the management and completion of the project in adherence with the political conditions set in advance. An independent and competent advisory board should advise and hold the project management accountable. Information management must be embedded within the organisation. It is of importance that the municipality has a detailed institutional memory.

The City Council must strengthen its supervisory function by improving its knowledge infrastructure. The number of confidential meetings should be reduced. The quality of the decision making in the College of Aldermen and the City Council must be improved. More content discussions between Aldermen must take place before decisions are made. Furthermore, it is recommended that a debate takes place on the role of the mayor with regard to the quality of decision making by the College of Aldermen.

The North/South metro line survey committee has three further specific recommendations with regard to the North/South metro line. Firstly, it is recommended that the ‘Regulation for high-risk projects’ be applied to the North/South metro line. Secondly, in the short term the College of Aldermen should present to the City Council a decision to acquire professional indemnity insurance for the North / South metro line. Finally, the city council should hold a debate on the risks of drilling under the city of Amsterdam and the management thereof.