CIN
ConstructionIndustryNews.net
Essential construction industry news

ROAD CONSTRUCTION: Cost blow-outs higher than expected

Monday, 16 April 2007

COST blow-outs of up to 30% on highway building projects are significantly more likely to occur than the 10% allocation for risk that is often factored into projects, a Queensland University of Technology researcher has found.

Queensland University of Technology researcher Dr Garry Creedy

Garry Creedy, from the Cooperative Research Centre for Construction Innovation – headquartered at QUT, studied the cost overrun risk factors on 230 highway delivery projects undertaken in the past seven years which had suffered final cost overruns of 10% or more.

He identified 37 risk factors on the client side that contributed to cost overruns.

"Some of the most significant risk factors were design scope overruns, unforeseen ground and drainage requirements, native title and environmental issues," Creedy said.

"The tendency to underestimate or inadequately estimate the scope of the work is also compounded by contractors' tendered rates coming in higher than what the client had estimated."

He said highway construction had a "large footprint on the environment" which made it difficult for designers to adequately take into account all the risk factors during the estimating stage.

Creedy correlated these risks, along with attributes such as highway project type, indexed project cost, geographic location and project delivery technique, with the percentage cost overruns.

"In all, these risk factors can lead to an added 30 percent extra on some highway projects. Clients must take into account all these risk factors at the decision-to-build stage," he said.

According to Creedy, the research should provide clients with better risk information for more realistic decision-to-build estimates by which to budget their projects.