Infrastructure blowouts hit $4 billion

EXCLUSIVE

Jenny Wiggins

Between $4 billion and $5 billion is being lost in cost blowouts annually on new roads, rail lines and bridges, said industry expert Garry Bowditch as he called on governments to publicly release cost-benefit analyses for major projects like Sydney’s $11.5 billion WestConnex motorway and Melbourne’s $8 billion East West Link tunnel.

Research from the University of Wollongong’s SMART research institute shows for the first time how much Australians are overpaying for infrastructure.

The problem is neatly demonstrated by Brisbane’s Gateway Bridge, built in 1986 and duplicated with a second identical bridge in 2010.

Adjusted for inflation, the original bridge cost around $300 million. The second bridge, built during the resources boom, cost six times as much: $1.7 billion.

“Value for money has been thrown out the window a long time ago,” said...
Infrastructure blowouts hit $4 billion

Mr Bowditch, chief executive of SMART, adding governments needed to time the construction of infrastructure better to make sure they weren't competing with the private sector for labour, raw materials and equipment at inflated prices.

Governments should also publicly release cost benefit analyses to show taxpayers they were making the right choices on which projects to build, Mr Bowditch said.

"They have every right to make a decision between a desalination plant and a hospital, but the public should be brought into their confidence as to how that decision was made," he said.

The NSW and Victorian governments are being challenged by taxpayers to explain the business cases for their big new road projects amid concerns that they are over-spend and not considering the most effective transport options.

Sir John Armitt, the former chair of the UK’s Olympic Delivery Authority who is in Sydney to speak at an infrastructure conference hosted by SMART on Wednesday, backed calls for more cost transparency, arguing politicians should give the public as much information as possible.

"At the end of the day it’s their money," he told The Australian Financial Review.

Assistant Infrastructure Minister Jamie Briggs has been holding meetings with the states to find ways of reducing the cost of new infrastructure and has acknowledged taxpayers deserve more transparency.

But Mr Briggs has been reluctant to force states into releasing cost benefit analyses, arguing they don’t want to "give away the game" in terms of their deals with the private sector.

Mr Briggs, who will also attend Wednesday’s conference, will stress that state governments and the private sector are crucial to developing and implementing key reforms in project planning, procurement and selection. There needs to be a "clearer and more consistent framework" on defining project benefits and how they are communicated to the public, he said.

A survey of 50 infrastructure industry leaders by Newgate Research for SMART found they ranked Singapore as the leading country globally in terms of planning and delivering infra-

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structure, followed by the United Kingdom and Canada.

Nearly two-thirds of those surveyed believed there had not been sufficient focus on improving existing projects in Australia or "whole of government" coordination and planning.

Although Mr Bowditch credits federal and state governments with taking steps in the right direction to tackle high infrastructure costs, he argues Australia has "big legacy problems" that hurt its attractiveness to international investors.

Research by SMART has found that costs can rise as much as 20 percent in Australia on large projects during periods of strong economic growth, while excessive "red and green tape" from onerous technical and environmental requirements also pushes up prices. Poor long term planning by both federal and state governments, which have historically not communicated well, has also led to unnecessary costly construction methods such as tunnels because land corridors have not been reserved for rail and road development.

"It would be fair to say that most jurisdictions continue to have project pipelines which are closer to wish lists rather than material plans," Mr Bowditch said.

Sir John, who last year completed an independent review of the UK’s long term infrastructure planning, cautioned the current debate over costs in Australia should not take away the government’s "moral imperative" to consider health and safety when developing new projects, as well as the environment and architecture design.

Australia should also be using technology to improve the capacity of existing rail, road and energy networks, and prepare for the introduction of driverless cars, he said. "It will happen, it’s only a question of when."

Steve Lambert, executive general manager of the National Australia Bank, will tell Wednesday’s conference that governments should also be taking a “holistic” approach to planning that addresses social and environmental problems.

The bank is considering ways of funding affordable housing programs and working with not-for-profit organisations to structure deals to fund infrastructure that services a social purpose.

This could include prisons that put inmates into community work, or “social impact bonds” that provide support services to single mothers.