

ROAD and RAIL

Australia



Best Practice Cost Estimation for Road & Rail Construction

The Australian Government was concerned about the reliability of cost estimates in the planning phase of major road and rail projects throughout Australia. In light of the size and complexity of the road and rail infrastructure projects on the drawing board, they were looking for assurances that the estimates presented to them as part of funding requests by the agencies were reliable.

With the release of the six-year Nation Building Program in 2006, a \$26 billion investment into road and rail infrastructure, developing an estimating standard that must be met as a precondition for Australian Government funding was critical.

The Department of Infrastructure and Transport (DIT) engaged Evans & Peck to develop a Best Practice Cost Estimation Standard for Road and Rail Construction (the Standard) for proposed construction projects on the National Land Transport Network that would be in receipt of Australian Government road and rail funding.

DIT's objective was to use the Standard to foster an improvement in

- the project cost estimating practices of all agencies that have projects on the National Land Transport Network
- its own capacity to monitor and vet project cost estimates so as to improve the management of government road and rail funding throughout Australia.

Evans & Peck's role

The scope of Evans & Peck's work was to evaluate and distil the best practice existing in Australian industry, in particular in the road and rail sectors, and produce a high level Standard that could be understood and implemented by all agencies. This included:

- investigating appropriate tools and methodologies for best practice cost estimation having regard to current industry trends and market forecasts
- examining current practices with a view to developing a common approach that could be adopted by DIT and State and Territory agencies
- defining and recommending appropriate standards for use by DIT
- recommending appropriate methods of dealing with delay and scope changes during the development of a project
- recommending best practice methods of dealing with risk and contingency in the estimating process
- developing and conducting joint workshops represented by DIT and agencies
- recommending a method of implementing standards nationally

FACTS AND FIGURES

Client: Department of Infrastructure and Transport

E&P involvement: 2007 - 2011

Providing certainty in cost estimates during the planning phase of major road and rail projects



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Best Practice Cost Estimation for Road & Rail Construction (continued)

On completion of the Standard, Evans & Peck developed a training module that was rolled out to all road and rail agencies in all capital cities throughout Australia. This involved briefings for the senior executive of the agencies followed by a four-hour workshop for up to 35 people in each agency.

In 2011, Evans & Peck revised the cost estimation standard to reflect clarifications and practice guidelines following the first three years of implementation and as a result of compliance reviews conducted in behalf of the department. Evans & Peck rolled out a further series of training modules in all road and rail agencies across Australia.

Results

The benefits of the Standard are that:

- the DIT can have confidence that the project proposals for funding are properly scoped and reliably costed throughout the development phases
- there is greater transparency in project proposals leading to improved financial management of scarce resources
- all agencies and organisations preparing cost estimates for projects have committed to comply with the Standard
- cost data is aligned across all projects to enable more valid comparisons and more effective cost benchmarking between projects

See: www.nationbuildingprogram.gov.au/whatis/legislation/index.aspx for a copy of the guidelines.

