

Infrastructure SA

# Guide to Infrastructure Announcements

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# Background



Planning and delivery of infrastructure can be complex. However, as a project develops through its lifecycle, the degree of confidence in the scope, risks, time and cost all improve.

Premature announcements of a project's details that imply a level of certainty before the necessary work has been executed can create numerous challenges:

- Incorrect or inaccurate perceptions of cost or time.
- Expectations about what can be delivered.
- A perceived lack of action until the necessary development work is conducted.
- Making efficient budget allocations difficult.

There is empirical evidence that an early announcement of a project, especially with a level of accuracy beyond the ability to calculate it, can contribute to significant cost over-runs. This is particularly so with larger, more complex projects where more detailed work is required to understand and price the risks.

The Grattan Institute report, *The rise of megaprojects: counting the costs*,<sup>1</sup> establishes that premature announcements are a major risk factor in cost overruns, with projects exceeding the original announced budget by an average 21%.

The report noted:

*“An announcement is premature when a government or opposition announces it will build a project for a particular cost, but the project does not yet have the regulatory and/or financial approvals that constitute a technical commitment, and which are needed before it can actually proceed. Premature announcements of this kind are not the norm. They occur about one third of the time, but they have been responsible for more than three quarters of the cost overruns over the past two decades...”<sup>2</sup>*

This risk is often balanced with an imperative to make such announcements in order to meet political or budget cycle needs.

Firm announcements about project costs or timeframes should only be made after sufficient investigative work has been undertaken. Announcements throughout the project lifecycle should be appropriate for the corresponding stage of the lifecycle. This can be important to ensure there is genuine stakeholder engagement and to provide confidence to the community that the project is progressing correctly.

Part of Infrastructure SA's (**ISA**) objectives under its Act<sup>3</sup> is to:

*“...promote the adoption and use of policies, practices, information and analysis to support sound decision-making in relation to infrastructure.”*

Therefore, ISA has produced this *Guide to Infrastructure Announcements (the Guide)* to assist government and others to adopt best-practice methods for an iterative and managed level of project detail to be released to a wider stakeholder audience.

The Guide is based on Infrastructure NSW's (INSW) *“Timely Information on Infrastructure Projects”*<sup>4</sup> and the messages enunciated in the Grattan Institute report noted above.

Further, the Guide is aligned to the ISA Assurance Framework, with an additional stage for announcement for Tender Award, to provide a consistent framework to understand a project's lifecycle and what information is typically available at different stages.

1 Terrill, M., Emslie, O., and Moran, G. (2020). *The rise of megaprojects: counting the costs*. Grattan Institute

2 IBID p19

3 Infrastructure SA Act, 2018

4 [infrastructure.nsw.gov.au/expert-advice/timely-information-on-infrastructure-projects](https://infrastructure.nsw.gov.au/expert-advice/timely-information-on-infrastructure-projects)

There are benefits of staged and earlier community engagement that the Guide promotes. For example:

- Greater community understanding of the choices and trade-offs being made.
- Greater capacity to build what is really needed rather than having to value-manage down to a prematurely announced cost.
- Greater capacity to maintain a full pipeline of worthy projects ready for investment decision.
- Support for more sophisticated engagement with the community about the staged decision-making process being undertaken.

The guiding principles of the Guide are as follows:

- Confidence in cost and delivery timeframe increases as project progresses.
- The ability to influence cost decreases and the costs for change increase as project progresses.
- Where specific detail is not yet available, there is still useful information that can be provided to the public.
- In early stages, government can clearly communicate its intent to address a need and the steps it proposes to take to provide a solution.
- Premature provision of detail on solutions, scope, costs and timeframes may lead to disappointment in the community and counterproductive pressure on project delivery teams.
- By contrast, effective communication as a project proceeds provides confidence that decision-making is sound, that public funds are being managed well, and that the project's benefits will be delivered.
- Before making any definitive announcement on cost, ensure the scope of the project is properly defined, site investigation and geotechnical investigation undertaken as necessary, and preliminary design, costing and market testing are completed.
- It is better to *'under-promise and over-deliver'*, i.e. to exceed expectations.

ISA recognises that the Guide represents a change in approach and may challenge community and stakeholder expectations.

While the Guide is applicable to all infrastructure projects irrespective of size and complexity, it is particularly useful applied to projects that are high profile, potentially controversial, confidential, large and/or environmentally or socially risky.

Presented in a tabular format, the Guide generally reflects the ISA Assurance Framework and any announcements between the gateways should be incremental from the previous announcement.

Example messages provided relate to time, cost and scope only and can be further enhanced by providing the benefits and outcomes to be achieved at each stage.

Finally, the Guide allows earlier and more confident stakeholder engagement, providing a superior outcome for government and better outcomes for projects and programs.

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# Infrastructure SA Guide to Infrastructure Announcements

## Project Stage – Gate 0: Project Initiation and Justification

Description	Message: Scope	Message: Cost	Message: Timeframes
<p>A “project” at this stage is not anything more than an initiative to solve a problem or need.</p> <p>Generally, there is the establishment of a case for change and investment need underlying the initiative, and identification of proposed benefits, objectives and outcomes.</p> <p>There should not be an automatic assumption that new infrastructure is a solution to the problem or need.</p> <p>The <i>ISA Strategic Assessment Template</i> provides guidance for the amount of information typically available at this stage.</p>	<p>Focus messaging on:</p> <ul style="list-style-type: none"> <li>the need that government is trying to address, and</li> <li>potential outcomes of the concepts and options that will be considered.</li> </ul> <p>Take care not to imply a specific solution to the need or any certainty to costs or timing.</p> <p>Utilise stakeholder engagement to confirm the need and desired outcomes and benefits.</p>	<p>Be clear on commitment of funds for early planning and investigation works only.</p> <p>Avoid the temptation to make assumptions relating to capital costs or additional budget allocation at this stage.</p> <p>There is insufficient work to provide this with confidence given the specific solution will not be identified until further analysis is undertaken.</p>	<p>Communicate that the timeframe for delivery will be further explored in the next stage of planning.</p> <p>Indicate when more information might be available following the next stage of planning.</p>

### Example Messages

#### Example need:

Local school capacity to cater for population increase.

#### Example potential solutions:

Policy changes, new or revised education and/or transport models, an infrastructure response.

#### Example messages:

- *Government has recognised that the growing population in [Area] means that demand for school capacity will reach its maximum in [YEAR]. If not addressed, there could be overcrowding and subsequent poor educational outcomes.*
- *The Department’s first priority is to understand the scope and scale of the problem and is committing [\$\$\$] to engage consultants to provide advice on the various infrastructure and non-infrastructure solutions. These options will then be assessed from a social, economic, environmental and financial sustainability lens.*
- *This initial work will be completed in [quarter, YEAR].*
- *(Should the project not proceed past project justification) Government has thoroughly investigated the need for this initiative but has come to the conclusion that an infrastructure solution is not warranted.*

## Project Stage – Gate 1: Options Analysis or Project Feasibility

Description	Message: Scope	Message: Cost	Message: Timeframes
<p>At this stage, the project need and intended outcomes should be confirmed and a range of options identified and analysed; however, there is still further work needed to determine the preferred option, its scope and delivery approach.</p> <p>Cost estimates and delivery timeframes are indicative only and, at best, would be known as a wide range.</p> <p>An informed investment decision cannot be made by government at this stage.</p> <p>The ISA <i>Options Analysis Template</i> provides guidance for the amount of information typically available at this juncture.</p> <p>Sometimes this early analysis may be referred to as a “strategic” or “preliminary” business case; however, this implies a greater level of certainty than the work merits and should be avoided.</p> <p>Should the project be abandoned at this stage due to budget or the ‘best’ solution or option is not followed, then specialist communications advice should be sought.</p> <p>The <i>Options Analysis Template</i> has a requirement to prepare a Stakeholder Management Plan. The purpose of the plan is to identify the approach to the management of stakeholders in order to facilitate effective and efficient engagement and communication with them, thus increasing the chances of successful delivery of the project.</p>	<p>Focus messaging on:</p> <ul style="list-style-type: none"> <li>confirming the investment need that is being addressed and the intended outcomes</li> <li>the range of options that have been developed and will be analysed to identify the preferred option to address the need, and</li> <li>preliminary considerations regarding solution delivery and management.</li> </ul> <p>Take care not to imply a specific solution to the need or any certainty to costs or timing.</p> <p>Utilise stakeholder engagement to address the options under consideration without implying a particular solution at this stage.</p> <p>Discussion about trade-offs for different options should be addressed.</p>	<p>Confirm commitment to fund the next stage of investigation and evaluation.</p> <p>Treat project cost estimates with caution as they are not reliable at this stage.</p> <p>Limit any capital cost estimates to a broad range, providing an order of magnitude to avoid implying unqualified certainty.</p> <p>Should a capital budget amount be announced, advise that it is an estimate only and will be confirmed through further studies.</p>	<p>Confirm the timeframe for finalising this stage.</p> <p>If delivery timeframes are to be provided, this should be done at the <i>year</i> or <i>half year</i> level of detail – as opposed to nominating <i>quarters</i> or <i>months</i> – to avoid implying undue certainty about the program.</p>

### Example Messages

- *Government has confirmed that investment in [Area] is required to meet demand for school capacity.*
  - *A large range of options has been identified and the following have been shortlisted as possible solutions.*
  - *These options will be the subject of a full and detailed business case which will be undertaken and delivered in [half-YEAR/YEAR].*
  - *Appropriate consultants have been appointed to assist with business case development, which will be assessed by Infrastructure SA prior to Cabinet’s decision to invest.*
  - *This work will be completed in [quarter, YEAR].*
  - *(Should the project not proceed past business case development) Government has thoroughly investigated the options available to it in addressing the service need and has concluded that none were suitable, and the project has been deferred at this stage.*
- Should the project not proceed with the ‘best’ alternative, then the Government should seek specialist communications and media advice.

## Project Stage – Gate 2: Final Business Case and Investment Decision

Description	Message: Scope	Message: Cost	Message: Timeframes
<p>A Final Business Case is a developed analysis that evaluates options and proposes a preferred solution, including estimates of costs, benefits and delivery approach. It provides sufficient information for government to make an investment decision to commit funds and proceed to the next stage.</p> <p>However, some steps such as site investigation and final design may not yet have been undertaken. The project budget and delivery timetable are still subject to a tender process.</p> <p>The ISA <i>Final Business Case Template</i> provides guidance for the amount of information typically available at this stage.</p>	<p>Focus messaging on:</p> <ul style="list-style-type: none"> <li>the scope of the project, and</li> <li>steps necessary to commence construction.</li> </ul> <p>Sufficient work should have been undertaken to provide good project definition in any announcements.</p> <p>Utilise stakeholder engagement to inform the community about the decision.</p>	<p>Confirm the Government's commitment to funding the project.</p> <p>Indicate maximum cost and relevant Budget allocations.</p>	<p>Provide timeframes for design, planning work and the procurement process.</p> <p>Communicate final delivery strategy and construction timeframes as determined through industry engagement.</p> <p>Avoid announcing specific months for completion until further engagement with industry provides greater certainty.</p>

### Example Messages

- *Government has confirmed that it will invest [\$XXX] for [Project] to meet demand for school capacity.*
- *A large range of options had been identified but the preferred option is a new school located at [Site] to be open for student intake in [YEAR].*
- *Benefits arising from this project include:*
  - *# of jobs created during and after construction*
  - *Local industry participation*
  - *Innovation opportunities*
  - *Local community benefits*
  - *Place-making and city-shaping.*
- *The next stage is to design and document the project and seek tenders in [Month, YEAR].*
- *Government has commenced detailed design and will be seeking approvals through [describe planning process].*
- *Government will seek feedback from appropriate stakeholders and the community.*
- *Government expects that the environmental approvals will be gained by [quarter, YEAR].*

## Project Stage – Gate 3: Procurement

Description	Message: Scope	Message: Cost	Message: Timeframes
<p>At this stage, designs have been developed to a more advanced stage and initial site investigation has generally taken place to the extent possible prior to commencement of works.</p> <p>As a result, scope and delivery approaches are well defined, with the procurement process ready to commence to select a project delivery partner.</p>	<p>Focus messaging on:</p> <ul style="list-style-type: none"> <li>• scope and design, with an emphasis on benefits and outcomes, and</li> <li>• a description of the features that will be meaningful to users/visitors.</li> </ul>	<p>As the investment decision and budget allocation has already been provided, refrain from making further announcements on cost at this stage.</p> <p>Do not provide estimates of costs for the construction contract sum as this can influence commercial outcomes.</p>	<p>Provide a timeline for procurement.</p> <p>Identify the participants in the Expression of Interest or tender process.</p>

### Example Messages

- *Government is calling for [RFPs, RFTs, EOIs] for the project.*
- *The process thereafter will be engaging and contracting the preferred tenderer.*
- *Commencement of the project is anticipated by [Month, YEAR], subject to successful negotiations.*

Reiterate the benefits, especially around job creation and local industry participation.

## Project Stage – Tender Award

Description	Message: Scope	Message: Cost	Message: Timeframes
<p>At this stage, a contractor has been selected to deliver the project. Even when a contract has been awarded, some details may remain to be resolved during the course of the project.</p>	<p>Focus messaging on:</p> <ul style="list-style-type: none"> <li>• detailed scope, particularly benefits and features that are meaningful to the community (rather than technical descriptions), and</li> <li>• acknowledging known risks (services, utilities, heritage), being clear that further investigation work may be required.</li> </ul>	<p>Option to release the cost of the construction contract at this stage. This should be tempered by the implied comparison to the overall budget and questions that may arise as to the difference (project management fees, contingencies, government supplied items etc.).</p>	<p><i>For straightforward/ smaller projects:</i></p> <p>Provide target date for commencement of operations, if available. It is still sensible to provide a range or a period, rather than a specific date.</p> <p><i>For projects with known risks:</i></p> <p>Provide some program details for commencement and stages; however, construction timeframes will be clearer once the contractor has completed further investigation work/ design work.</p>

### Example Messages

- *Government is pleased to announce the award of [Project] contract to [Contractor].*
- *Construction is due to commence in [Month, YEAR] and be complete in the latter half of [YEAR].*

Reiterate the benefits, especially around job creation and local industry participation.



## Gate 4: Readiness for Service

Description	Message: Scope	Message: Cost	Message: Timeframes
The project is largely complete and ready to go into service. There is a high level of certainty in final expected costs and timing.	Confirm scope and benefits, which are now well known.	Confirm compliance with budget and investment decision.	Nominate a target opening date [Month or quarter].  Announce an opening date following final testing and commissioning.

### Example Messages

- *Government is pleased to announce that [Project] will be officially opened in [Month] after Infrastructure SA has undertaken a Readiness for Service review.*
- *Government is also pleased to announce that the project was finished on time and to the budget set.*

Reiterate the benefits, especially around job creation, local industry participation and community outcomes.

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## **Acknowledgement of Country**

Infrastructure SA acknowledges and respects Aboriginal people as the State's first people and nations, and recognises Aboriginal people as traditional owners and occupants of South Australian land and waters. Infrastructure SA acknowledges that the spiritual, social, cultural and economic practices of Aboriginal people come from their traditional lands and waters, and that Aboriginal people maintain cultural and heritage beliefs, languages and laws which are of ongoing importance today.

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