

Appendix D: Reasons projects change

Figure D1: Reasons why a project's cost, time and scope may change

| Reason | More information |
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| Supply chain disruption and changing resource costs | With energy and commodity prices increasing, the cost of key materials in the construction industry and shipping them to Australia has increased. If contractors use current prices to budget and prices rise more than they have tendered, the government may need to pay more than the original budget to compensate. In other cases, agencies save on originally budgeted costs and the TEI drops. |
| Labour market | Government investment in construction has increased at the same time as delays and disruptions to projects due to the COVID-19 pandemic and extreme weather events. Together, these have increased pressure on available resources, workers and materials. |
| External factors | A wide range of skilled workers are in short supply, particularly in regional areas. Pandemic travel restrictions also limited opportunities for overseas workers to come to Australia. |
| Land acquisition and environmental impact | Agencies may need to revise project plans if site issues arise. Some capital projects depend on the purchase of land, and delays can occur during that process. Other delays or costs may occur if a contractor finds that buildings or land require remediation (for example, there have been additional costs for the Royal Victorian Eye and Ear Hospital redevelopment project to remove asbestos). Sometimes construction on a site could potentially affect the habitat of an endangered species (for example, MTIA changed its plans for the Hurstbridge Line Upgrade when residents found it would affect the habitat of the Eltham Copper Butterfly) |
| Staged funding | In some cases, the government receives project funds in stages. Some projects (for example, Melbourne Park redevelopment) name each stage as a separate project. Others (for example, Western Plains Correctional Centre) alter the TEI as the project moves from one stage to the next. We show both types of variances in our Major Projects Performance dashboard. Some agencies explain the reason for the variance in the BP4 project description or the footnote. |
| Increase in locations | Some projects roll out similar 'units' at various locations over time. When the number of locations increases, so does the TEI (for example, the Car Parks for Commuters project and Level Crossing Removal project) |
| Administrative | Agencies sometimes change the TEI of a project in line with accounting standards. This usually happens when they reclassify costs as operating expenditure instead of capital. The TEI of some projects changes because DTF considers them rolling programs of works that evolve each year. |

Source: VAGO.