

Cost control in infrastructure investments

Summary and recommendations

Central government appropriations to develop the transport infrastructure amount to more than SEK 30 billion per year and will increase. The Swedish National Audit Office (Swedish NAO) has audited whether the Swedish Transport Administration's cost estimates constitute reliable decision support to enable efficient prioritisation of infrastructure projects. The audit examines whether there are systematic cost deviations in investment operations, whether the Transport Administration's work on cost control and estimates provides reliable decision support, and whether cost increases lead to re-assessment of previous investment decisions.

The audit shows that there have been substantial cost increases between the latest national intermodal plans for transport infrastructure. At the same time, it is very rare for the Government to stop a project once it is in the national plan. This is despite the fact that the possibility to reassess an earlier decision when new information is added is a fundamental idea of the Swedish planning system. The Swedish NAO also considers that the Government and the Transport Administration are deficient in transparency by not compiling and communicating the scope of cost increases.

Audit findings

The cost is systematically underestimated in the estimates

The Transport Administration has often underestimated the cost of proposed investment projects. For the investment projects that overlapped the two most recent national plans, the estimated cost increased by a total of SEK 58 billion. This is equivalent to an average cost increase per project of 39 percent in just four years. The systematic cost increases seem primarily to occur during the planning phase; the Swedish NAO does not find any systematic cost deviations in the construction phase.

Decisions are rarely reassessed

The Government often adheres to its first investment decision, despite the fact that the planning system is designed with two additional checkpoints to enable

investment decisions to be reassessed when new information is added. Despite the significant increases in estimated costs, the Government has only decided to discontinue planning in a few cases during the last planning period. It is unclear whether in these cases it is due to cost increases or whether there are other reasons. Thus, the Government's priorities as to which projects are to be carried out are based to a great extent on early cost bases. These cost bases are characterised by great uncertainty and often underestimate the costs. The relatively more reliable cost bases that emerge later in the planning process have insignificant influence on the Government's priorities.

Lack of transparency in the plan revision

Prior to revisions of the national plan, neither the Government nor the Transport Administration publish the changes in cost estimates and content that have taken place for the individual projects since the previous plan. This also applies to the total cost change for all the projects in the plan. The Transport Administration compiles a summary of how the cost assessment has changed, but it is not published. Changes in content are not summarised. A public summary of how the costs, benefits and content of the projects changed between plans would increase transparency in relation to the Riksdag and the public, as well as provide knowledge about the extent of the problem.

Shortcomings in work processes and evaluation

The Swedish NAO finds a number of shortcomings in the Transport Administration's work on estimates and in the follow-up of estimates. As recently as in 2019 the Transport Administration introduced a procedure to gather all the estimates into a single document. However, the procedure has not been applied retroactively and it is still difficult to even find all the estimates made for ongoing projects. This makes evaluation more difficult. The Transport Administration does not conduct an ongoing evaluation of what causes cost deviations during the planning phase. On the occasions when such evaluations have been made, the samples were relatively small and the evaluation was carried out as a result of government assignments. The lack of a coherent picture of what causes the cost deviations makes it difficult to design measures to prevent the recurrence of the causes.

Recommendations

Recommendation to the Government

- Reassess a decision on an infrastructure project in a national plan when significant cost increases take place. This reassessment should include a decision on whether the project should be discontinued.

Recommendations to the Swedish Transport Administration

- Conduct more systematic work to map the causes of cost increases and how these can be prevented.
- In connection with proposals for the national plan, compile and publish the changes made to cost assessments, benefits and content of the projects since the previous plan.
- Inform the Government of significant cost increases in a national plan project.