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## Transport Policy

Volume 11, Issue 1, January 2004, Pages 43-53

# Cost overruns in road construction – what are their sizes and determinants?

James Odeck  

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[https://doi.org/10.1016/S0967-070X\(03\)00017-9](https://doi.org/10.1016/S0967-070X(03)00017-9)

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## Abstract

This paper investigates the statistical relationship between actual and estimated costs of road construction using data from Norwegian road construction over the years 1992–1995. Based on this data a regression model is developed. The findings reveal a discrepancy between estimated and actual costs, with a mean cost overrun of 7.9% ranging from -59% to +183%. In absolute terms, cost overruns amounted to a formidable 519 million Norwegian kroner. One particular new finding that has not been shown before in previous studies is that cost overruns appear to be more predominant among smaller projects as compared to larger ones. This observation, for the Norwegian road sector in particular, leads us to assert that the greatest potential for cost savings lies in exerting pressure on smaller projects to control their costs. Other factors found to influence the size of cost overruns include completion time of the projects and the regions where projects are situated. Surprisingly, neither project type

nor work force type seems to influence the level of cost overrun. Finally, the paper proposes some policy implications.



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## Keywords

Road construction; Cost estimates; Actual costs; Cost overrun

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