

# RISKY BUSINESS

## Managing social risk in the era of infrastructure outrage

### Introduction

**Infrastructure projects don't fail because of poor engineering — they fail due to poor public perception.**

While governments and project teams meticulously plan for financial, technical and environmental risks, one of the biggest drivers of cost overruns and project delays — social risk — remains dangerously underestimated.

From legal challenges to unexpected design changes forced by stakeholder opposition, community sentiment has the power to make, shape or even break major projects.

This analysis explores the benefits of embedding social risk into early decision-making, along with the financial consequences of ignoring it.

### The hidden cost of overlooking social risk

Infrastructure projects shape the future of our cities, economies and communities. Yet, time and again, we see projects delayed, running over budget and even cancelled entirely, for a range of reasons, not least of which is social risk in the form of community opposition.

The financial impact of this opposition has been significant, with *Infrastructure Australia* estimating that project cancellations and delays due to public perception issues have cost more than \$20 billion since 2009.

Research undertaken by *Public Outrage Predictive Modelling (POP)* supports this finding. A review of 12 major infrastructure projects affected by public outrage revealed that every project faced budget overruns — some blowing out by as much as 68%.

Importantly, as much as 35% of the cost blowouts were linked directly to managing the impacts of community opposition.

A broader lens taken by the *Grattan Institute* in 2016 examined 836 transport infrastructure projects, finding they collectively exceeded their initial cost estimates by an average of 24%.

Further analysis showed 90% of this overrun was concentrated on just 17% of the projects, each exceeding their original budgets by more than 50%.



## AT A GLANCE

### Outrage is expensive!

Australia has spent more than **\$20 billion** on project cancellations and delays due to public opposition.

### Social risk = financial risk

Projects impacted by public opposition experience greater budget overruns, with as much as **35%** of cost blowouts linked to managing opposition.

### Premature project confirmation increases costs and risk

Projects are locked into rigid scopes and budgets while **communities feel blindsided**, creating a trust deficit that must be overcome.

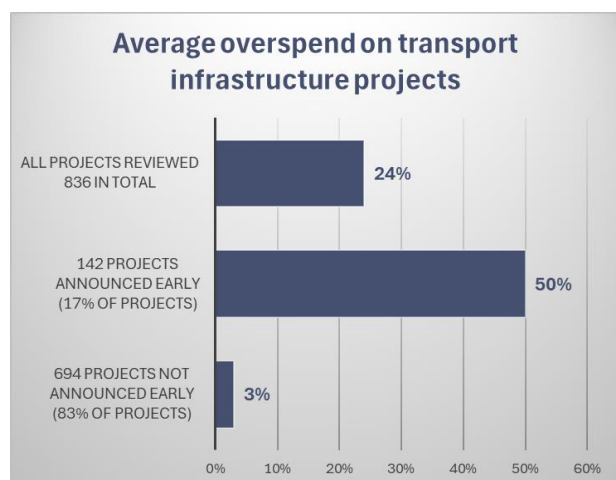
### Traditional risk models fail to capture social risk

Focused on technical and financial risks, these **underestimate** the costs and impacts of social risk.

### Outrage is predictable

New methodologies, like **POP**, can better predict and quantify social risk, allowing direct comparison for fully integrated risk analysis.

With the outliers removed, the average cost overrun across the remaining projects drops dramatically — from 24% to less than 3%, as shown below.



While social risk was not an identified issue for the outlier projects, they did have something in common.

All were publicly announced as *confirmed* projects before full planning and appraisal processes were completed. This suggests early engagement and assessment of potential community reactions to these projects may have been inadequate or, in some cases, absent entirely.

### Why early project confirmation increases social risk

Political pressures often lead to projects being announced before full planning and engagement can take place. As a result, project teams become locked into rigid scopes and budgets before fully assessing key risks, such as community sentiment and social impacts.

Not only does this undermine the accuracy of cost estimates, impacted stakeholders feel blindsided. This approach erodes trust instead of fostering alignment with community values, expectations and aspirations.

When community trust is broken, stakeholder engagement shifts from being a proactive design tool to a reactive damage-control exercise.

Rather than working collaboratively with communities to shape solutions, project teams are forced to ‘sell’ a predetermined outcome — one that may not sit well with all stakeholders.

This pattern of early commitment resulting in rigid project scopes is not unique to transport projects.

Research from *Australian National University’s NextGen Engagement Program* found that a risk-focused approach in early infrastructure decision-making often overlooks social considerations.

Their analysis of case studies and stakeholder insights confirms that social risk is frequently sidelined, with community sentiment either treated as a secondary concern or overlooked entirely.

But as many project teams have come to learn the hard way, ignoring social risk early in the project lifecycle often plants the seeds that lead to crises later on.

### Why current risk models fall short

Current risk assessment models in infrastructure projects are built on technical feasibility and focused on minimising financial, operational and environmental risks.

While these are important considerations, we now know that this approach fails to capture a key reality — public perception can be just as critical to a project’s success as structural integrity or budget control.

When the community feels unheard and their concerns dismissed, small pockets of dissatisfaction can quickly escalate into widespread opposition.

This can result in stalled approvals, legal disputes and, in some cases, project cancellations — even after contracts have been awarded — leading to significant financial penalties.

A prime example of this was Melbourne’s notorious East West Link, derailed by community opposition and costing \$1.1 billion to cancel.

Then there’s Perth Freight Link, a project with a Benefit Cost Ratio (BCR) of 6:1, cancelled at a cost of \$40 million due to public outrage.

These examples are not isolated cases.

A recent audit of the clean energy sector shows 22% of cancelled projects suffered from a lack of public engagement, compared to just 1% of successful projects.

Essential services also fall into this category, with one US study of 37 transmission line projects finding 27% faced litigation or substantial community opposition, leading to delays and cancellations.

The reality is risk models that fail to account for social factors create vulnerabilities that have real financial and reputational consequences.

Even when social risks are factored into broader assessments, their full impact is often underestimated.

This is because existing methodologies fail to quantify both the consequences of social risks and the likelihood of public outrage.

### **The POPM solution: Quantifying social risk**

Recognising this critical gap in traditional risk models — confirmed by real-world project failures and extensive research — led to the development of ***Public Outrage Predictive Modelling (POPM)***.

As a structured methodology that quantifies social risk, POPM translates public perception into measurable data, integrating it into traditional risk assessments to ensure social risks are evaluated alongside financial, environmental and operational factors.

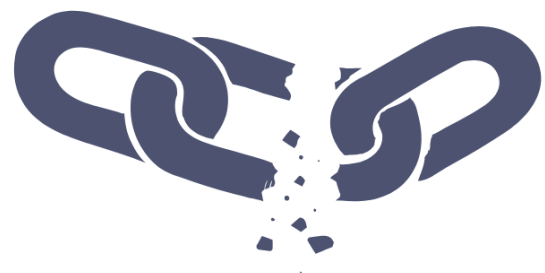
Instead of treating social risk as an afterthought, POPM anticipates potential community concerns, identifying key risk factors known to incite opposition and offering strategic pathways to mitigate these before they escalate.

By proactively identifying and addressing potential concerns, POPM provides a forward-looking approach that prevents avoidable opposition and ensures smoother project execution.

In addition, POPM provides a range of metrics not previously associated with social risk capture, including economic modelling that quantifies the financial impact of public outrage.

This allows project teams to weigh mitigation costs against potential overruns, helping them identify the most cost-effective options to keep overall project expenses down.

Armed with this information, project teams can confidently move from reactive stakeholder management to a proactive strategy that builds trust, strengthens community relationships and drives better project outcomes.



**“When community trust is broken, stakeholder engagement shifts from a proactive design tool to a reactive damage-control exercise”**

## Conclusion

For infrastructure projects to succeed in today's complex landscape, decision-makers must recognise social risk as a core project factor, not just a stakeholder issue.

The following key insights highlight the costly consequences of overlooking community sentiment while outlining practical strategies to mitigate risk and build public trust:

### 1. Ignoring social risk is expensive

Case studies across infrastructure sectors correlate social risk with late-stage project changes, legal challenges and reputational damage, costing millions and often failing to win back public support.

### 2. Trust is a financial asset

Projects that build trust from the outset through genuine stakeholder engagement enjoy faster approvals, fewer legal disputes and stronger community buy-in.

### 3. Social risk is measurable

While social risk is often considered intangible, structured methodologies, like *POPM*, provide a framework to assess, quantify and compare community resistance, including the financial implications that may result.

### 4. Proactive engagement is a cost-saver

Once public opposition gains traction, it becomes exponentially harder to reverse, with crisis management significantly more expensive than early structured dialogue.

Using *POPM* helps decision-makers to better quantify social risk and integrate it into early planning, reducing costly setbacks while building public trust and support.

As infrastructure challenges grow more complex, project teams have a choice: react to public opposition at great cost or proactively manage it from early development through to delivery — building stronger, more resilient projects.

By treating social risk insights as foresight, decision-makers can move beyond damage control to build infrastructure that is not only well-constructed but also embraced by the stakeholders and communities it serves.

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## SOURCES & RESEARCH BASIS

*The findings in this report are based on data from reputable sources:*

- **Public Outrage Predictive Modelling (POPM)** – *The Financial Cost of Outrage: Financial Risks in Infrastructure Development*
- **Grattan Institute** – *Reports on infrastructure cost overruns and public backlash effects*
- **Next Generation Engagement Program (Institute for Infrastructure in Society, ANU)** - *Avoiding harm or creating benefit? How a risk focus sidelines social considerations in early decisions for Australian infrastructure projects*
- **Infrastructure Australia** - *A National Study of Infrastructure Risk*
- **Niskanen Center** - *A Closer Look at the Role of Litigation and Opposition in Transmission Projects Undergoing Federal Permitting*
- **Lawrence Berkeley National Laboratory** - *Survey of Utility-Scale Wind and Solar Developers Report*
- **The Centre for Independent Studies** – *Analysis of project delays and financial risks*
- **KPMG & Engineering New Zealand** – *Independent project cost assessments and reviews*
- **Government and industry reports** – *Cost analysis of major Australian infrastructure projects*