



## **ENABLING PROJECTS OF REGIONAL SIGNIFICANCE**

### **SUMMARY OF COMMISSIONED RESEARCH**

Designing a framework to categorise, measure and deliver projects of significance to the Sunshine Coast region

## **FOREWORD**

Sunshine Coast Business Council (**SCBC**) commissioned the research summarised in the following paper in order to obtain an evidence-based perspective on whether the significant public and private sector investment currently being made in regionally significant projects (including the REDS projects), is realising the ‘promised’ economic benefits outlined in business cases.

Our regional economy is strong, in part because of the focused approach adopted by our regional leaders. We have a strong pipeline of regionally significant projects to underpin regional growth for the next decade or so. The question is, are we maximising the economic benefit (ripple effect) from this investment pipeline?

Modern economies need to adopt modern approaches to direct investment to underpin sustainable growth. Modern approaches require a reliable fact base to successfully communicate the necessary vision and economic, social and environmental benefits to our communities.

This research is a step on that journey.

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## Background

This report summarises the learnings gathered from research undertaken by the University of Sunshine Coast as funded by Sunshine Coast Business Council (SCBC), Regional Development Australia, Sunshine Coast Inc. (RDA), Property Council of Australia and the Sunshine Coast Airport.

The research titled 'Enabling Projects of Regional Significance' was undertaken between April and November 2018. The commissioned research was presented at a conference in November 2018 hosted by SCBC. The primary deliverables of the research were the evaluation framework and associated report, both available for downloading from the SCBC website ([scbusinesscouncil.com.au](http://scbusinesscouncil.com.au)).

## Purpose

There was a significant investment in time made by the then Sunshine Coast Regional Council, the business community and other stakeholders in 2012 to agree on a strategic direction for the Sunshine Coast Region (Sunshine Coast and Noosa local government areas). That resulted in the Sunshine Coast Regional Economic Development Strategy 2013-2033 (REDS) which identified a pipeline of significant projects frequently referred to as 'game changer' projects.

The purpose behind this research project is to:

- provide regional stakeholders such as SCBC with meaningful research to better understand how the REDS and other regionally significant projects are delivering the economic benefits (referred to by some in the business community as the 'ripple effect'), in line with projections outlined in approved business cases
- highlight the issues and barriers that may impede an informed assessment of economic contribution being made by these projects
- recommend a way of assessing the regional economic benefit being contributed by these projects both as stand-alone and as a portfolio of projects to better understand what combination of projects will provide the greatest uplift to a specific industry and over what timeframe
- provide consistent and evidenced information to allow regional leaders to improve the strategic narrative to regional, national and international communities and investors when positioning specific projects within an overall long-term regional vision.

Whilst the research focus is on economic benefit, the evaluation framework may be capable of extending to social, environment and other benefits as required.

The research had two propositions to address:

- **Research focus** – To consider how regional stakeholders such as SCBC and RDA may better assess the financial and economic benefits of regionally significant projects, frequently referred to as 'game changer' projects, being developed and delivered in the Sunshine Coast region to achieve the points under *Purpose* above.

The research led to the design of an evaluation framework to promote consistency in the categorisation, measurement and delivery of portfolio of regionally significant projects.

The framework strengthens the strategic narrative when positioning, to the community, the economic benefit of projects of significance to the Sunshine Coast Region.

- **Overarching business question** – As well as the objectives listed under *Purpose* – subsidiary business questions to be considered as part of the research were:
  - What is a ‘ripple effect’ and what are the conditions considered necessary to maximise the ‘ripple effect’.
  - What are the conditions that must be met to be considered a ‘game changer’ project and do the nominated projects meet those conditions?
  - Are the nominated REDS projects and other significant regional projects delivering the expected economic benefits (identified in the approved business case) for the stage of development/operation?
  - How well was each project set up to maximise the identified economic benefit and ‘ripple effect’ to the regional economy?
  - Are measurements and milestones identified in business cases being monitored and managed to deliver against the ‘promise’.
  - What development projects are most successful in creating a ‘ripple effect’, and why?
  - What could be changed to maximise the potential value, in regional economic benefits, from public and private investment made in regionally significant projects, now and in the future?

The research has provided an evaluation framework and report to respond to the overarching question and sub-questions. In order to evaluate the impact of different projects it is essential to have accurate and comparable data to categorise and measure performance.

### **Approach**

A design-based research approach was undertaken to gain a deeper understanding of the relationship between projects, a portfolio of projects, and the economy. The research approach included review of previous literature and research, and extensive industry and stakeholder engagement.

Major findings from the **literature review** include:

- The term ‘ripple effect’ is not readily used in the evaluation of projects at a financial level. In the context of economic development, ‘ripple effect’ has been attached to a widely contested and mostly discredited approach to measure invested funds recirculating through an economy.

A ripple effect identified as a simplistic multiplier is both highly inaccurate and unreliable.

That said, there is some recognition of the term in the community and the potential to reclaim the term to describe the complex and nuanced relationship between a series of projects and a regional economy. To contribute to the regional narrative, there needs to be consistency in positioning the use and value of the term in the regional context.

- There is no common categorisation for regionally significant projects in Australia or classification or categorisation systems for projects at the international level.

Frameworks and criteria prescribed by government agencies assist in measuring project scale, but the thresholds and terminology are not universally adopted. This lack of a common [project] 'language' makes it difficult for leaders and policy makers to share a consistent and enduring narrative with the community.

The use of the term 'game changer' is not included in national government classifications or categorisation systems for projects. The term is popular in a marketing sense, being used across sectors to highlight the significance of an initiative to make change. Simply naming a project as a 'game changer' does not add to the vision or narrative of the economic benefits to the region. Rather the term can lead to confusion if the 'game' or means of 'change' are not defined.

- In the **public** sector, financial analysis is undertaken on behalf of a government department, agency, or a government-owned corporation, usually with a focus on a single initiative or entity. Having a focus on a single initiative or entity restricts the scope of the study and limits the potential of financial analysis to capture whole of government impacts. For example, by excluding taxation revenue from the financial analysis, there is limited capacity to model the benefits or detrimental effects that a project may have on other departments or government organisations.
- The financial analysis of **private** sector initiatives will generally include a quantifiable assessment of how the project is expected to impact upon an existing portfolio of projects. In many cases the analysis is taken further to consider changes to the corporate financial statements.
- Economic analysis builds on financial analysis with the addition of other impacts and benefits not directly captured or incurred by the sponsor/investor. Given the broad interpretation of 'other impacts' and diverse nature of projects, there are many methodological errors evident in economic impact modelling. These errors stem from misunderstanding and/or potentially deliberate misrepresentation. Common contributors to errors in economic impact modelling include:
  - Instructions and the intent of analysis
  - New money injected or not (opportunity cost)
  - Variations and incorrect selection of the study area
  - Inappropriate multipliers applied
  - Leakages not analysed or applied appropriately
  - Negative economic externalities not analysed or applied appropriately.
- Regionally significant projects are, by nature, unique, complex and have the potential to leave enduring impacts (not always positive) on the local community and economy. This presents challenges for more traditional predictive approaches to project management that aim to determine the bulk of requirements upfront, and control changes through change request processes.

Facilitating or supporting the delivery of a portfolio of regionally significant projects comes with high-uncertainty, high rates of change, complexity and risk. There is an opportunity and a need to improve the monitoring, reporting and managing of a portfolio of regionally significant projects in order to maximum the economic benefits from significant investment by multiple investors.

To address the **business questions**, the research considered the background and intention of the REDS to leverage projects to stimulate economic activity. The aspirational goals of the REDS extend to the delivery of a new economy with growing employment opportunities, an increase in the proportion of goods and services exported, and a rise in household incomes (SCRC 2013).

In practice, the Sunshine Coast economy has undergone a period of noticeable growth and change since the implementation of the REDS in 2013 (SCRC 2018). According to the SCRC (2018), GRP has increased \$3.8 billion, or 5.7% per annum, through to 2017. While the Sunshine Coast Council's implementation report card estimates the economic uplift, it was produced to 'highlight achievements' (SCRC 2018, p. 2) rather than provide information on whether the estimated economic uplift is a sufficient return on investment.

Sunshine Coast business groups have taken the enquiry further to understand how projects may be managed to realise the promised economic benefits, or ripple effect.

This research initially acknowledges the complexities of quantifying reliable ripple effect measures (see sections 3.4-3.7) of the commissioned research report. It deepens discussion by considering the relationship between projects and the economy. This research focused on seven case studies: three from the REDS, two SCRC designated 'major' projects and two recently shared transport initiatives. These are:

- Sunshine Coast Health Precinct (REDS)
- Sunshine Coast Airport Expansion (REDS)
- SunCentral Maroochydore City Centre (REDS)
- Stockland Aura Master Planned Community (under development)
- International broadband submarine cable (SCC project recently approved)
- Light rail (State/Local Council project at Feasibility Stage)
- North Coast Connect (Federal/State project at Feasibility Stage)

## Findings

The projects investigated were at different stages in development or operational cycles. The findings were, in part, drawn from interviews and information provided by industry experts, stakeholders and project sponsors and from information available in the public arena. It should be pointed out that there were varying levels of cooperation by project sponsors and, in some instances, information was withheld limiting the depth of analysis. That said, the findings revealed that:

1. The monitoring and measurement of regional economic benefits did not form a major part of the ongoing project management, or delivery, of a project. Rather, economic benefits were identified and assessed at the project initiation or planning stages. Once approved, the delivery and finalisation stages focussed on cost control and realising a specified product.

The Sunshine Coast Health Precinct is the only project analysed in this research that presented a set of economic targets for the region's health industry. In the absence of rigorous monitoring and measuring it is impossible to assess whether a project has realised the economic benefits promised.

2. The 'ripple effect', or presented benefits, are considered by some sponsors to be something that will occur as the project is delivered and not therefore specifically monitored, managed and reported. The problem with adopting such a passive approach is that, if the realised project benefits and detriments are not shared (analysed and quantified) then the learnings and impacts to the economy cannot be promoted. Accordingly, it is unlikely the community will understand the opportunities presented by future initiatives.
3. There were no common conditions set to optimise projects or portfolios of projects, in terms of regional economic benefits. That said, there are management approaches and portfolio analysis tools that may be applied to better phase investment to realise economic benefits to the region. These methods are discussed in the research report, with the evaluation framework providing the initial portfolio analysis tools.

In line with the findings on the previous page, there are 10 recommendations concerning how to enhance decision-making around regionally significant projects shared in the commissioned research report. These recommendations are framed around applying the evaluation framework and encouraging the consistent and transparent reporting of project information. They are primarily directed at regional project sponsors and stakeholders and are available in section 6.2 of the full report.

From the recommendations there are a series of actions that the researcher and SCBC have agreed to pursue to ascertain broader interest in pursuing further work to strengthen the recommended framework:

1. The researcher to present the research at national and international conferences in 2019 to test interest and feedback in the research.
2. The researcher and SCBC to meet with economic development teams from Sunshine Coast and Noosa Councils and relevant elected members of the Australian and Queensland governments to discuss the research findings and seek interest in pursuing the evaluation framework.
3. Determine interest in collaborating with partners such as the Regional Australia Institute, regional universities and RDA to test and enhance the research-based evaluation framework with the objective of promoting its use by the nation's councils.
4. The researcher to follow up initial interviews with Queensland Treasury, Property Council of Australia, Palisade Investment (stakeholders in original research and subsequent conference) following the outcomes of recommendations 1 and 2 above, and provide an update as to response from the release of the research and any further actions being considered.
5. Subject to the level of interest shown (2, 3 and 4 above) the researcher and SCBC to draft an initial project plan for discussion with the collaboration team.

## **Conclusion**

The research presented does not specifically include the term 'ripple effect' in the title. Rather it focuses on the phrase 'enabling projects of regional significance'. In a metaphorical sense the dropping of stones into a body of liquid provides a means to explain optimisation in portfolio analysis. For example, with careful timing and placement, dropping stones may enhance the size or shape of the wave or ripple. If the physical representation of a ripple effect is used in future publications, then it would be prudent to include more than one stone impacting an already agitated liquid.

The research presents a way to categorise, measure and monitor projects of significance to the Sunshine Coast region and to understand if and how the declared economic benefits (or 'ripple effect') are being achieved over the lifetime of a project or a portfolio of projects.

### **References**

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