Three factors that make it hard to predict costs

1. Strategic misrepresentation
   - Intentionally understating costs to make a project look like a good investment

2. Optimism bias
   - The unconscious tendency to underestimate the costs and risks of favoured projects

3. Anchoring and adjustment
   - Fixating on the first 'anchor' number you hear and not adjusting your expectations away from it, even if the anchor number is flawed

The solution: “reference-class forecasting”

Data from previous projects...

Which is used to predict the cost of future projects

Future project data can then be used to strengthen the reference-class

Reference-class forecasting in action: Highways England

Highways England successfully reduced their average forecasting error from...

20% to 2% in 9 years