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Federal Transit Bureaucracy Fails Taxpayers

From the minutes of the Allegheny County Council Budget and Finance Committee meeting of August 15, 2006: “Robinson (committee chair) asked Mr. Bland (Port Authority Executive Director) if there was any documentation stating that the County has committed funds to this project. Mr. Bland said that he was not aware of any such documentation.” Of course, the project referred to in this exchange is the North Shore Connector.

From the Federal Transit Administration’s (FTA) November 2003 summary of the North Shore LRT Connector project that explains the FTA’s justification for recommending the Connector, page A-176: “ All proposed funding sources for the project exist. The State has provided evidence that its contribution of funding is fully committed to the project, although it retains flexibility in specifying the actual state fund. Allegheny County matching funds are also committed.” (Underlining for emphasis.)

The obvious question; If the Port Authority cannot produce any documentation showing that Allegheny County has committed funds to the project, how can the FTA assert that such funds have been committed? When asked, an FTA contact for the project was unable to explain the discrepancy. This is particularly disturbing since they point out specifically that the state has provided evidence that state funding is committed.

But that’s just the beginning of the FTA’s failure to act responsibly. Consider the following comment from the FTA’s 2003 project description: “In last year’s Annual *Report on New Starts*, the North Shore LRT Connector received a Low rating for cost effectiveness due to high cost of the project relative to its estimated transportation benefits. Since then, the Port Authority has undertaken a number of steps to maximize the value of the North Shore Connector project at the lowest reasonable capital and operating cost. Design and engineering modifications beyond value engineering achieved a seven percent reduction in the capital cost estimate, from \$390 to \$363 million (escalated dollars). An independent assessment of the estimates for project cost and schedule concluded both are reasonable, and a risk management plan has been developed based on these results.”

In short, by eliminating a station and jacking up travel use numbers, the Port Authority was able to persuade the FTA to change the project rating from Not Recommended to Recommended. Since November 2003, the cost of the project has risen in two steps to

\$435 million even though the Convention Center link has been dropped from the project plans. So much for the “reasonableness” of Port Authority estimates. Conservatively, this means the cost of twin tunnels under the Allegheny River and accompanying stations has risen by some \$120 million since November 2003. That’s a 38 percent increase and the first shovel of dirt has not been moved. Who can possibly predict where the cost goes from here?

Furthermore, according to the FTA summary description, the project will generate 4,400 new daily riders by 2030, a full 20 years after the completion of the project. So what is the cost per new rider over the 20 years? Assuming, (1) the current \$435 million capital cost estimate holds, (2) a 7 percent opportunity cost of capital, and (3) the forecast of \$8.5 million per year in operating cost is correct, then the average total (capital and operating) cost per new rider over the first 20 years is calculated to be \$48. One can only gasp at the FTA’s willingness to approve funding for a project with a cost per rider at this level. Bear in mind too that the 2003 estimate of ridership had been raised from the original application’s ridership forecast. Moreover, since the Convention Center link has been deleted from the project, there has to be a decline in projected ridership from the numbers submitted in the Port Authority application, raising the per rider cost even further.

Dropping the Convention Center link has yet another important impact on the justification for the project. One of the criteria for approving the project is “Mobility Improvements”. In assessing this criterion, the FTA looked at the number of employees within one-half mile of the new stations. The number they used is 37,612. But without the Convention Center station employment numbers boosting the average to this high level, the actual employee count within a half-mile of the new stations is going to be no more than half the 37,612 figure. And perhaps, realistically, given the remoteness of the station near Heinz Field and the Carnegie Science Center, the true figure might be a quarter or less of that used by the FTA in recommending the project.

In light of all the red flags that have been raised over the past two years, both in the Port Authority’s second application and those created by the massive changes that have been made to the North Shore Connector plans, it simply defies understanding that the FTA continues to rationalize staying with its “Recommended” status for this project.

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