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\$553 Million and Counting for PAT's Big Dig

We knew it was coming. The folks at the Port Authority (PAT) have now admitted what everyone has known for some time: \$435 million will not be enough to complete Allegheny County's biggest boondoggle so far in the 21st century. We are being told the infamous North Shore Connector project will need another \$117.8 million to cover the cost overruns PAT now reckons will occur. Of course, the cost overruns are blamed on unexpected construction cost increases no one could have foreseen back in September 2006 when the Federal Transit Administration (FTA) gave final approval to the \$435 million project. The FTA committed \$270 million in new funding while another \$80 million or so in Federal funds are being diverted from other Southwest Pennsylvania transportation projects. State and County funds make up the remainder.

Here's the rub. Back in 2004, PAT said the project would cost about \$360 million. In 2005 the cost had climbed to \$390 million and before the FTA got around to the actual approval of its funding, the cost had jumped to \$435 million. So for PAT to excuse itself now for not seeing four years ago the rise in costs it now faces is pure poppycock.

But the cost overrun story is far worse than it appears. In the proposal to the FTA that won a tentative approval back in 2004, PAT's cost estimate included an inflation adjustment and it included a light rail connection from Steel Plaza to the Convention Center. Removing the Convention Center leg should have reduced the cost by \$60 million or more. In a stunning display of its inability to estimate accurately, PAT had raised the price tag forecast to \$435 million by the time of final approval by the FTA despite the claim that inflation was accounted for earlier and the Convention Center leg was gone. When asked why the FTA would sign off on a project that had been so radically altered and whose price had risen so dramatically, the answer was that the \$435 million was necessitated by higher than previously forecast increases in construction costs. And now, of course, those too were underestimated.

Not only did dropping the Convention Center leg eliminate the expense of building that tunnel and station, it also substantially reduced the transportation benefits of the whole project. Those benefits in the original proposal depended heavily on the number of people working within a half mile of each new station. Obviously, a Convention Center station would account for far more such workers than the two North Shore stations. Thus, the

ridership estimates for the project were seriously overstated once the Convention Center connection was eliminated.

Two years ago, our estimate of the cost per rider on this boondoggle over the first twenty years of operation was conservatively placed at \$15. Now with costs escalating, that figure is going to be closer to \$20.

Unfortunately, in these surreal days when plans to spend nearly a trillion dollars to stimulate the economy do not elicit gasps of disbelief, a mere \$118 million for cost overruns on the Connector will seem like peanuts. And so it goes. The irony could not be more complete. A horrible waste of tax dollars in the form of the ill-advised, over-hyped and politically driven North Shore Connector will get a bailout because the national economy has been thrown into a serious recession largely because of incredibly wrongheaded government housing market policies.

If history is any guide, we should not be surprised when in another year or two it is learned that the \$118 million in extra funding will not be enough to finish the Connector. And, just as before, we will be assured that the new estimates are solid and will hold up. As we have learned, three years on a complex construction job is a long time and things change. Of course, the scam all along was to get the project started by assuring folks that the estimates were airtight. Then, later on in the midst of the work, how could taxpayers refuse to ante up enough to finish the job? Sadly, there never seems to be any accountability for those who engineer these outrages.

Amazingly, in a City facing enormous shortfalls in pension funding and with the highest per capita debt burden of any major city in the country and in a County that has had to impose new taxes and grab money that should be going to the airport to lower fees charged to airlines, officials will ask the Federal government to provide \$118 million more on top of the \$330 million in Federal money already being plowed into the North Shore Connector. This to cover cost overruns we were told would not happen. Is it any wonder people have so little confidence in government?

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