

***POLICY BRIEF***  
An electronic publication of  
The Allegheny Institute for Public Policy

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January 27, 2009

Volume 9, Number 5

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**Port Authority's Convenient Memory Loss**

In an effort to explain the recent revelation that the North Shore Connector would need another \$117.8 million to complete—bringing the total cost to \$553 million—a Port Authority (PAT) spokesperson said the project's cost was based on valid estimates for normal conditions. According to PAT the problem was drastic increases in costs that were not anticipated.

To be sure, construction materials prices did rise sharply between 2003 and 2008. A recent newspaper article places the rise in highway related construction prices at 76 percent over the five year period. And over the 2006 to 2008 period prices increased 16 percent as estimated by an industry expert. If these estimates are reasonably correct, then prices must have risen by over 50 percent between 2003 and 2006, the time frame planners at PAT were refining estimates of project costs. As if on cue, in August 2005 when bids for the first phase of the project were opened, they were on average 50 percent higher than PAT's estimate of \$70 million. There was a lot of concern about the high bids at the time since they could have put the project in jeopardy.

Bear in mind that in September 2004 the estimate for the entire project—including the convention center link and a convention center station—was pegged at \$363 million. By the time the first phase was put out for bids in 2005, the price tag had already climbed to \$390 million. Presumably, the earlier estimate had built-in inflation allowances so the ten percent rise was already an admission of mistakes in earlier estimates or an adjustment for more rapid than expected price increases.

Clearly, when the first bids were opened, PAT planners should have realized the \$390 million cost they were working with was way too low. Adjusting the estimate using information gleaned from the bids would have easily lifted the price tag to \$550 million even if construction costs increases slowed to more normal levels following the big run up between 2003 and mid 2005. In 2006, PAT officials acknowledged that energy and materials costs were pushing building costs up dramatically. Something of an understatement in light of the fact that virtually every contract bid was coming in well over PAT estimates.

To lower costs, PAT decided to downsize the project by eliminating the convention center link and station, saving at least \$60 million, and making other changes that might save a few additional millions. At that point, given what planners and engineers knew,

the re-estimated cost—without the convention center link—should have been at least \$480 to \$500 million. Instead, PAT decided to go with a new estimate of \$435 million and sold that number to the Federal Transit Administration and other officials whose approval was needed to proceed with the project.

Now in early 2009 we are being told the price will be \$553 million and that is without the convention center link and station. Note this figure is about the same as what they should have re-estimated in 2005 using available information—with the convention center link and station still part of the project. Unquestionably, the new cost overrun figure means the planners and engineers who estimated the cost of this project have been wrong not just on cost of materials but on other budget items as well.

To make matters worse, as late as April 2008, the Executive Director was quoted as saying that cost overruns at the project had not reached a crisis point. Less than a year later we learn that unless the project can find another \$117.8 million, and soon, it will have to be shut down.

Obviously, PAT's statements to the effect they were caught off guard by the large run up in materials costs are disingenuous. They would have us believe they don't remember making statements nearly three years ago in which they recognized that sharply rising materials costs were occurring. And they would have us believe they did not remember earlier concerns about cost overruns at the time construction started as demonstrated by their continuous assurances that \$435 million would be enough. And if not quite enough they could divert other capital funds to make up the shortfall.

PAT officials appear to be hoping the public and taxpayers, who are footing the bill for this boondoggle, will have forgotten the details of how this fiasco came about. Unfortunately for that vain hope, there is a detailed public record for anyone willing to do a little digging.

And now further compounding its financial woes; PAT says the 2009-10 operating budget, which begins July 1, faces a deficit of nearly \$17 million. It appears all the happy talk about both sides winning in the latest labor contract forgot to emphasize that things might get worse before they improve. Indeed, PAT's union employees will receive a pay raise this year—and the next three—courtesy of the new contract at a time when the dark clouds of recession are looming over the County and job cuts are being announced in the region. No wonder the Port Authority is in such sad shape and is constantly looking for more tax dollars to fund its capital projects and its operations.

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