

Sound Transit and its Citizen Oversight Panel

Emory Bundy, March 16, 2005

Introduction

Sound Transit's rail projects are far over-budget on the capital development side. Sounder commuter rail's current projected price is \$1.23 billion and entails an 89 percent cost overrun. Sound Transit no longer provides information on the full cost of Central Link light rail, but the cost of the portion called Initial Segment is \$2.44 billion, a 150 percent cost overrun. Sounder's per-train operating cost is nearly 2.5-times that represented when the planning was done. Both projects are years behind schedule. Sounder was supposed to operate 15 daily trains by 2002; it's operating four in 2005. Sound Transit says in several additional years it may operate 13 trains--but it is doubtful there will be demand adequate to support that many trains, and there may not be enough money available to do so. Initial Segment will enter service three years later than all Central Link was supposed to, and the only way Central Link can be completed within the next two decades is if a great deal of additional money can be found, and allocated for that purpose. In the meantime, tax resources that were supposed to be devoted to phase II of the Sound Move plan are being absorbed by phase I.

It is terribly important for this region to understand the implications of these cost overruns, and how and why they have occurred and are occurring.

The implications of the cost overruns

Here, in sum, are some of the implications:

- Money for Sound Move Phase II is being absorbed by Phase I.
- Money for Regional express buses (REX), HOV, and Community Connections is progressively being shifted to Link and Sounder.
- Money from East King County is needed for Central Link.
- Money from the entire region is needed for Central Link.
- Fares are being increased on REX, which is doing better, and not on Sounder, which is doing worse. The consequence will be a three-fold greater loss of projected ridership on REX than will be gained on Sounder.

In mid-December 2000, when the first billion dollar cost overrun was belatedly admitted, Sound Transit said the following:

"Q: Is it possible that the project [Central Link] cannot be built within the existing financing mechanism?

"A: Sound Transit is financed through supplemental sales and vehicle taxes, which pay for express buses, regional commuter trains and mass-transit-related highway improvements. To pay the additional \$1.2 billion, the Sound Transit staff last week

proposed extending the taxes an extra three years, from 2006 through 2009. That means claiming tax revenue that many people were hoping [and Sound Transit promised] would be available to pay for phase two of the project." (Seattle Times, 12.17.00)

To pay the additional \$1.2 billion Sound Transit extended phase I taxes further into the future, sacrificing money intended and promised for phase II of the Sound Move plan. But the cost overrun for Central Link will exceed \$4 billion, so the sacrifices of other options and projects are magnified and delayed further, and taxing for phase I will be projected further into the future. There is an effort afoot to impose a 0.3 percent motor vehicle excise tax on the Central Puget Sound region to add to the funds to complete Central Link--money that otherwise could be used for more efficient transit projects, or some other good public purpose. The situation is compounded by the parallel cost overruns of Sounder, now at \$680 million. It's compounded further by the fact that operating expenses are substantially higher than projected.

Sound Transit recently decided to impose an additional 25 cent fare on Regional Express buses, because they are falling a little short of meeting the goal of 20 percent farebox recovery of operating expenses. The fare increase is expected to reduce projected annual ridership by 221,000. Sound Transit's trains, in phase I, are supposed to recover 40 percent operating expenses from the farebox. The reason and rationale for the higher farebox recovery for trains is that they are supposed to be more efficient to operate, which is the rationale for bearing their much-higher capital costs. But in 2004 fares from Sound Transit's trains covered merely ten percent of operating expenses, accompanied by projections that the percent will continue to decline at least through 2006. But there will be no fare increases for Sounder--because the ridership is so poor Sound Transit is desperate to do everything possible to prop it up. Yet the latest agency projections are that Sounder ridership, with no fare increase, will add 64,000 trips in 2005--less than 30 percent of the number of trips the same agency estimates will be **lost** on REX due to its fare increase.

Recently came news that REX costs need to be trimmed in South King County and Pierce County. This is one consequence of the cost overruns of Sounder and Link.

In 1996 a package of plans was set forth in Sound Move, with budgets: Central Link was much the most costly (\$1.8 billion--all \$1995). Sounder was next (\$669 million). Considerably less money was allocated for HOV access (\$377 million), then REX (\$371 million), followed by Community Connections (\$255 million). Central Link is facing a 150 percent cost overrun--which alone is a greater sum than allocated for everything else in Sound Move. And Sounder an 89 percent overrun so far. All other projects suffer the consequences. Future resources that were to be applied to other transit services, and to extend Link, are being soaked up. Plus, much greater levels of debt now are planned, which will project the sacrifice of resources 30 years into the future.

East King County is the only subarea not in fiscal distress--because it is the only subarea that isn't facing the scale of cost overruns that the rail-building subareas are. So Sound Transit is crafting and applying myriad ways to violate its subarea equity promises and

raid the resources of the Eastside. First, Sound Transit pledges the good faith and credit of EKC to support the bonds required for Link and Sounder, imposing both risk on EKC, and insuring that its credit capacity will not be available if needed for its own projects. There is a move to narrow the prudent bond margins promised in Sound Move, raising the level of risk, increasing the prospect that EKC will have to bail out the region for bond obligations other subareas may not be able to meet. Sound Transit management has put into play a proposal that subarea borrowing be extended another decade, to 2019--and there is no reason why then it could not be extended additional decades, negating the entire premise of subarea equity--that each subarea will receive benefits proportionate to its taxes. Sound Transit is considering fobbing substantial Central Link costs off on the region. First, by declaring the Central Link maintenance base and conversion of the downtown tunnel to be regional assets, so their costs should be borne by the region, not only North King County, and ditto for the connection to the airport, and South King County. An initiative now is in play to add a substantial motor vehicle excise tax to the entire Sound Transit district solely to add revenue to extend Link from downtown to north Seattle.

How and why cost overruns?

Voters were assured that cost overruns would not occur, but, if they did, sufficient contingencies to cover them were provided in the \$3.9 billion Sound Move budget. But that was the public face of Sound Transit. In private, it contrived to gain authority to spend a boundless amount of money, for a much longer time, to build its preferred projects--which, it knew would not receive the sanction of voters if they were told the true costs, construction schedule, and benefits. Understanding how this happened requires a history lesson, and focus on the Expert Review Panel, which was supposed to prevent that outcome, and instead, facilitated it:

In 1989 Don Pickrell, USDOT senior economist at the Volpe research center in Cambridge, Massachusetts, carefully reviewed eight recent US urban rail projects. He found that the costs were consistently understated, and the ridership benefits consistently exaggerated. As a result, the cost/benefit ratios of the projects were mere fractions of what was predicted. He described the consequence of that in an article in the Journal of the American Planning Association, "A Desire Named Streetcar" (Spring 1992):

"Why Does Accuracy Matter?..."

"First, virtually every project this article reviews represented the largest investment in public works ever undertaken by the local area, often by a considerable margin....

"Second, local officials continue to choose--almost always in favor of a rail line--among alternative transit projects on the basis of narrow margins among their projected costs and ridership....

"What's Wrong with Optimism?..."

"This situation is striking: the planning process for many of the largest local infrastructure projects this nation has ever seen is systematically unable to produce reliable information upon which to base public investment choices. This failure does not simply reflect the difficulty of foreseeing the future course of inherently uncertain events, since virtually every error documented here steered the planning process in the **same** direction."

The Pickrell Report prompted the creation of the Expert Review Panel--purportedly to keep RTA from the willful misrepresentations typical of other jurisdictions. But in the hands of Sound Transit and chairman Aubrey Davis, the Expert Review Panel facilitated, here, a scale misrepresentations far beyond the scale of excesses elsewhere. As for keeping the process honest, here are candid remarks made by ERP member Scott Rutherford to an audience at Portland State University, January 10, 2003:

First, here's how the Puget Sound region decided to pursue rail, instead of bus transit:

"I can't think of any place where the client didn't already know what they wanted before they started the study. I thought we were going to get there in Seattle a few years ago when doing an alternatives analysis for what we were going to do. Because [when] they started out, they were going to hire separate consultants for the bus alternative and for the rail alternative and let them sort of fight it out in the arena of choice. I forget what happened, but it just fizzled. As soon as the more powerful policymakers decided that rail was it, it was it. So, what can you say? It's kind of disappointing. We'd like to think, as engineers and planners, that we're going to go in there and do this totally objective thing and they're going to take our advice, (but) it doesn't happen very often. It doesn't happen very often...."

And here's what's done to get federal grant money for the light rail project:

"So the 'game' was, you know, if you could keep your cost estimate down and your rider forecast up, they were looking at this cost-effectiveness number, cost per new rider--and those costs can get waaay out of line. And so the federal government is saying 'well we don't want to invest in something that has, you know, \$30 per new rider', and so what people did was sort of lowballed their cost estimates and goosed their forecasts so that that number comes down to sort of under \$10. I always thought that when I was out there, watching this that, you know, 'someone's gonna go to jail, these people are robbing the federal government of a billion dollars'. You know, they're defrauding the federal government basically--I mean what else could you say?--they're cheating. But the thing was that if you didn't cheat, you got nothing. If you cheated, you might get a billion dollars. So what do you think people do? I mean, duh!" (laughter)

When confronted with his candid statements--which he didn't expect to come to the attention of a Seattle audience--Professor Rutherford said the latter paragraph referred to Detroit. It did--but he described how these processes work, illustrated by Detroit, and clearly his description fits how it worked in Seattle. As for rigging the local bus/rail analysis, that is explicitly volunteered.

Sound Transit insisted that its projected costs and benefits were "conservative," "very conservative," "conspicuously conservative," etc., and the Expert Review Panel seconded those characterizations. It was a sham. Also, the agency claimed it had in place policies and administrative procedures that would push Sound Move toward its execution on time and on budget, "for certain." Another falsehood.

Illumination emerged in the course of 2000, when it became crystal clear that the costs of Central Link light rail were markedly higher than Sound Transit was representing--and this entirely from Sound Transit's own internal information. The Downtown Seattle Association commissioned the Washington Research Council to review this, with the conclusion that the cost overrun for Central Link was no less than a half-billion dollars--yet Sound Transit was hiding much of that from the public, and from Congress. This involved only costs that had been admitted, not other costs still hidden, like the bids on the Capitol Hill tunnel, the egregiously misrepresented right-of-way costs in the Rainier Valley and Tukwila, and a doubling of administrative overhead costs.

This prompted 88 citizens to issue a "Call for an Independent Audit." The Call is appended, and a reading will confirm it was a moderate, understated representation of what was going on.

Immediately Sound Transit staged a press conference starring its current board chairman, Dave Earling, and its next chairman, Ron Sims. They claimed Sound Transit had been "audited to death," there were "no cost overruns," and anyone who suggested otherwise was "twisting the truth." It was unalloyed mendacity, defending the sham original costs.

Scarcely three months later, a partial admission was made of overruns that no longer could be hidden, and an additional billion dollars was conceded. Sound Transit provided the following explanation for its ten digit discrepancy:

"Q: If Sound Transit was off by \$1 billion before, how accurate are the latest figures?

"A: The Sound Transit staff members insist the budget released last week is realistic. They say they failed to total everything up and look at the bottom line, and they promise no more surprises. The new budget has \$400 million in contingency funds to cover unforeseen problems, they said." (Seattle Times, 12.17.00)

So what Sound Transit claimed on September 6, 2000, that the agency had been "audited to death," there were "no cost overruns," and anyone suggesting otherwise was "twisting the truth," is explained by a failure of the agency "to total everything up and look at the bottom line." These are the people in whom the stewardship of billions of dollars of the public's money is entrusted, and the future success of the transit system.

It became clear that costs people were told, and reassured were true, were set by Sound Transit at a level calculated to get people to improve projects they would not have approved had they known the truth. Then the ballot measure deceptively conveyed to the

agency authority to spend without limit, and as long as it liked, for the putative \$3.9 billion Ten-Year Plan people thought they had approved:

"Q: When does light rail bust the budget?

"A: Last week the cost for the 21-mile line was estimated at \$3.6 billion. A year ago the estimate was \$2.3 billion. But there is no set budget for the project. Voters from King, Pierce and Snohomish counties endorsed taxes to pay for Sound Transit in 1996, but the ballot measure did not set a spending limit for light rail. That was intentional, because no one knew exactly how much it would cost." (Seattle Times, 12.17.00)

That billion dollar cost overrun was but a modest part of what was ahead. The portion now known as Initial Segment was projected to cost \$1.565 billion at that time, December 2000--including its share of the billion dollar increase for Central Link. By the next fall, 2001, it was \$2.1 billion. In December 2002, \$2.44 billion. That additional \$875 million overrun, just for the cheaper portion of Central Link, occurred on Joni Earl's watch--and no media outlet has ever reported it, nor has the Citizen Oversight Panel. Once honest cost estimates for Central Link from downtown to north Seattle are forthcoming, and from South 154th to the Airport and the South 200th terminus, the total cost for Central Link will exceed \$6 billion, and likely will surpass \$7 billion.

Citizen Oversight Panel and Independent Performance Audits

One would think this sequence of events would engage the interest of the Citizen Oversight Panel. Especially since all the 88 citizens asked for was an independent audit of the finances of Central Link light rail, a mere fragment of the annual, comprehensive performance audit promised to the citizens of the region, and required for COP to do its job. But there was little interest from that quarter. Not even, less than four months later, when everything the 88 citizens represented was confirmed, and more.

Here is a quick review of the promises and obligations of the Citizen Oversight Panel, starting with the representations in Sound Move:

- **"Public accountability**--The RTA will hire independent auditors and appoint a citizen committee to monitor RTA performance in carrying out its public commitments.... " Pages 5-6

"Keeping on track and within budget

- "Sound Move is based on extremely conservative cost and ridership assumptions and methodologies reviewed by an independent expert review panel appointed by the governor, the state Legislature and the state Transportation Department. In addition, the RTA has adopted strict cost management control principles to make certain Sound Move stays on schedule and within budget. These principles include:

- "Hiring independent auditors and appointing a citizen oversight committee to monitor RTA performance and make sure the authority maintains full public accountability."
Page 31

"To insure that the ten-year construction program development and implementation occurs within the framework and intent of these [financial] policies, the RTA will:

"a) Conduct an annual comprehensive performance audit through independent audit services;

"b) Appoint and maintain for the ten-year construction period a citizens' oversight committee, charged with an annual review of the RTA's performance audit and financial plan, for reporting and recommendations to the RTA Board." Appendix B, page

7

The matter of independent auditors and a citizen oversight committee also was elaborated in Resolution 75--which Sound Transit claims is the preeminent legal authority for its work, and trumps anything promised in Sound Move:

"Section 5. To ensure that the ten-year development and implementation program occurs within the framework and intent of the financial policies approved by Resolution 72, the RTA will conduct an annual comprehensive performance audit through independent audit services and appoint and maintain a citizens' oversight committee for the ten-year construction period. The oversight committee is charged with an annual review of the RTA's performance audit and financial plan and for reporting and recommendations to the Board."

Sound Transit appeared before the state supreme court in the *Sane Transit v. Sound Transit* suit, June 10, 2003, and argued that Resolution 75 gave it the authority to collect taxes for its putative Ten-Year Plan indefinitely, and spend without limit, so long as the plan was not completed. Desmond Brown, chief legal counsel for the agency, was asked by a member of the court if Sound Transit was obliged to honor all of Resolution 75, or if it could pick and choose what sections it wanted to observe. Mr. Brown responded unequivocally, "All of it."

But Sound Transit has never commissioned the "annual comprehensive performance audit through independent audit services" promised in Sound Move and in Resolution 75. Though it is the premier responsibility of the Citizen Oversight Panel to review and comment on that independent annual performance audit, it has never done so--since there never has been one. Yet COP has never objected to the fact that has never had access to the information required and mandated to do its job.

COP meekly accepts and relies on information provided it by Sound Transit and its vendors, complete with misrepresentations, distortions, and agency spin. It's supposed to be a citizen watchdog, but it has done little to cultivate and use independent, reliable information. Its first chairman left the board and immediately went to work as a Sound Transit vendor. A current member, Aubrey Davis, was chairman of the putatively

independent Expert Review Panel, that performed a terrible disservice by erroneously vouching for the competency and accuracy of the costs and benefits represented in Sound Move. COP member Bill LaBorde wrote a letter to Sound Transit on June 16, 2000 to confirm a \$15,000 contribution to his organization, Transportation Choices Coalition,-- and to report that TCC used the previous year's contribution in part to round up citizens to lobby in Olympia for "state support for Sound Transit." The agency was seeking hundreds of millions of dollars--even though it promised in Sound Move it would not ask for money from the state government: "The RTA assumes no state funds, thus placing no additional demand on limited state resources that are needed for other regional transportation investments." LaBorde's TCC colleagues Peter Hurley and Aaron Ostrom were asked whether the citizens they rounded up to lobby in Olympia for transit generally, and Sound Transit funding specifically, knew that Sound Transit was helping fund the lobbying. They didn't supply a straight answer, which likely is a confirmation that they were not told and did not know.

When one looks objectively at the scale of discrepancy between the representations of the Sound Move plan--costs (capital and operating), benefits (ridership and time), and development schedule--one is forced to the conclusion that,

- a) The Expert Review Panel was stunningly incompetent, or
- b) The Expert Review Panel collaborated with Sound Transit in misrepresenting costs, benefits and development schedule to the public. The motive was to help the agency obtain access to tax resources that the public would not have extended had it known the truth.

When the first billion dollar cost overrun was belatedly and reluctantly admitted by Sound Transit, December 2000, one might have anticipated that the long-time chairman of ERP would be scandalized, and push for an investigation. How could this happen?! Instead, he immediately became an apologist and defender.

"Nobody is happy that light rail is going to cost a lot more than Sound Transit originally estimated. But does that mean we should throw in the towel? I don't think so. If the light-rail project is broken, let's fix it, not abandon it. Let's see that the agency sets realistic budgets and schedules, that there is strong management in place and independent oversight." (East Side Journal, 12.23.00)

It wasn't just Sound Transit that grievously misrepresented the cost, it was Aubrey Davis and ERP, too. His call for "independent oversight" is hollow, as that was precisely what he and his committee members were supposed to provide, and didn't. And now he is a principal in the eight-year review of Sound Transit's performance, which is inappropriate.

Sound Transit has never once suffered the independent performance audit it promised on an annual basis, and which is required for COP to do its job. But there was an encouraging moment in the spring of 2001 when board interest was expressed in understanding why the 1996 numbers were so fallacious, and \$500,000 was identified to

study it. The discrediting implication of surfacing the truth was swiftly recognized, and the study was reduced to an arcane review of cost-estimating methodology--pointedly not to look into the fabricated 1996 estimates. Funding was cut to \$100,000, little time was allowed, and Sound Transit selected its own auditing firm, Deloitte & Touche, to do the job. In spite of those restrictions, it was an illuminating inquiry, and helped explain why represented costs were so wide of the truth:

- "Deficiencies in development of prior estimates including
 - Development of estimates to match a budget
 - Overly optimistic estimates
 - Inadequate contingencies
 - Contingencies prematurely reduced
 - Inadequate/insufficient data (e.g. no soils data, ROW based on EIS, etc.)
 - Inadequate soft costs."

Also, "the estimates were developed with too much optimism for the best case scenario to occur in all cases....[E]stimates were prematurely reduced at the direction of Sound Transit management....Also, the Agency estimates were lowered in 1999 based upon overly optimistic staffing plans. In addition, the Project schedule was based upon a completion date in the fall of 2006 but this was also discovered to be overly optimistic and aggressive."

Ponder just the first point: "Development of estimates to match a budget." Precisely what Don Pickrell warned again--the skewing of information by agencies like Sound Transit to justify projects that could not be justified if competently and honestly evaluated and proposed. If one scrutinizes Sound Transit's Fairbank, Maslin, Maullin and Associates poll of September 1994, one will discern that it was used to guide Sound Transit on the scale of taxes it might extract, and what it would have to represent to get it. Sound Move's represented costs conform closely to the findings in that poll, rather than the truth, as events have dramatized. The estimates matched the budget--a budget guided by the polling--whereas the budget ought to have reflected a competent, hard-headed, honest estimate of the actual costs. Same for the construction schedule, which also was guided by the polling rather than competent expertise. It is clear from the polling that Sound Move would not have been adopted had Sound Transit and ERP put forth the truth. Yes, the people have an affection for rail--but the public isn't crazy, and citizens want some reasonable match between cost and performance. Sound Transit would not have succeeded in 1996 had it told the truth, so it operated in accord with the classic motive for what scholars in the field call "strategic misrepresentation"--lie, if that's what it takes to get what you want.

Will the damage be perpetuated, or arrested?

Citizens were told that Sound Transit's goal was to improve mobility, curb the growth of congestion, and do so in a cost-effective manner. Not so. Sound Transit's goal is to build rail projects, no matter how much they cost, how deficient in meeting ridership goals,

how long it takes, or how superior other options are. It acts in defiance of the following promise:

"As the RTA proceeds to more detailed planning and engineering levels, it will continue to identify and evaluate alternatives that might achieve the same system goals and benefits more cost-effectively....[T]he RTA will use a variety of techniques to make sure that the system is developed and operated as cost-effectively as possible....[T]he RTA will monitor system performance and productivity and make changes to service plans when appropriate." Sound Move, page 28

In the hands of Sound Transit, cost-effective alternatives are ruled out, until the agency goes broke:

"Sound Transit was created by the voters in a ballot measure that was specific about the kind of technology it should use. The plan specified express buses, commuter trains and a core light-rail line from SeaTac to the University District. Sound Transit board members say even if other technologies were worth examining, their job is not to study them, that they are bound by what voters in three counties approved in 1996. The only way they could back out of light rail, board chairman Earling said, would be if the system could not be built for technical or financial reasons." (Seattle Times, 12.17.00)

At this advanced stage, the question is whether the region will arrest the damage, put its house in order, and get serious about addressing the very real challenges of mobility and congestion? Or will it continue along the course of a disastrous, misrepresented fiasco.

The following is an excerpt from my Report Card for Sound Transit, documenting the extravagance of money flowing to Sound Transit, and how meager the return:

BUDGETS, RIDERS, AND TRANSIT MARKET SHARE

"Along with the standard basis of comparison--promises versus performance--the key issue is whether Sound Transit is contributing to more cost-effective transit service, and improving transit market share. It's doing neither.

"In 1998, without Sound Transit, the four local Central Puget Sound transit agencies (King County Metro Transit, Pierce County Transit, Community Transit, and Everett Transit) received \$506 million in revenue. They had a solid record of improving transit market share, unlike most local transit agencies in the US.

"Current projections are for Sound Transit alone to receive \$453 million in 2010, with nearly \$850 million more going to the local agencies, bringing the regional total to approximately \$1.3 billion. In inflation-adjusted dollars, regional transit revenues will double between 1998 and 2010--primarily due to Sound Transit. If cost-effectiveness remained constant, ridership should double, too.

"In 1998, the four local agencies served 118 million trips, without Sound Transit. In 2010, they are projected to serve 156 million trips, with Sound Transit--and that includes implausible ridership projections by Sound Transit. That's an increase in ridership of 32 percent spread over 13 years, a compounded annual increase slightly over two percent per year. That is lower than the region's total annual growth in transportation trips. The 32 percent ridership gain will be obtained in tandem with a 150 percent increase in transit revenue, in absolute dollars (\$506 million in 1998 to \$1.3 billion in 2010), double the amount when controlling for inflation.

"The region's cost per transit trip is escalating sharply and, in spite of all that additional money, transit market share is declining. That is precisely the opposite of what Sound Transit claimed--that market share would increase, and transit would become more cost-effective.

"In 2010, 14 years into its ten-year plan, Sound Transit will add 36 percent to the region's transit bills. If its latest predicted ridership materializes--22.1 million trips--it will contribute 14 percent of the region's transit trips. King County Metro Transit will get 46 percent of the revenue, \$577 million, and provide 104 million trips, 66 percent of the total. Sound Transit will receive nearly four-fifths the money Metro Transit will, and provide little over one-fifth as many trips."

It is an absolutely stunning performance, rapidly escalating costs, and minimal increases in ridership benefits--even if one accepts Sound Transit's implausible current ridership projections for 2010. Huge increases in per-trip costs are accompanied by no gain at all in transit market share. Sound Transit's is the quintessential "Pyrrhic victory"-- through misrepresentation, the agency is prevailing in its scheme to amass public funds to build its pet rail projects. But through its victory, the region's transit system and performance is being progressively ruined. The transit system is becoming more cost-ineffective, and the broader transportation system more impaired.

As my colleague Don Padelford has so persuasively demonstrated, just the cost of Initial Segment could provide this region with high capacity bus rapid transit to all the region's major population centers--and isn't that what is needed and desired, HCT service to the region's centers? It could have done it within the Ten-Year Plan. With Sound Transit, it will take an enormous, additional wash of money, and many more years, just to complete Central Link, described in Sound Move as a "starter rail," a downpayment "test drive" on the promised 125-mile HCT network.

The value of time

Consider, for example, BRT relative to Sound Transit rail, Everett to Seattle. First, the buses are much less costly to operate, and enormously less costly to put into service. So the rail investment is rationalized by claims of time savings. There were to be 561,000 boardings in 2004; there 97,000, 17 percent as many. Each trip from Everett to Seattle was represented as saving 71 minutes, on the grounds that an Everett-Seattle bus would

take 2 hours and 11 minutes, and Sounder would take 60 minutes. That calculation was contrived by comparing Sounder with a milk-run bus trip with a transfer in Aurora Village, rather than the Everett/Seattle express bus (Sound Move, page C-7). At present there are 14 daily round trip express buses from Everett to Seattle, average time approximates 60 minutes, just like Sounder. For most people the bus offers greater convenience, not only because of the frequency of service, but the fact that the bus serves seven stops instead of two. Not only did Sound Transit fabricate the time savings, and wildly exaggerate the number of patrons, it also exaggerated the value of the time saved, pegging it at \$12 per hour, rather than the professional norm that would have placed it in the \$5 range. But since there are no time savings, the value of the time saved is moot. The entire exercise is a fabrication from beginning to end, claiming that a prodigious, unmitigated waste is an asset.

The primary value of Sound Transit's rail projects, according to the agency's own data and studies, as presented in Sound Move and in the October 1996 study done by the agency's economic consultant, Porter & Associates, is the value of the time saved. As the anecdote above dramatizes, those purported benefits are a combination of exaggerations and fabrications. Any honest and competent economic analysis of Sound Transit rail will conclude that it costs enormously more than any conceivable benefit that will be derived over its lifetime.

Conclusion

To sum up:

- Transit market share is not being increased by Sound Move.
- Transit costs are escalating dramatically, on account of Sound Transit.
- The transit system is becoming more and more cost-ineffective.
- The longer Sound Transit's rail projects proceed, the greater the financial harm will be, the misallocation of resources, and the forfeiting of opportunity costs--useful things that could be done with the money.
- Sound Transit now has formed Expert Review Panel 2 without ascertaining and correcting the reasons for the immense errors/misrepresentations of ERP 1.

It is not the job of the Citizen Oversight Panel to plan the region's transit or transportation future. It is its job to keep a watchdog eye on the agency, obtain and then carefully review the promised, genuinely independent annual performance audits, plus the agency's financial plans, and make recommendations. Then a better-informed public will be in a position to make its wishes known.

Mention was made earlier of the seminal role and significance of the Pickrell Report of 1989. It led to the creation of an Expert Review Panel, and probably contributed to the promise of independent performance audits, and their review by a watchdog panel of private citizens. Recently a major study of 258 large transportation infrastructure projects was completed by an international team of scholars headed by Bent Flyvbjerg of Denmark. (Megaprojects and Risk, Cambridge University Press, 2004). It included 58

rail projects. Though it found that there were inexcusable excesses, generally, in cost-estimating transportation infrastructure projects, by a very wide margin the most flagrant pattern of misrepresentations was the underestimating of rail projects. Further, the projected ridership for those projects was, on average, even more flagrantly misrepresented.

Sound Transit's commuter rail and light rail projects are radically more misrepresented than the preponderance of those 58 studied rail projects.

It is the premise of the study that, when billions of dollars of public funds are committed, it is extraordinarily important to get honest, accurate data. To fail to do can be ruinous--like Boston's Big Dig, the functional equivalent, in a highway project, to Seattle's Central Link light rail, with uncanny similarities in how the projects' costs were misrepresented and then concealed. It's not merely the wasting of enormous sums of public money, it's the forfeiting of all the better options that could have been pursued with that money.

The conclusion of Megaprojects and Risk is,

"[T]he promoters of multi-billion-dollar megaprojects systematically and self-servingly misinform parliaments, the public and the media in order to get projects approved and built....[T]he formula for approval is an unhealthy cocktail of underestimated costs, overestimated revenues, undervalued environmental impacts and overvalued economic development effects. This results in projects that are extremely risky, but where the risk is concealed from MPs, taxpayers and investors." (Book jacket)

The first requisite to arrest this damage is to shed light on it, and provide accurate information about what is happening. That, in a nutshell, in the Central Puget Sound region, is the responsibility of the Citizen Oversight Panel.

Personal comment by the author: As I was reworking this essay word came that Bernard Ebbers, CEO of WorldCom, had been convicted of fraud, and could be sentenced to 85 years in prison. His crime was serious: misrepresenting the revenues and expenses of his company--costs and benefits--by \$11 billion. There was no smoking gun of a paper trail to prove he did what he did, but the jury did not buy his excuse, that he didn't mean to or hadn't noticed. The leaders of Sound Transit have done and are doing exactly what Mr. Ebbers has been convicted for, and have a clearer paper trail.

No charges were brought when WorldCom was riding high. It was when the consequences of the deception began to come to light that there was hell to pay. The same thing may finally be happening with the Massachusetts Turnpike Authority, and its Big Dig--the highway equivalent of Central Link light rail. Originally it was fallaciously represented at \$2.6 billion, which, allowing for inflation, has proven to be about \$9 billion off, a scale and proportion not dissimilar to Central Link. And now serious quality and performance problems are coming to light. Finally, after all these years, the

US Attorney in Boston has assembled a team to investigate the Massachusetts Turnpike Authority, and a Governor who's not implicated with creating and defending the project, is belatedly moving to protect the public interest, starting with the removal of its top executive. The Massachusetts Attorney General is getting into the act. Several years ago the Massachusetts Inspector General reported the willful misrepresentations of Big Dig costs--actively facilitated by contractors Bechtel and Parsons Brinckerhoff--and the massive destruction of records, to cover-up. Parsons Brinckerhoff, which plays a role in Boston similar to its role in Seattle, is a target of the investigation, along with senior personages in the Turnpike Authority.

A former Puget Sound Regional Council transportation planner, who witnessed the evolution and activities of the Central Puget Sound Regional Transit Authority, recently observed of the investigations underway in Boston, "I guess that eventually the lawyers and courts get involved. Too bad they can't seem to call a time out when they are confronted with evidence of malfeasance early in a project. I guess that the burden of proof being what it is, they need evidence after the fact, not before."

One of the tools promised to the public was the Citizen Oversight Panel, who's job was not to collaborate with Sound Transit, but to protect the public interest by serving as a vigorous, probing watchdog, informing citizens, exposing shortcomings, and helping keep things on course. It was supposed to be independent, and it was supposed to have independently-prepared, annual, comprehensive performance audits, to study, ponder, and rely on as a basis for its reports and recommendations. It is a tool that has not yet been applied, COP has never objected, and there are members of COP without clean hands.

What Sound Transit board and management have done is commit fraud, on a WorldCom scale, billions and billions of dollars of costs and benefits, misrepresented. They may or may not be guilty of felonious misconduct--because one of the ironies of US law is that it is much more tolerant about cheating citizens and taxpayers than it is about cheating shareholders. But the ethical conduct is the same, the misrepresentation of costs and benefits, with the consequence of great harm and misallocation of scarce public resources. The question facing COP is whether to participate in the sham, or do its job, and shed light on it, before the damage gets worse.

Emory Bundy
March 18, 2005