Rising Costs Put N.Y. Transit Projects at Risk

By WILLIAM NEUMAN
Published: January 31, 2007

The Metropolitan Transportation Authority faces surging costs that could force it to eliminate or postpone badly needed projects less than halfway through a five-year, $21 billion program to expand and improve its transit system. By one estimate, the program is now $1.4 billion over budget.

Among the projects in that program are renovations to subway and commuter train stations, maintenance of antiquated signal systems, and the purchase of hundreds of buses and subway cars, and many of the projects may be affected, officials indicated.

Much of the problem has been caused by a rapid increase in the cost of construction in New York City, as a result of rising prices for materials and the large number of new projects, which gives contractors the leverage to charge more. In many cases, fewer companies are bidding on projects and offers are coming in much higher than expected.

Another problem is the weak dollar, which appears likely to raise the cost of a contract for subway cars with French and Japanese companies.

“There’s no question that there are serious financial issues confronting the M.T.A. with its current five-year capital program,” said Elliot G. Sander, who took over as executive director and chief executive of the authority this month. “We are particularly concerned about the increase that we are seeing in construction costs, and we have undertaken a comprehensive look at the issue.”

Mr. Sander said yesterday that it was “far too early” to predict whether the rising costs would affect fares.

The alarm was raised in December, when the president of New York City Transit, Lawrence G. Reuter, in a memo to senior staff members, warned of more than $1.4 billion in cost increases in the long-term spending plan and said rising costs were “seriously undermining our ability to proceed with major portions of our program.”

It is not the first time in the authority’s history that officials have warned about changing economic conditions leading to unfulfilled promises, but longtime watchers of the authority said the magnitude of the problem highlighted in Mr. Reuter’s memo was unsettling.

“That isn’t chipping away,” said Gene Russianoff, staff lawyer for the Straphangers Campaign, a group that advocates for the needs of transit riders. “That’s cleaving. It’s a huge hole.”

The five-year plan, known as the 2005-9 capital program, includes so-called mega projects, like the Second Avenue subway, a Long Island Rail Road link to Grand Central Terminal and an extension of the No. 7 subway line.

Mr. Russianoff said he was concerned that officials might push ahead with such high-profile undertakings while sacrificing some of the smaller projects needed to keep the transit system in good shape, like buying new subway and rail cars and making station repairs.

In his memo, Mr. Reuter said the cost increases put the transit agency’s basic goal of maintaining a state of good repair in the subway and bus system “in jeopardy” and could force it “to delay long overdue investments.”

Mr. Sander, however, said he would protect the system’s basic needs, calling them “the first priority of the M.T.A.”

Mr. Reuter’s memo dealt with the portion of the long-term spending program administered by New York City Transit, which runs the subways and buses. His agency accounts for more than half the authority’s overall capital program, with $11.2 billion in projects that involve things that riders see every day, like subway station renovations, and less visible matters, like track repair.

In his memo, Mr. Reuter warned that the agency’s estimate of cost increases could go much higher. Citing an inflation rate for large construction projects of 1 percent a month, he said that if that trend continued, “we stand to lose a full year or more of the current five-year program.” That could translate to cost increases of more than $2 billion.

Mr. Reuter, who is retiring next month after more than 10 years as head of New York City Transit, refused through a spokesman to be interviewed.

Officials at the authority said part of the problem they have encountered in recent months was that projects are attracting fewer bidders than they expected.

This is believed to be because some contractors already have all the work they can handle. But it may also be because the authority is in the process of seeking bids for the mega-projects, which are worth billions of dollars. Transit and industry officials say contractors may be refraining from bidding on smaller contracts because they hope to win at least part of a larger contract, perhaps as a subcontractor. Either way, when contracts attract fewer bidders, contractors feel less pressure to bid lower.

- 1
- 2

Next Page »
Next Article in New York Region (2 of 29) »

Tips

Rising Costs Put N.Y. Transit Projects at Risk

- Sign In to E-Mail or Save This
- Print
- Single Page
- Reprints
- Share
  - Digg
  - Facebook
  - Newsvine
  - Permalink

Published: January 31, 2007

A prime example is a project for the renovation of a large subway car repair facility in Upper Manhattan, known as the 207th Street overhaul shop. Only one company bid, and its offer of $379 million was close to $100 million more than the cost estimated by transit officials. The bid was rejected and officials are considering whether to proceed.

The problems go well beyond subways and buses, however.

Tom Bach, the chief engineer for the authority's bridges and tunnels division, said yesterday that it was "frightening" to open the bids in October from three established contractors for extensive work on the Cross Bay Veterans Memorial Bridge in Queens and find all the bids substantially over the estimate of about $55 million. The bids ranged from $74.9 million to $86.5 million.

As a result, the bids were set aside, and officials decided to split the project into two pieces. The authority will seek bids on one portion later this year and defer the rest of the work until after 2009. The Long Island Rail Road and Metro-North have also seen cost increases.

Mr. Bach said that his division had yet to award contracts for what had been estimated as $400 million worth of projects under the capital program, and that he now expected the work to cost $40 million more.

Mr. Sander said the authority would explore a number of ways to hold the spending plan together. That could include splitting more projects into smaller pieces in hopes of drawing more bidders into the process.

“We need to see if we can drive costs down,” Mr. Sander said. “We need to review the existing scope for these projects to make sure they’re not gold-plated, and we have to see if there are additional revenue sources to support any uncontrollable cost increases in these projects.”

With questions emerging over the long-term spending plan, Mr. Sander has assumed control of an authority that now appears to be facing a twofold financial quandary. The agency’s day-to-day operating budget — which is administered separately from the long-term financing — is expected to have a surplus this year, but projections call for large operating deficits beginning next year.

« Previous Page

- 1
- 2

Next Article in New York Region (2 of 29) »

Tips

To find reference information about the words used in this article, hold down the ALT key and click on any word, phrase or name. A new window will open with a dictionary definition or encyclopedia entry.

Related Articles

- Mixed Bag By M.T.A. On Discount For Holiday (April 21, 2006)
- Support Grows For Rail Station At New Stadium In the Bronx (April 5, 2006)
- M.T.A. Is a Year Behind On Security, Hevesi Says (March 3, 2006)
- Council Panel Criticizes M.T.A. for Pace of Security Work (February 3, 2006)

Related Searches

- Metropolitan Transportation Authority
- Budgets and Budgeting
- Building (Construction)
- New York City

Next Article in New York Region (2 of 29) »