

VandenBerghe, Alissa (Consultant)

From: John Reilly [jjreils@attglobal.net]
Sent: Monday, April 27, 2009 12:25 PM
To: White, John; amyg@enviroissues.com
Cc: Harvey Parker; Paananen, Ron; Dye, Dave; Van Ness, Kristy (Consultant); Brenda Bohlke
Subject: Re: Westneat: Publivc Project Cost Analysis by Flyvberg

John - sounds good, let me know if you need specifics. Also, reference the folio input material re underground projects that have been under budget and the current good billing environment - which hopefully will last for some time (or at least show our cost escalation scenario is reasonable).

Harvey and Brenda - we'd like more examples of tunnels that were completed within the owner's budget (including their 'allowance' which sometimes is not public).

Regards, John Reilly
Web: www.JohnReilly.us
Cell: +1-508-904-3434

----- Original Message -----

From: [White, John](#)
To: amyg@enviroissues.com ; [Reilly, John](#)
Cc: [Paananen, Ron](#) ; [Dye, Dave](#) ; [Van Ness, Kristy \(Consultant\)](#)
Sent: Monday, April 27, 2009 10:15 AM
Subject: Re: Westneat: Publivc Project Cost Analysis by Flyvberg

Discussed with Ron the thought of sitting down with him and walking him through how we conduct our budget and risk management business.

Ironically, John R's presentation at the SAC tunnel forum referenced the Flyvberg work and then crosswalked to CRA and CEVP, good starting place for the discussion.

John

From: Amy Grotefendt
To: Reilly, John; White, John
Cc: Paananen, Ron; Dye, Dave; Van Ness, Kristy (Consultant)
Sent: Mon Apr 27 09:09:18 2009
Subject: RE: Westneat: Publivc Project Cost Analysis by Flyvberg

I think this is something WSDOT should respond to; have a call into Lloyd Brown to discuss.

From: John Reilly [mailto:jjreils@attglobal.net]
Sent: Sunday, April 26, 2009 12:05 PM
To: Amy Grotefendt; John White
Cc: Ron Paananen
Subject: Fw: Westneat: Publivc Project Cost Analysis by Flyvberg

FYI - do you want to respond to this, or to involve the Donegan truth squad? The material is all written, let me know if you want to act on this. I'll also ask Donegan if he wants to act and note the following to him.

PS - CEVP of course was developed to address this specific problem - which we were working on prior to

Flyvbjerg's initial paper in the summer of 2002 (attached for your reference, plus a more recent article by him).

Regards, John Reilly

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----- Original Message -----

From: [Bob Donegan](#)

To: [Jim Seaver](#)

Sent: Sunday, April 26, 2009 9:00 AM

Subject: Westneat: Public Project Cost Analysis by Flyvberg

We saw this analysis in the Dec 12 Deep Bore Meeting between the outside experts and the Project Team. Westneat missed the announcement this week that a BART project in Bay Area came in at 55% of estimate. Also look in today's Seattle Times real estate section for a nice picture of Stakeholder from Belltown, John Perhsen.

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Danny Westneat

Tunnel's cost may fool us all

A professor at Oxford University in England has done a compelling series of studies trying to get at why big public-works projects such as bridges, tunnels and light-rail systems almost always turn out to be far more costly than estimated.



[Danny Westneat](#)

Seattle Times staff columnist

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These people are all talking about the tunnel to be drilled beneath downtown Seattle, as a replacement for the creaky Alaskan Way Viaduct. How would you characterize their statements? Informed? Promotional? Utopian? Foolish?

A new body of social-science research about the psychology of public-works projects suggests a more pointed set of words may apply. Deluded. Deceptive.

Or: Lying.

That last one is such a loaded charge that I want to be clear: The research is not specific to these public officials, or to our struggle to figure out what to do with the aging viaduct.

But a professor at Oxford University in England has done a compelling series of studies trying to get at why big public-works projects such as bridges, tunnels and light-rail systems almost always turn out to be far more costly than estimated.

"It cannot be explained by error," sums up one of his papers, matter-of-factly. "It is best explained by strategic misrepresentation — that is, lying."

The professor, Bent Flyvbjerg (pronounced flew-byair), has become a flash point in civic-planning circles. Some think he's a rock star; others say his analysis is too cynical.

It started seven years ago, when he published the first large study of cost overruns in 258 mega-transportation projects. He found that nine out of 10 came in over budget, and that the average cost overrun was nearly 30 percent. Rail systems had an average cost escalation of 45 percent.

Our own Sound Transit light-rail system was not included in the study, but it fits the profile. Its budget soared by more than 100 percent, forcing planners to halve the length of the rail line. The shortened line opens this summer.

What's so controversial about Flyvbjerg's research is not his documenting cost overruns. It's his effort to show why public projects are so chronically out of whack.

It's not technical challenges or complexity or bad luck, he asserts. If that were so, you'd get more variation in how it all turns out. He concludes the backers of these projects suffer from two main maladies.

One is "delusional optimism" — they want it so badly, they can't see its flaws. I know about this firsthand from when I supported the monorail.

The second is worse: They knowingly are lying to the public.

"Delusion and Deception in Large Infrastructure Projects," was the title of Flyvbjerg's most recent paper, published in January. He details through interviews with public officials how the pressure to get a project approved politically and under construction almost invariably leads to deception — a lowballing of costs and an exaggeration of benefits.

Which brings me back to our viaduct-replacing tunnel.

I have no idea if planners there have underestimated the cost of that tunnel. Some projects do come in on budget. We likely won't know for a year or more.

I do think it's suspicious that this same tunnel was rejected in December by a stakeholder advisory committee on account of it being way too expensive.

Only to have the costs then shrink (!) by \$400 million, arriving at a size that happily fits the state's pre-existing budget.

Many aspects of the new tunnel seem to jibe, generically, with Flyvbjerg's recipe for a boondoggle. It has been minimally engineered. It has boosters spinning for it, in this case a Seattle think tank, the Discovery Institute. And there is extreme political pressure — or exhaustion — after eight years of dithering and delay.

Flyvbjerg chronicles many types of public deception, from the hard sell to the noble lie. Still, he has no example that tops a public official making a promise as categorical and unknowable as: "There will be no cost overruns."

Nobody seems to believe that pledge, even as they repeat it. Last week, the Legislature passed an amendment to put all cost overruns for this tunnel onto the property owners of Seattle. The project wouldn't pass without it, they said out of one side of their mouths. But don't worry, there won't actually be any overruns, they said out of the other.

I think they know this tunnel is going to cost more, probably far more. But everyone is sick of talking about it. I know I am. That they've finally made any choice at all seems like a victory.

Flyvbjerg says that's the way it often goes. He also has all sorts of ideas for how to make this process more honest and accurate, most involving outside scrutiny. Suffice to say, that route would drive up the estimated costs of most projects dramatically.

I wondered, when I read them: If we knew the truth, would we accomplish anything at all?

Or is it better to be lied to?

Danny Westneat's column appears Wednesday and Sunday. Reach him at 206-464-2086 or dwestneat@seattletimes.com.

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