



U.S. Department
of Transportation
**Federal Transit
Administration**

Administrator

1200 New Jersey Ave., S.E.
Washington, DC 20590

JUN 18 2010

The Honorable Christopher J. Dodd
Chairman, Committee on Banking,
Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

I write to inform you that the Federal Transit Administration (FTA) and the New York Metropolitan Transportation Authority (MTA) recently reached agreement on a revised cost and schedule for both the Eastside Access (ESA) and Second Avenue Subway (SAS) New Starts projects. Shortly after I became the Federal Transit Administrator, I sought to engage the MTA in a series of discussions to develop these revised costs and schedules given the need for FTA and Congress to have accurate estimates that fully acknowledge the potential risk in the out years to each project's baseline schedule.

Please know that I had hoped by this time to be able to notify you of my intent to amend the Full Funding Grant Agreements (FFGAs) for both projects to reflect these new costs and schedules. Unfortunately, meaningful discussions first had to await the appointment of a new chairman and chief executive officer of the MTA. While our discussions were concluded several weeks ago, I had to wait to notify the Committees until the necessary additional state and local funds were committed in MTA's 2010-2014 capital budget—a step which required approval by the MTA's Capital Program Review Board. That process was finally completed on June 2. Currently, the FTA and MTA are ironing out the details of the necessary revisions to the FFGAs. Once those revisions are finalized, I will provide the formal 30-day notice to the authorization and appropriations committees that is prerequisite to my execution of the amended FFGAs.

We all recognize the enormous mobility improvements these two mega-projects will bring to the Nation's largest metropolitan area. Clearly, however, the news regarding the cost overruns and schedule delays is grim. As displayed in the enclosed table, FTA now estimates that the Eastside Access project is likely to cost \$1.769 billion more than was initially anticipated and will be delivered some 52 months later than the dates cited in the FFGA that was signed by my predecessor in December 2006. For the Second Avenue Subway project, FTA estimates that the project will cost some \$930 million more than anticipated and be delivered 44 months later than the dates cited in the FFGA that was signed by my predecessor in November 2007. MTA maintains that it can deliver these projects sooner and at lower costs than FTA currently estimates. I certainly hope MTA succeeds. But FTA believes it prudent and appropriate to formally amend the FFGAs to reflect the results of FTA's current risk analyses.

These significant cost increases are due in part to the heightened economic markets of 2006-2008 that saw substantial increases in commodity prices. They may also be attributable, in part, to an unusually active construction market in New York City—including a number of major transportation infrastructure projects—which drove up bid prices during that period. That said, there is no question that the MTA shares some significant responsibility for these cost increases. Key management positions overseeing these projects remained vacant for months. There were lengthy delays in awarding contracts, due to changes in both design and procurement strategies. While some of these changes were in response to market conditions, others resulted from protracted negotiations with vendors and contractor performance issues relating to both design and construction.

I have found MTA's new Chairman and CEO, Jay Walder, to be sincere in his commitment to address these problems head on. A major consideration on FTA's part in reaching agreement on these new numbers was MTA's commitment to a more robust project management process that accounted for risks and resulted in open, transparent, informed decisions being made at the appropriate level of management. To this end, MTA and FTA have agreed to an Enterprise Level Project Execution Plan (ELPEP) which is being implemented across the MTA for these two projects.

Most importantly, I want to assure you that not a single penny of additional Federal Section 5309 New Starts dollars will be used to fund these delays and cost overruns. Should you have any questions regarding either of these two projects, please do not hesitate to call on me.

A similar letter has been sent to the Ranking Member of the Senate Committee on Banking, Housing, and Urban Affairs; to the Chairmen and Ranking Members of the House and Senate Committees on Appropriations; and to the Chairman and Ranking Member of the House Committee on Transportation and Infrastructure.

Sincerely yours,



Peter Rogoff

cc: The Honorable Calvin Scovel
Inspector General
U.S. Department of Transportation

Enclosure

**REVISED COSTS AND SCHEDULES FOR NEW STARTS PROJECTS:
Eastside Access (ESA)
and
Second Avenue Subway (SAS)**

Project	FFGA Total Project Cost	FFGA Federal Share	Current MTA Board working budget	FFGA Amendment	Difference between MTA and FTA estimates	Increase in FFGA
ESA						
Cost (\$M) ⁱ	\$6,350	\$2,632	\$7,791	\$8,119	328	\$1,769
RSD	Dec 2013		Sept 2016	April 2018		52 months
SAS						
Cost (\$M) ⁱⁱ	\$4,050	\$1,300	\$4,673	\$4,980	307	\$930
RSD	June 2014		Dec 2016	Feb 2018		44 months

ⁱ These numbers do not include financing costs of \$1.1 billion for ESA and \$880 million for SAS, which were included in the FFGA total costs, but are paid out of MTA's operating budget.

ⁱⁱ (same as "i" above)

RSD – Revenue Service Date