



April 3, 2011 5:59 AM

Hudson tunnel can be done on-budget

Government, contractors must be held accountable

By Barry B. Lepatner

Gov. Chris Christie of New Jersey has been widely criticized for halting the long-planned ARC tunnel under the Hudson River because of his concern over construction cost overruns. But make no mistake: Flaws in the now-shelved proposal would have cost taxpayers billions of dollars in cost overruns beyond the budgeted amount.

One industry spokesman (Richard T. Anderson, "Opinion," March 14) has suggested that the main groups with a stake in the -project sit down together to voice their concerns and share their proposals to resurrect the project. Yet without a precise game plan to define and limit exorbitant cost overruns, no proposal will be financially feasible.

The actual solution for the ARC tunnel—and other equally vital but similarly fraught infrastructure projects, like the new \$18 billion Tappan Zee bridge across the Hudson and Amtrak's proposed \$13.5 billion Gateway Project, which would replace the ARC tunnel—doesn't lie in discussing the project's validity.

The key is to iron out—with specificity—a plan for construction cost certainty. That the ARC tunnel is essential for future transportation needs is not debatable. But it must be delivered on time and on budget, with proven checks and balances that absolutely work. America's construction projects are assumed to deliver late and over budget because that's what public officials have come to accept. But it no longer is an excuse to halt our much-needed investment in new and remediated infrastructure.

For every public or private project, and in every part of the country, there is no reason why negotiations with bidding contractors cannot be undertaken to secure a true fixed-price contract—a guaranteed total project cost, with penalties applied to contractors for finishing late and/or over budget, and bonuses awarded for on-time, on-budget completion.

Governmental agencies have long allowed contractors to pass along financial risk for large-scale projects by permitting change orders based on project uncertainties, or errors and omissions, in

often-incomplete plans prepared by the architecture/engineering team. But contractors are sophisticated enough to assess the risks and calculate a true, fixed price—one that includes precise line-item costs for specified contingencies of the anticipated conditions that ultimately occur on most megaprojects.

And in an economic environment where private and public entities alike simply do not have a single extra dollar to waste on overruns, there is no better time than now to institute policies that work and make sense.

The ARC tunnel project should not proceed without these ironclad commitments because once construction starts, it is too late. The taxpayers are locked in, with no recourse when the budget is inevitably blown and cost overruns come out of their pockets.

To believe that the transportation agencies—i.e., the taxpayer—alone should absorb all such costs, which typically add 30% to 100% of the original contract price, is unacceptable. In these capital-constrained times, contractors must also be held accountable.

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