



Essential Projects are Being Delayed Because of Cost Overruns: Where is the Accountability?

A statement for the SEPTA FY 2008 Capital Budget hearings
April 5, 2007

Two years ago, we reported to you that SEPTA's capital planning process was badly broken, and part of a larger pattern of dysfunction within SEPTA. We urged the SEPTA Board and the General Manager to take action then and reform the system so as to restore public confidence in SEPTA and strengthen the case for increased state funding to SEPTA. Instead, events since then have only reinforced our belief that there are fundamental deficiencies in how major capital projects are planned and managed. They include failures in both accountability, coordination, and vision.

Lack of accountability

SEPTA blames the lack of progress on capital projects on a lack of support from the state and federal governments. That ignores the effects of cost overruns on the Market Street Elevated project, which has ballooned in price from \$420 million in fiscal 2003 to \$567 million in fiscal 2006, \$627 million in fiscal 2007, and \$710 million in fiscal 2008. The overruns on this and other megaprojects result in delays in funding and carrying out other important projects originally programmed for funding in this and coming years, such as the fare collection system upgrade, the rehabilitation of City Hall and other Broad Street Subway stations, and the restoration of trackless trolley service in South Philadelphia.

The Market Street Elevated is not the first major SEPTA capital project with management problems, in fact it's the latest in a long line of them: from the N5 and M4 car procurements to the failed Schuylkill Valley Metro study, the legal challenge to the first Silverliner V contract award, and the host of troubles with the Girard Avenue Light Rail project. As we outlined in some detail last year, the problems with these projects call into question the capabilities of SEPTA management. Why has the board failed to demand an outside investigation into these matters?

We no longer are alone in saying that a focused outside investigation of SEPTA's capital project management is needed. Heed the words of the PBS&J report to the House Transportation Committee.

SEPTA should move to reassess its major Capital Improvement Management Projects. Although its reorganized, through consolidation [sic] all of its infrastructure engineering management team, we recommend that SEPTA engage a combination of transit peers and professional experts to comprehensively assess and recommend a set of non-resource-based programmatic improvements to its capital improvement project delivery program. Conspicuously lacking is an

effective use of project management industry best practices, especially in the areas of design, construction, and project initiation.i

We call your attention to the phrase “non-resource-based.” That means that the House Transportation Committee review team concluded that the management improvements SEPTA needs do not require additional funding, and therefore inadequate funding is not a valid excuse for failure to take action in these areas.

And the Transportation Funding and Reform Commission had this to say on this matter:

Capital program implementation results indicate lack of internal capacity to manage large, complex projects.ii

They too conclude that outside review and significant change are in order:

Significantly improve capital program management at SEPTA by totally revamping organization and slow internal practices and policies, including management decision-making, budget adjustment, and procurement. Alternatively, SEPTA could hire an outside management team to produce similar wholesale changes.iii

Now that state government says there is a problem in SEPTA capital project planning and management, will the Board take action?

Lack of coordination

At the same time SEPTA’s capital budget is postponing the fare collection system capital project to fiscal 2010 or later, SEPTA’s operating budget and fare proposal posits radical changes to SEPTA’s fare structure. Proponents of these changes claim they will save SEPTA operating costs and help ease the pressure on the operating budget. If this is true, then why would capital staff be allowed to postpone this project instead of postponing something else like replacing the bus fleet? That one department of SEPTA is rushing ahead with fare restructuring while another is postponing it only proves that critics were right when they talked about “questionable capital investment decisions: timing, quantity, and priority.” iv

Lack of vision

There are only two projects in the FY 2008-2019 Capital Plan that were not included in the FY 2003-2014 plan: the replacement of the Kawasaki trolleys and the replacement of the Siverliner IV cars,. This is despite the fact that in that period, studies have been completed (by SEPTA or other agencies) on the following topics:

- 52nd Street Corridor
- Cross County Metro
- New York–Philadelphia one seat ride
- Newtown Bus Rapid Transit Feasibility
- Roosevelt Boulevard Corridor
- Quakertown-Stony Creek Rail Restoration
- Regional Rail Improvement Study
- Route 100 Extension to King of Prussia

For this and other reasons, the Transportation Funding and Reform Commission called SEPTA's vision "limited" and added that SEPTA is "lacking proactive strategic planning and community interaction."^v The lack of a strategic plan was also noted by the House Transportation Committee: their report's first recommendation is:

Working closely with key stakeholders, develop a SEPTA strategic plan to include a shared vision and goals of the organization.^{vi}

DVARP agrees with these recommendations, and in previous testimony has pointed out how having a clearly articulated vision for improving and expanding the system, not just for keeping the existing infrastructure intact or replacing assets in kind can help SEPTA make the case to legislators and the public for increased funding.

Therefore we urge the SEPTA Board to reject the proposed 2008 Capital Budget, and to instruct staff to prepare a new budget that spells out the specific steps SEPTA is taking to address the concerns raised by the Transportation Funding and Reform Commission and by the House Transportation Committee. This approach will do more to demonstrate that SEPTA deserves increased funding.

-
- i Final Report to the Pennsylvania House of Representatives Transportation Committee: PBS&J, October 4, 2006. Page 7-3.
 - ii Pennsylvania Transportation Funding and Reform Commission report, page 38
 - iii Pennsylvania Transportation Funding and Reform Commission report, page 59
 - iv Pennsylvania Transportation Funding and Reform Commission report, page 38.
 - v Pennsylvania Transportation Funding and Reform Commission report, page 36
 - vi Final Report to the Pennsylvania House of Representatives Transportation Committee: PBS&J, October 4, 2006. Page ix