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Guest columnist

Management plan for Alaskan Way Viaduct replacement tunnel minimizes chance of cost overruns

Washington Transportation Secretary Paula Hammond disputes Seattle Mayor Mike McGinn's assertion that Seattle would be on the hook for cost overruns on the planned bored tunnel to replace the Alaskan Way Viaduct. Regardless, she discusses pains the state has taken to ensure that any chance of overruns are minimized.

By Paula Hammond
Special to The Times

PEOPLE are focused on the potential for cost overruns for the proposed bored tunnel as the replacement for the Alaskan Way Viaduct and who would be responsible for them.



enlarge KEN LAMBERT / THE SEATTLE TIMES
Paula Hammond

But no one is talking about what the Washington State Department of Transportation is doing to manage the project's risks and prevent overruns. Instead of heightening fears about the proposed bored tunnel, let's examine the real steps we are taking to deliver the viaduct replacement on time and on budget.

First a little history: Last year when the Legislature endorsed the proposed bored tunnel as the replacement for the Alaskan Way Viaduct, it included a provision stating that any viaduct replacement costs in excess of the state's \$2.8 billion contribution "shall be borne by property owners in the Seattle area" who benefit from the tunnel.

While state leaders and the Seattle city attorney don't believe this provision can be enforced, it has since dominated conversations about the project. People are focused on the potential for cost overruns and who would be responsible for them, but no one is talking about what the Department of Transportation is doing to manage the project's risks and prevent overruns. It is WSDOT's responsibility to deliver the viaduct replacement on time and on budget.

When discussing potential cost overruns, it's important to start with the correct numbers. The state's cost to replace the Alaskan Way Viaduct is estimated at \$3.1 billion. Of this amount, more than \$1.1 billion is for prior program costs and completed work (such as repairs to viaduct columns and relocation of electrical lines off the viaduct), current construction to replace the viaduct's south end (for which the bid was 25 percent under our estimate) and for mitigation projects, and future work to take down the remaining viaduct and build a new Alaskan Way street. The remainder — \$1.96 billion — is for the proposed tunnel and its portals.

So how big is the risk of cost overruns for the bored tunnel itself? The answer is less than you think.

Not all of the work included in this \$1.96 billion project carries the same level of risk. For example, building the tunnel's interior roadway and installing systems is low-risk work compared with boring the tunnel itself. Construction of the tunnel, including the boring machine, excavation, the concrete lining and labor, is estimated at \$350 million. Earlier this year, when we updated the bored tunnel's cost estimate, we set aside \$415 million to account for risk and inflation.

If the hypothetical 28 percent average overrun found in Oxford professor Bent Flyvbjerg's 2002 megaproject report were to occur, the overrun would be \$98 million — well within the funds included in the project budget for risk and inflation. In fact, Flyvbjerg noted in a July 13 Seattle Times article that our risk cushion is better than average, calling it "a good sign, a sign of responsible management."

Potential cost overruns on large projects are a concern, and we have learned from other projects where budgets were not met. In 2002, before Flyvbjerg's initial report about megaproject overruns, WSDOT identified the same issues raised by him and developed a risk-based cost-estimating system. We utilize outside experts to establish a more realistic budget at the early stages of large projects and to identify risks that need to be managed.

For example, the original cost estimate for Boston's Big Dig did not account for project changes, mitigation, inflation, and risk — our tunnel estimate does. Our cost estimating process is a major reason for our solid track record in delivering projects, with approximately 90 percent of 2003 and 2005 projects delivered on time and on budget.

We have also estimated the costs for what many would call a worst-case scenario — failure of the boring machine during construction. As a result, the tunnel-boring contract requires a \$500 million performance bond and numerous insurance policies.

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For the bored-tunnel project, we are doing our homework. We have a technical advisory team that provides guidance on issues related to risk management. Crews have conducted more than 100 borings for soil samples and more than 300 surveys of buildings and other structures along the tunnel route to understand better the conditions we would encounter during construction.

Some may question our ability to keep a tight rein on costs for the proposed bored tunnel, but our reputation is on the line. Make no mistake, this will not be easy. The bored tunnel is a complicated project, and we are approaching it aggressively with all available management and technical expertise.

WSDOT has delivered other difficult projects successfully — including completion of the I-90 Mount Baker tunnel in the 1980s and, more recently, the award-winning Tacoma Narrows Bridge.

We are committed to delivering the Alaskan Way Viaduct replacement on time and on budget. This is an ambitious and necessary effort to maintain a corridor that is vital for our economic stability, and we are more than up to the task of successfully delivering for the taxpayers of Washington.

Paula Hammond is secretary of the Washington State Department of Transportation.

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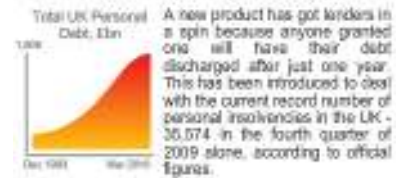
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