

THE FINANCIAL PAGE

BIG-TICKET TRANSIT

ON NEW YEAR'S EVE, at a party to celebrate the opening of the long-awaited Second Avenue subway, Governor Andrew Cuomo said the project showed that government "can still do big things and great things." What he didn't say is that the project also shows that government can do really expensive things. The line, which so far consists of just three stations and two miles of track, is, at a cost of roughly \$1.7 billion per kilometre of track, the most expensive ever built. And it will keep that record as Phase 2 begins, at a projected cost of \$2.2 billion a kilometre.

Construction projects everywhere are subject to delays and cost overruns. Bent Flyvbjerg, a Danish economic geographer, has found that nine out of ten infrastructure mega-projects worldwide ran over budget and the same number finished behind schedule. But the U.S. is the world's spend-thrift. A 2015 study by David Schleicher, a professor at Yale Law School, and Tracy Gordon, a fellow at the Urban Institute, looked at a hundred and forty-four rail projects in forty-four countries. The four most expensive, and six of the top twelve, were American, the Second Avenue subway among them. In a study of transit construction costs worldwide, Alon Levy, a transit blogger, has found that they are often five to six times higher here than in other developed countries.

We used to do better. Hoover Dam was completed under budget, and two years ahead of schedule, and the Golden Gate Bridge, too, was finished early and cost \$1.3 million less than expected. So what's going wrong? It's complicated: one analysis of the problem cited thirty-nine possible causes. And factors that immediately come to mind, like higher land costs or labor costs, don't explain the difference between the U.S. and places like Japan or France. But some problems are clear. A plethora of regulatory hurdles and other veto points drag things out and increase costs. When New Jersey wanted to raise the roadway of the Bayonne Bridge, it took five years, and twenty thousand pages of paperwork, for the project to get under way. Obviously, environmental and workplace standards are important, but a recent paper by Philip Howard, the chairman of Common Good, suggests that a more streamlined regulatory process, like those found in many developed countries, could save hundreds of billions of dollars.

Then, too, because most infrastructure decisions in the U.S. are made at the state or local level, involving multiple governing bodies, projects must also satisfy a wide range of

constituencies. Political considerations are often as important as technical ones, and schemes that are initially well defined can end up like Swiss Army knives, fulfilling any number of functions. Long-suffering engineers call this "scope creep." Washington and Oregon, for instance, spent years collaborating on plans for a new bridge on I-5, spanning the Columbia River. What started as a simple proposal quickly morphed into a full highway expansion (including the rebuilding of five miles of interchanges), along with a light-rail extension. The cost rose to more than three billion dollars, after which the idea was abandoned.

A major cause of scope creep is the fact that infrastructure spending is at the mercy of political winds. Planners know that opportunities to build are limited, so when they do get a chance they tend to milk it for all it's worth. Politicians, meanwhile, like big, splashy projects that will win headlines and capture the public's attention. This is why we end up putting money into new projects while skimping on main-

tenance, even though the return on investment from simply keeping roads and bridges in good shape is usually higher.

Politicians are fond of a quote commonly attributed to Daniel Burnham, the father of Chicago's Exposition of 1893: "Make no little plans; they have no magic to stir men's blood." It's an inspiring sentiment, but emblematic of what you might call the Edifice Complex, a habit, among politicians, of imagining that anything big and glitzy must therefore be worth doing. That's how Detroit ended up with a People Mover monorail that moves very few people, why San Jose is set to spend more than a hundred and fifty million dollars on a transit station intended as "the Grand Central Station of the West," and how

New York managed to spend four billion dollars on a PATH station designed by Santiago Calatrava. On the Second Avenue line, too, the stations, which account for most of the cost, are lavish structures with huge mezzanines. They're a pleasure to walk through, but more modest stations would have worked just as well.

Conservatives often reflexively dismiss infrastructure spending as a boondoggle, and liberals, perhaps in reaction, often reflexively defend it, no matter how wasteful. But the pool of dollars available for something like public transit is limited. The result of extravagant spending on subways and the like is that we end up with fewer of them than other cities. For the price of what New York spent on Calatrava's PATH station alone, Stockholm is building nineteen kilometres of subway track and a six-kilometre commuter-rail tunnel. Worse, cost overruns fuel public skepticism toward government, making it harder to invest the next time around. It's good for government to do big things, great things. But it's better if it can do them under budget.

—James Surowiecki

