

Vegas folds its hand after monorail system fails to pay off

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VICTORIA - From Las Vegas comes the news that the gambling capital of the world made a bad bet on building an elevated transit line.

The newly expanded monorail system, built by Canada's Bombardier of SkyTrain fame, has been plagued by construction delays and operational problems.

Ridership is half the original projection. Losses are mounting. Moody's recently relegated the company's bonds to the high-risk "junk" category.

The Nevadans have already cancelled plans to expand the system beyond the current six-kilometre run.

You've gotta know when to fold 'em, as they say at the poker tables.

But it is an old familiar story to those who've made a close study of these projects.

A trio of Danish researchers -- Bent Flyvbjerg, Mette Skamris Holm, and Soren Buhl -- have done the most comprehensive work in this field, looking at dozens of passenger rail and urban projects all over the globe.

Their findings are anything but flattering to those who plan and promote these projects.

On the construction side, they found that nine of 10 passenger rail and urban transit projects go over budget, by an average of 50 per cent.

On the operational side, they found that ridership was overestimated in nine out of 10 cases by an average of 106 per cent.

The researchers reasoned if the missed targets were simply the result of procedural errors, then the forecasts were as likely to be on one side of the mark as on the other.

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Which is what tends to happen on road and bridge projects. The study found they were as likely to be carrying more vehicles than expected as fewer.

But on passenger rail and urban transit the forecasting errors followed the same, inexorable pattern: Construction costs greatly underestimated. Ridership greatly overestimated.

Conclusion: "Rail forecasts are systematically and significantly overestimated to a degree that indicates intent and not error on the part of rail forecasters and promoters."

The Danes went on to explain why project boosters had strong incentives to overstate their case.

"Competition for funds . . . creates an incentive for rail promoters to present their projects in as favourable a light as possible," wrote the authors.

"Accurate forecasts may be counterproductive whereas biased forecasts may be effective in competing for funds and securing the go-ahead for construction."

"Such forecasts help misrepresent rail projects to decision-makers in ways that help get rail projects approved and built."

To recognize the dynamic, British Columbians need only think back to the concern that if the RAV line were cancelled, then \$450 million in promised federal dollars would go to some other, project, probably in eastern Canada.

But careerist planners, empire-building politicians and self-serving developers are not the only ones with incentives to underestimate the cost and overestimate the benefits of urban transit.

Consider the true believers, for whom public transit is ethically preferable to the automobile.

"We speculate," continue the trio of researchers, "that rail patronage will be overestimated and road traffic underestimated in instances where there is a strong political or ideological desire to see passengers shifted from road to rail - for instance for reasons of congestion or protecting the environment."

Every booster has his or her reasons. But it all comes down to the same thing: deliberate misrepresentation.

On that score, no one could accuse the Danes of mincing their words.

"If we now define a lie in the conventional fashion as making a statement intended to deceive others," they wrote in one of their earlier studies, "we see that deliberate cost underestimation is lying and we arrive at one of the most basic explanations of cost underestimation: lying pays off."

Boosters overstate the case to compete for scarce dollars, politicians to build public support, planners to get the thing built, environmentalists because they are on side of the angels.

None of which necessarily applies to the RAV project.

Those responsible can show how it proceeded rationally, with no deliberate

misrepresentation, from an estimated \$1.5 billion line with 18 stations to a fixed price of \$1.9 billion and only 16 stations.

They can also demonstrate how they exercised prudence in developing a forecast of 100,000 riders a day once the line is fully up and running.

Others have their doubts. But by the time we know if the planners made a better bet than the ones in Las Vegas, it may be too late to do anything other than pay up.

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Yesterday I mistakenly wrote that taxpayers, via TransLink, were on the hook for 90 per cent of the operating risk on the RAV line.

Not so. They are on the hook for 90 per cent of the risk associated with ridership. Other operational risks are assigned to InTransitBC, the outside builder/operator.

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