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IMMEDIATE

MTA Panel Recommends New Strategies To Limit Construction Costs In Overheated Market

*Report Released Outlining Recommendations;
MTA Already Implementing Many Suggestions*

The Metropolitan Transportation Authority (MTA) today released the final report of its Blue Ribbon Panel for Construction Excellence, which puts forth a series of recommendations for controlling construction costs in an overheated market. The panel was formed by MTA Executive Director and CEO Elliot G. Sander in March 2007 in response to rapid growth in construction costs impacting projects across the country. The panel's report was presented to Sander by panel co-chairs John Cavanagh and James Jones.

"The capital construction projects the MTA is pursuing represent the first expansion of our system in a generation and it is critical to our economic future that we complete them," said Sander. "Rising costs have taken a toll nationwide, and I formed this panel to ensure that they wouldn't derail our vital growth. I want to thank and congratulate the panelists for this effort and presenting an excellent report. The panel identified several creative and pragmatic solutions, many of which we have already begun to implement. We will be analyzing the full set of recommendations in depth and expect to pursue most of them."

The panel found that a number of mostly external factors were making it difficult for the MTA to implement its ambitious capital construction program on budget and schedule, including: major increases in the cost of key commodities; a devalued dollar; and unprecedented levels of construction and competition for labor in the region and nation. The Federal Transit Administration recently reported that an average increase in cost since 2003 of 38%. Costs have increased at an even greater rate in New York's overheated market, with the MTA hit especially hard by increases in commodity costs; the price of steel increased 91% since 2003, cement is up 25% and asphalt has grown by 85%.

The panel's review of construction demand in the region suggests that the overheated New York construction market is not expected to peak until 2010 or 2011. While the panel acknowledged that forces such as these are beyond the MTA's control, it identified a series of actions the agency can take to improve performance in this difficult environment.

The panel focused on six areas for action, with recommendations presented in six "white papers":

- Bonding Considerations for Large Projects in a Competitive Environment,
- Increasing Competition by Way of Project Delivery Options,
- Manpower, Materials, and Logistics: Constraints and Opportunities,
- Contractual Provisions: Issues and Opportunities to Improve Competition,
- New Technology and Mega-projects: Improving Planning and Implementation, and
- Project Management: Strategies to Bring Large Projects in On-Time and Within Budget.

The MTA committed to analyzing each of the recommendations and preparing an implementation plan in each area. Sander said that the agency has already begun to implement several short-term recommendations in new and on-going projects, and in the 2008-2013 capital program presented earlier this year. For example:

- MTA Capital Construction utilized the recommendation on bonding for its first contract on the #7 line.
- The proposed Capital Program incorporated a recommended Market Reserve for market uncertainty risks associated with the mega projects.
- The MTA is working on improved participation and support for growth of small contractors in the MTA's Capital Program.
- The Risk Assessment methodology, as recommended by the panel, was presented at a March Board Committee meeting and is being applied to large complex projects, including the introduction of communications-based train control on the Flushing Line.

The full panel met 11 times, along with many smaller meetings. The panel consisted of 24 members of the construction industry representing virtually all stakeholders; including architects, engineers, contractors, subcontractors and labor. MTA Board members and staff also participated in the panel.

In addition to the co-chairs, panel members included: Jay Badame, Tishman Construction; Rick Bell, American Institute of Architects; Robert Bonanza, Mason Tenders District Council of Greater New York; James Callahan, International Union of Operating Engineers; Louis Colletti, Building Trades Employers' Association; Robert Dennison, NYS Dept. of Transportation; Barry Feinstein, MTA Board; Alfred Gerosa, Cement League; Robert Harvey, Lower Manhattan Construction Command Center; Amaziah Howell, Howell Industries; Matthew Keamy, Federal Transit Administration; Gary La Barbera, Joint Council 16, International Brotherhood of Teamsters; Ciro Lupo, Commercial Electrical Contractors, Inc.; Edward Malloy, Building & Construction Trades; Susan Metzger, MTA Board; Steve McGuinness, NYC District Council of Carpenters; Rosalie Moresco, Willis of New York, Inc.; Gerard Neumann, Contracting consultant; Robert Paaswell, University Transportation Research Center; Nancy Shevell, MTA Board; Arthur Silber, NJ Transit; Jay Simson, American Council of Engineering Companies of New York; Chris Ward, General Contractors Association of New York; Floyd Warkol, KSW

Mechanical Services, Inc.; and Peter Zipf, Port Authority of NY/NJ. The panel also included the following MTA staff: Linda Kleinbaum; Mysore Nagaraja; Hilary Ring; and Ronald Saporita.