

Press Release

For Immediate Release

Contact: Jack Saporito, 847-506-0670

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Our Dollars, Their Pocket

Chicago—The media, including the Chicago Tribuneⁱ and various others are now reporting that the current Chicago O'Hare airport expansion Phase I program cost "overrun" has now reached a staggering \$700 million over the original cost estimate of \$2.88 billion.

We hate to say so, but "We Told You So!" In fact, the Alliance of Residents Concerning O'Hare (AReCO) officially warned the Federal Aviation Administration (FAA), the Department of Transportation and various officials that a 30-50% contingency should have been used and that all related expansion projects needed to be included... Phase I is now 24% over budget and still nowhere near complete.

Not only did AReCO state that city of Chicago cost proposals were grossly understated but, that even if they were accepted on face value, the provisions for overruns were so small (about a 4% contingency for all phases) as to be ludicrous for a municipal project of this size. But few listened...

Furthermore, from the beginning, AReCO emphasized that costs of financing were not included in published project costs and were as important as capital costs, (not all of the projects were even included). Validation of this strongly criticized perspective is now clear with the airlines' refusal to accept additional city bond sales to cover the overruns.

The Reason? The airlines would have to pay the associated (increased) interest charges, as reflected in "higher landing fees, rents and other charges the city would need to retire the debt." Exactly!

Quoting from the AReCO's very conservative flight expansion audit <http://www.areco.org/ALP%20comments.pdf> ⁱⁱ:

Conclusions:

From Table 2, it is seen that the \$13.37B oft-stated "cost" of the O'Hare Expansion project, as adjusted to \$16.87B in year 2004 costs, is actually \$45.1B in "out-of-pocket" costs over a 30-year project period and, even when discounted to 2004 dollars, is still \$25.3B! With an assumed 30% nominal cost overrun, the costs will rise to \$59.2B and \$33.1B discounted!

Including the probable future Terminal 2 and necessary road infrastructure costs would add at least another \$7B in costs, including financing, bringing the total to \$40B-\$67B! Thus, the O'Hare Expansion project should be evaluated on the basis of costing \$40-67 billion dollars rather than about \$14B dollars.

Jack Saporito, Executive director of AReCO stated “That we have one of the worst transportation systems in the industrialized world. When a major airport has a problem, we are all delayed. What is needed is a truly modern, sustainable plan, one that AReCO has advocated and other countries are implementing; it would truly modernize O’Hare and our region, making it sustainable. Modern, sustainable intermodal transportation is needed, not just more of the same bad aviation expansion plot that they are trying to sell us again.”

AReCO has the only long-term transportation plan advocated by an independent government body, The United States General Accounting Office.

Saporito went on to ask, “In light of the other airport expansions problems, does this expansion make any sense, when there are much better alternatives? At least, five brand new modern major airports can be built for the cost of the O’Hare expansion scheme; all would be much more capable than the archaic O’Hare and would handle the whole nation’s airport capacity needs, not just Chicago’s monopolization scheme. This contrive has everything to do about waste and patronage, nothing about good sustainable transportation.”

AReCO issued this warning: “People in Illinois and across our nation and especially our media need to pay very close attention to the O’Hare “money pit” scheme, because they are going to be paying for it through their federal, state and local taxes and through traveler’s taxes.”

The FAA, Department of Transportation, Congress’ Government Accountability Office and our officials need to slam the brakes on this unsustainable project before costs spiral totally out of control, making Boston’s “Big Dig” look like “Chump Change”.

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EDITOR’S NOTES:

ⁱ “City needs O’Hare cash”, Jon Hilkevitch, 1/10/07

ⁱⁱ AReCO’s Comments Regarding the OMP Airport Layout Plan <http://www.areco.org/ALP%20comments.pdf>