

# Freedom Matters

A Weekly Newsletter

Dane County, Wisconsin

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We are a free people in a republic, under a constitution which limits the powers of government to those necessary to secure the unalienable rights of each person to their life, liberty and property. Yet, when a legislature is in session, no one's life, liberty or property is safe. It's the curse of a democracy. That's why we have a republic instead. *Freedom Matters* dedicates itself to the fight to restore our republic. Most of the press and courts fail to do so. They've forgotten that freedom matters.

**Transport 2020**, our local transportation study group, used Parsons Brinckerhoff as consultants, in arriving at cost estimates and a recommendation to build commuter rail in Madison. Here's what other folks have to say about Parsons Brinckerhoff.

## **Taken for a Ride: Parsons Brinckerhoff Expose** (reprinted from [www.publicpurpose.com](http://www.publicpurpose.com))

**By Tara Servatius**

The last time two of the consultants overseeing Mecklenburg County's light rail and mass transit plan worked on a large-scale project together, they were responsible for an 80-foot sinkhole, thousands of lawsuits totaling over \$1 billion, and a trail of fraud and corruption so long that even the FBI couldn't untangle it. Now they're advising Charlotte Area Transit Officials on our transit plan and helping to design it.

The two design, construction and engineering firms, Parsons Brinckerhoff Quade & Douglas, Parsons Transportation Corp., and their smaller business units are directly responsible for projects widely regarded as the biggest transit debacles in the nation's history. Both have stark histories of deceiving the public and government officials about the true costs of transit projects, and then benefiting directly from project cost overruns.

These histories are alarming enough to call into question every figure, fact and cost estimate ever given to the voters and elected officials of Charlotte-Mecklenburg by these companies. And it's enough to make one wonder why the Metropolitan Transit Commission and Charlotte City Council approved consultant contracts with them in the first place.

Members of the MTC we spoke to say they were unaware of the companies' past scandals, but are determined to get answers from Charlotte Area Transit System (CATS) CEO Ron Tober. CATS spokespersons said no one there was aware of the companies' past scandals when the contracts were proposed. It's still unclear who did background checks on the companies. (See "What They're Saying" sidebar.)

### **Boston's Notorious "Big Dig"**

In 1998, before Parsons Brinckerhoff, Quade & Douglas prepared Charlotte-Mecklenburg's first transit plan for voter approval, the company, in a joint venture with another firm called Bechtel Civil Inc., oversaw the design and construction of Boston's Big Dig. The legendary project, a multi-billion dollar effort to bury 7.5 miles of Boston's central artery roadway underground, would eventually become the mother of all US transportation project fiascos. While the project was highly complex and didn't involve light rail like Charlotte-Mecklenburg's transit plan

does, the fraud and cost overruns that have come to be associated with Big Dig have made national news -- and call into question the corporate practices of the company that to date has played a major guiding role in our own city's transit plan. In 1985, when Bechtel-Parsons Brinckerhoff was hired to oversee it, the project had an estimated cost of \$2.6 billion and a completion date of 1998. Today, the project has a projected completion date of 2005, and its price tag has ballooned to \$14.6 billion and climbing. And that doesn't even count the millions of dollars various state and federal agencies have spent on more than 15 separate investigations of the project's managers, which included Bechtel-Parsons Brinckerhoff, for shoddy design, construction and engineering, fraud and corruption.

"You do have to monitor them," Massachusetts Former Secretary of Transportation Frederick Salvucci told the Boston Globe about Bechtel-Parsons Brinckerhoff in September 1994. "But the most important role of your monitoring is to make sure that you're getting what you paid for, and yeah, you don't want them going crazy on costs. You need a lot of public employees to do that."

Three months later, a report released by Massachusetts State Inspector General Robert Cerasoli's office proved Salvucci right. The report blamed the state highway department and Bechtel-Parsons Brinckerhoff for cost overruns and systematic problems on the project. It also suggested that Bechtel-Parsons Brinckerhoff and another contractor attempted to cover up costly charges in several cases and presented incomplete and inaccurate information to project officials about the work.

It would be six more years before the truth about Big Dig would finally become widespread public knowledge. In 2000 -- the year our local transit officials and the Charlotte City Council awarded four contracts worth \$2.6 million to Parsons Brinckerhoff for transit advisory services for CATS, the North and Northeast Corridor Major Investment studies, pedestrian controls along the South Corridor, and North Corridor rail assistance -- the company's reputation hit rock bottom in Boston.

Almost every month in 2000, there was one shocking revelation or another about Big Dig.

It started with a report released by State Auditor Joseph DeNucci in February of that year which concluded that, because of failures by Bechtel-Parsons, at least \$19 million was wasted on useless design work in the Fort Point Channel section of the project because the company ignored concerns about unusually soft soils in the area. Had DeNucci's earlier warnings to transit officials to take cost control responsibilities away from Bechtel-Parsons been heeded, things might have turned out differently. Instead, DeNucci went on to make a career of sniping at the Bechtel-Parsons and transit officials. In 11 other reports, he documented \$446 million in additional waste on the project because cost-reduction methods weren't applied.

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**Readers' Bulletin Board.** e-mail us your comments. Include your name, for publication by *Freedom Matters*

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But by year's end, DeNucci's findings would be dwarfed by reports and accusations of large-scale corruption that reached the highest levels of government.

In April 2000, a Federal Highway Administration audit concluded that Bechtel-Parsons and state officials misled the federal government, which was funding part of the project, about \$1.4 billion in cost overruns. (The true figure was later discovered to be \$2.2 billion.) That announcement prompted a US Senate probe overseen by Sen. John McCain, who blistered Bechtel-Parsons' representatives during hearings for open-ended cost hikes on the project. Not to be left out of the action, a fraud and corruption investigation was launched jointly that June by the FBI's Public Corruption Unit, the Department of Labor, the Federal Highway Administration and the Federal Department of Transportation. By the end of the month, the Securities and Exchange Commission piled on as well, launching an investigation into whether Big Dig officials and Bechtel-Parsons failed to disclose the project's real cost to bond investors in financial statements prepared in 1999.

When asked if the company had a responsibility to inform the public about the true costs of the project, a company spokesman who asked not to be named told The Boston Globe that Bechtel-Parsons Brinckerhoff didn't have a responsibility to share that information with anyone except their clients, the Massachusetts Highway Department and the Massachusetts Turnpike Authority.

In July, a whistleblower filed a federal suit against Bechtel-Parsons Brinckerhoff, charging the companies had made at least \$10 million in false claims while billing the government for costs.

The same month, a memo from Big Dig project counsel Anthony Battelle surfaced indicating that Big Dig officials and Parsons Brinckerhoff knew they may have been violating the state's prevailing-wage law by underpaying truck drivers for more than three years before they were forced to add \$20 million to the project budget to pay them back wages. (When the scandal broke in 1996, Bechtel-Parsons Brinckerhoff and state transportation executives denied any knowledge of violating the law. The memo proving otherwise was dated October 1, 1993.)

Then in August, a Boston Herald investigation revealed that Massachusetts Governors Paul Celluci and William Weld and numerous other state and city politicians had had numerous relatives and cronies added to Big Dig's payroll by getting them assigned to the payrolls of Bechtel-Parsons Brinckerhoff and other subcontractors who then billed the state for their salaries despite the fact that many of them didn't actually show up for work. By October, Attorney General Tom Reilly had hired a high-powered private international detective agency to help ferret out corruption within Big Dig.

Things only got worse in 2001 -- the year Parsons Brinckerhoff was awarded two more transit contracts totaling \$1.8 million for work on Mecklenburg County's transit system. In January 2001, a Massachusetts state inspector general's report came out showing that Big Dig officials had done little to recoup money from Bechtel-Parsons after mistakes by engineers caused \$83.5 million worth of change orders. The report recommended that the Turnpike Authority cut ties with Bechtel-Parsons Brinckerhoff, but by then it was too late. Transit officials had already scrambled to renew Bechtel-Parsons' contract for another five years.

It wasn't just the Turnpike Authority that Bechtel-Parsons Brinckerhoff had somehow managed to wrap around its finger. Another state inspector general's report released in March showed the stunning reach of the company's political power and influence.

According to the report, Big Dig project officials and Bechtel-Parsons had conspired with state officials and the Federal Highway Administration to hide the true \$14 billion cost of the project from the public, bond investors and Wall Street. According to the inspector general's report, Bechtel-Parsons accurately reported to then-governor Bill Weld in 1994 that the project's true cost would be \$13.8 billion.

"After Bechtel-Parsons Brinckerhoff presented its \$14 billion estimate in 1994, state managers directed state and Bechtel-Parsons Brinckerhoff staff to undertake a cooperative effort to maintain the fiction of an 'on-time' and 'on-budget' \$8 billion project," the report said. "Records show that they did so by applying a largely semantic series of exclusions, deductions, and accounting assumptions that covered up the \$6 billion difference."

The next month, Inspector General Robert Cerasoli released a 1995 memo written by a budget manager at Bechtel-Parsons Brinckerhoff that summarized instructions that Bechtel-Parsons received from then-transportation secretary James Kerasiotes.

"It should be noted that Secretary Kerasiotes at the Federal Highway Administration briefing stated that he expected this value to be below \$8.0 billion prior to releasing to the public," the memo read. Not surprisingly, the cost figure officially unveiled to the public was \$7.997 billion.

That revelation sheds new light on a July 2002 report in the Charlotte Observer headlined "Price Tag of Transit is Soaring, Projections More Than Double, Critics Say the Public Was Had," in which the paper reported that it was still a mystery why the original cost estimate for our transit plan drawn up by Parsons Brinckerhoff Quade & Douglas did not account for inflation, despite the fact that former Charlotte City Council members Mike Jackson and Don Reid repeatedly questioned whether it had been factored in.

At the time, Parsons Brinckerhoff didn't return the Observer's calls for comment. When Creative Loafing tried to get a comment from the company on this oversight, we were referred back and forth between their Charlotte and Raleigh offices. The only Parsons Brinckerhoff official willing to talk to about the situation, a manager from the Raleigh office who asked that his name not be used, said that the employee who oversaw the project is no longer with the company and no one knows why inflation wasn't factored in.

Despite the confusion over the real cost of the project, in 2002, the company was awarded two more contracts by Charlotte City Council totaling \$3.5 million for work on CATS' New Bus Maintenance Facility and a transit-oriented development workshop.

Meanwhile, in Boston, the Turnpike Authority board of directors also awarded contracts to two consultant groups. Their job, as described in the Boston Herald, was to act as "independent watchdogs" and to "baby-sit" Bechtel-Parsons Brinckerhoff for the remainder of the Big Dig project.

### **Flirting with Disaster In LA**

Before the Big Dig officially went bad in Boston, Parsons Brinckerhoff Quade & Douglas was up to its knees in trouble on the other side of the country. In 1995, the world watched as a massive sinkhole swallowed 80 feet of Hollywood Boulevard and buildings began to crack, buckle and sink several inches. In its wake, more than 1,000 lawsuits totaling more than a billion dollars in damages were filed against the Metropolitan Transit Authority (MTA) by angry business and property owners. When

the dust cleared, a forensic engineering firm hired by the MTA reported that EMC, an engineering partnership between principal partners Parsons Brinckerhoff Quade & Douglas and a company called Daniel Mann Johnson & Mendenhall, had signed off on the faulty digging plan blamed for the disaster.

A former tunnel digger, Rocky Woody, who was employed by one of the subcontractors on the job, told the New Times of Los Angeles that he was amazed by the problems Parsons-Dillingham inspectors ignored.

"They sat right up there the whole time while we were mining and, no matter what was happening, they turned their heads and looked away," Woody told the paper. "We poured four to six inches of concrete where there was supposed to be 12, and they just turned their heads away."

By the time the boulevard collapsed, the people of Los Angeles were used to the sudden sinkage of parts of the famous roadway. In August 1994, tunneling was halted on the Los Angeles Red Line, the 4.4-mile stretch of subway that's supposed to be the centerpiece of hundreds of miles of transit lines in the Metro rail system. Sidewalks along Hollywood Boulevard above the project had begun to sink and crack, eventually dropping up to 10 inches in some places. An engineering firm hired by the MTA eventually reported that the substitution of wood wedges for steel supports was approved by engineers employed by Parsons Brinckerhoff and the project's construction manager, Parsons-Dillingham. Parsons-Dillingham is a partnership between Dillingham Construction and Parsons Corp., a separate company with no relationship to the similarly named Parsons Brinckerhoff. Parsons Corp. is a parent company of Parsons Transportation Group, the consultants hired in 2000 by CATS and the Charlotte City Council to do the engineering, environmental studies and the planning for stations and land use for the South Boulevard light rail line, for which they're being paid \$5.8 million.

Multiple whistleblower lawsuits have shed some light on how engineering snafus might have caused the hole in Hollywood Boulevard. In 1994, Ben Pate, a former Metro Rail tunnel quality control inspector, was awarded \$1.38 million by a Superior Court jury in a suit against his former employer, Parsons-Dillingham. In the suit, he alleged he was fired for refusing to approve what he called "shoddy and improper workmanship."

Engineer James Hamilton won a settlement of \$200,000 in a lawsuit against Parsons Dillingham and the MTA's construction arm after claiming he was fired for raising concerns about health and safety violations on the Metro Rail Line. Another worker, Nelson McIntire, alleged that he was fired from the project for exposing the threat of gas explosions and other safety hazards on the construction site. McIntire's claim was settled for less than \$200,000.

But construction flaws were the least of the MTA's problems with the two companies. By 1998, when Parsons-Dillingham and EMC began wrapping up the project, it was \$900 million over the original subway budget established in the mid-1980s and MTA auditors still couldn't account for what happened to all the money.

What is known is that 11 of the 12 design, engineering and management contracts for the project grew from a starting price of \$227 million to \$670 million; most of the cost increase -- \$428 million - came from a contract with Parsons Dillingham for construction oversight and a contract with EMC to design Metro Rail, according to a report prepared for the Federal Transportation Administration.

After questions were raised by the media about the escalating costs of the project, the MTA put out a statement which said that as the scope of rail projects was further defined, the company's contracts were altered through change orders. But the scope of those change orders was often staggering. An investigation by The Daily News of Los Angeles found that in one case, EMC initially reported committing just over \$500,000 worth of work to four subcontractors but wound up paying them over \$43 million. In another case, an MTA inspector general's audit showed that EMC billed \$14 million for "unidentified subcontractors doing unspecified work" on a rail line.

Accountant J. Martin Gerlinger won a \$300,000 settlement with Parsons Dillingham in a suit in which he claimed he was fired after pointing out in a meeting with supervisors that the firm had illegally overcharged the MTA by \$20 million.

### How They Get Away With It

By now, readers are probably wondering how these companies have managed to stay afloat in the transit world and hang on to their contracts. The answer to that question is a complex one.

Despite the numerous scandals Parsons Brinckerhoff has weathered over the years, the company has a rich history in American transit engineering. It was responsible for the New York subway system, the Hoover Dam and the Alaskan Oil pipeline. Since it was founded in 1885, it has been one of the oldest continually operating consulting engineering firms in the US and its more than 9,000 employees have been responsible for thousands of projects on six continents. Ditto for Parsons Corp., whose more than 9,000 employees have been operating in 50 states and 40 foreign countries since the company was founded in 1944.

Over time, the companies appear to have grown to be adept at two things: manipulating the boards that oversee them and negotiating ambiguous, open-ended contracts that make it difficult to fire them or hold them responsible for anything that goes wrong on the project.

It's not surprising that company money seems to find its way into the pockets of politicians who oversee transit projects. A 1994 Los Angeles Times investigation revealed that, over the previous decade, the handful of elected officials who served on the MTA board -- similar to the MTC board here -- accepted more than \$500,000 in campaign contributions from subcontractors, lobbyists, lawyers and other firms connected to Parsons-Dillingham and EMC. Former LA Mayor Tom Bradley alone collected \$45,000 from Metro Rail contractors.

Has it gone on here? How much if any money these companies have donated to the six mayors from the Mecklenburg towns and cities who sit on the MTC board here is hard to tell. The campaign reports of Charlotte Mayor Pat McCrory and former county commission chair Parks Helms, who chaired the MTC until recently, are riddled with donations from individuals whose employer isn't listed, as the law requires. During the 2002 election cycle, NC Senator Elizabeth Dole accepted \$5,000 from the Parsons Corp. PAC.

The firms' ability to bond with the boards that oversee them seems to go beyond just doling out campaign cash. Both firms are known for becoming so intermeshed with the government transit agencies that hire them and the transit boards that oversee them that it's difficult to tell where one ends and the other begins. In California, some critics refer to the MTA, the board that was supposed to be overseeing the contractors, as a "front for the

EMC." What they're trying to describe is the almost eerie way in which public officials seem to avoid any oversight of the contractors, even after embarrassing public revelations that the companies were deliberately over-billing them, withholding information from them or causing other problems.

At times, the sheer brazenness of the "Teflon contractors" and the MTA's response to them was almost comical. The same month Hollywood Boulevard caved in, for instance, MTA auditors discovered, while auditing EMC's books, that the consortium spent nearly \$2 million of taxpayer money on changes to a planned rail line in Pasadena without bothering to get MTA authorization. But despite incidents like this, again and again public officials overseeing both Big Dig and the Los Angeles Red Line turned their heads, despite multiple promises to the public to fire them.

At one point, MTA CEO Franklin White publicly vowed to cut Parsons-Dillingham loose after federal officials threatened to permanently take away over \$1 billion in federal funding for the

Red Line. But it was White, not the companies, who would eventually lose his job over the cost and construction fiascos on the project. While Parsons-Dillingham did lose a part of its contract worth about \$50 million as punishment, the MTA board went on to award them another \$58 million contract for three more portions of the Red Line. Despite investigation reports that showed that EMC and Parsons-Dillingham signed off on the wood-for-steel substitution, the MTA fired one of their less-connected subcontractors for supposedly causing the fiasco and then paid Parsons-Dillingham \$7 million to oversee repairs to the Hollywood streets the company was responsible for sinking. EMC was paid nearly \$900,000 to design sinkhole repair work.

In Boston, where public officials have never bothered to attempt to reclaim the tens of millions Bechtel-Parsons Brinckerhoff illegally billed them for fixing its own design errors, the companies remain on the job today.

Part of the problem here is that firing these companies once they've become entrenched in a project isn't easy. In August of 2001, Boston Turnpike Authority officials exploring ways to boot Bechtel-Parsons Brinckerhoff from the project and still meet their completion date ran into a common problem. There were only a handful of firms in the world capable of completing the project, and the long legal battle necessary to terminate the contract would have dragged the project out even further. A similar thing happened in Los Angeles after state legislators blasted MTA officials for allowing Parsons Dillingham and EMC to stay on the job after numerous mishaps. An Arthur Andersen audit concluded that the MTA would risk a bruising court battle if it attempted to fire EMC because its contract was riddled with "ambiguity." The MTA also discovered it couldn't afford to dump Parsons-Dillingham either because the agency needed the company on its side in court as it battled the more than a thousand lawsuits the two companies left in their wake.

Perhaps the most powerful asset these companies have in their court is their political pull. Over time, the companies developed powerful federal political connections they continue to nurture every year by donating hundreds of thousands of dollars to national politicians and the two political parties. Those connections in turn can be used to help municipalities looking to win money in the highly competitive battle for the federal transportation dollars without which most rail projects, including ours, won't happen. Lobbying by Parsons Brinckerhoff Chairman Marty Rubin in Washington in the 1980s was one of the reasons Congress approved billions for the LA transit project the company later worked on.

The companies' power appears to extend far beyond just jockeying for federal dollars. Both appear to be virtually immune to federal civil or criminal investigation. The Los Angeles New Times reported in 1997 that investigations into the Red Line announced by the FBI, the US Attorney's office and the US Department of Transportation have never yielded any public results. Ditto for the 2000 joint investigation launched by Federal Highway Administration, FBI's Public Corruption Unit, the Department of Labor and the Federal Department of Transportation -- an investigation that was tainted by the state inspector general's report findings that Big Dig project officials and Bechtel-Parsons had conspired with state officials and the Federal Highway Administration to hide the true \$14 billion cost of the project from the public. In fact, the vast majority of the dirt that's been uncovered on both projects has been the result of investigations by the media, by independent state auditors or inspectors or by the boards that oversaw these projects after public opinion demanded it.

### **Where the Money Goes, Nobody Knows**

Given the history of large transit projects around the world, it may be that officials everywhere have trouble getting a handle on the half-dozen or so construction companies in the world capable of overseeing the creation of mass transit systems. In a worldwide study of the cost estimating on 258 transit projects called "Underestimating Costs in Public Works Projects: Error or Lie?" Danish professor Bent Flyvbjerg and his colleagues found that underestimating costs and overestimating rail ridership in initial studies of whether an area needs a mass transit system seems to be an industry tradition. In 9 out of 10 transportation infrastructure projects, Flyvbjerg found, costs are underestimated and for rail projects actual costs are on average 45 percent higher than estimated costs. The situation is not a product of lack of experience with a certain type of transit, either. The average percentage by which the cost of these projects is underestimated hasn't varied in 30 years. Excluding cases in which major design changes were made as the project went along, Flyvbjerg found that project promoters routinely "ignore, hide, or otherwise leave out important project costs and risks in order to make total costs appear low" and sell the public on the project.

Overseeing companies this powerful, experienced and well connected isn't easy for any municipality working on a transit project. Most of the cost overruns on American transit projects come in the form of change orders that alter the original contract of the contractors working on the project. To have 10 to 20 percent of the project's final cost come from change orders is fairly standard in the transit construction industry. On a project like Charlotte-Mecklenburg's with a \$2.1 billion price tag, the documentation on change orders can fill whole rooms and require a full-time staff just to process. Over-billing by contractors is another way millions of dollars can go out the door undetected. That, too, requires a full staff of auditors to keep up with. Without this kind of structured oversight, things go awry. MTA officials still can't account for what happened to all of the \$900 million in cost overruns on the Red Line and Big Dig officials have forfeited millions of unaccounted-for dollars to contractors because the statute of limitations on filing claims to get the money back has run out.

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See next issue for a conclusion on Madison commuter rail.