

**Testimony Before the House  
Transportation and Economic Development Committee  
2/12/14**

Chair Read and members of the committee:

My name is John Calhoun and I'm here as a private citizen and member of 1,000 Friends of Oregon. I live in Portland and I am a managing partner at InsideValuation Partners.

As a CFO and investor for over 20 years, I have observed and participated in many investment decisions. What you have before you is a business plan that is very shaky and not worth the risk.

While I will speak briefly about the proposed amendments to HB 4113 I would urge each of you to read *CRC Facts* which spells out my objections in more detail. You were all sent a copy and if you cannot find it we would be happy to provide you with another copy.

The proposed amendments state that the cost of the project may not exceed \$2.9 billion. If you could dictate the cost of a massive project like this then this wording might make sense, but you cannot. One of the reasons that the Washington State legislature has withdrawn support for this project is that they have their hands full with projects in the Seattle area where the costs are spiraling out of control.

The fundamental question facing the legislature is the risk to the taxpayers of Oregon going alone on a project of this size. While the latest Investment Grade Analysis by CDM Smith shows that the tolls could pay for the bridge if there are no glitches, projects of this size invariably come with a host of glitches.

- The typical large construction project exceeds the original budget by over 30%. In this case that would amount to roughly one billion dollars. In Oregon, several recent projects have exceeded budget by more than twice the original estimate. ODOT's largest current project – the Pioneer Mountain - Edyville highway realignment on highway 20 – is currently on track to be delivered seven years late and nearly \$300 million or 400% above the original budget of \$110 million. The Grand Avenue Viaduct increased tripled its cost from \$31M to \$98M as did the Newberg-Dundee Bypass from \$222M to \$752M.
- Federal funding is not guaranteed and could easily be less than budgeted given current legislative constraints and competition from other states in the face of out-right opposition or non-support from the Washington State delegation.
- The tolling assumptions are just that – assumptions. While CDM Smith could be right or even conservative, in their response to a request for information for another tolling project they admitted that the majority of their estimates were too high.

- Treasurer Wheeler has expressed his concern about the ability of Oregon to collect the tolls in Washington on an Oregon only plan. If the State of Washington does not enforce collections the way they do with their own tolling, Oregon would not be able to successfully go after deadbeats. There is also the question of Oregon's authority to set tolling rates as it sees necessary. While the Governor of Washington says we can, the legislature says we cannot. Without support from the legislature this project is likely to be tied up in lawsuits for years. A dispute like that will increase the cost of bonds due to increased risk and uncertainty.

On top of the risks to Oregon taxpayers, the report raises the question of what is accomplished in the end if we proceed with the current design. Based upon the CDM Smith report, the number of vehicles crossing the new bridge will be lower than cross the current bridge in 2036. So after spending at least \$2.8 billion we will handle no additional traffic. At the same time because of tolling on I-5 and no tolling on I-205, there will be an extra 50,000 vehicles per day on the I-205 bridge when it opens in 2022 creating more gridlock there than we have today on I-5. In addition, most of those vehicles will travel on I-84 or side streets making East-West travel more difficult and time consuming. While this project has been pushed by the Port of Portland as a way to reduce shipping times at the sea port, it will make access to the airport more difficult for both goods and travelers.

Lastly the Oregon legislature needs to ask why it should take on the burden of this project alone when the vast majority of the traffic will be sourced from Washington State, a state 50% bigger than Oregon in population and even richer than that in financial resources.

There are alternatives to the Oregon Only plan. The legislature should stop this project and pursue other lower cost options that could gain acceptance by the Washington legislature.