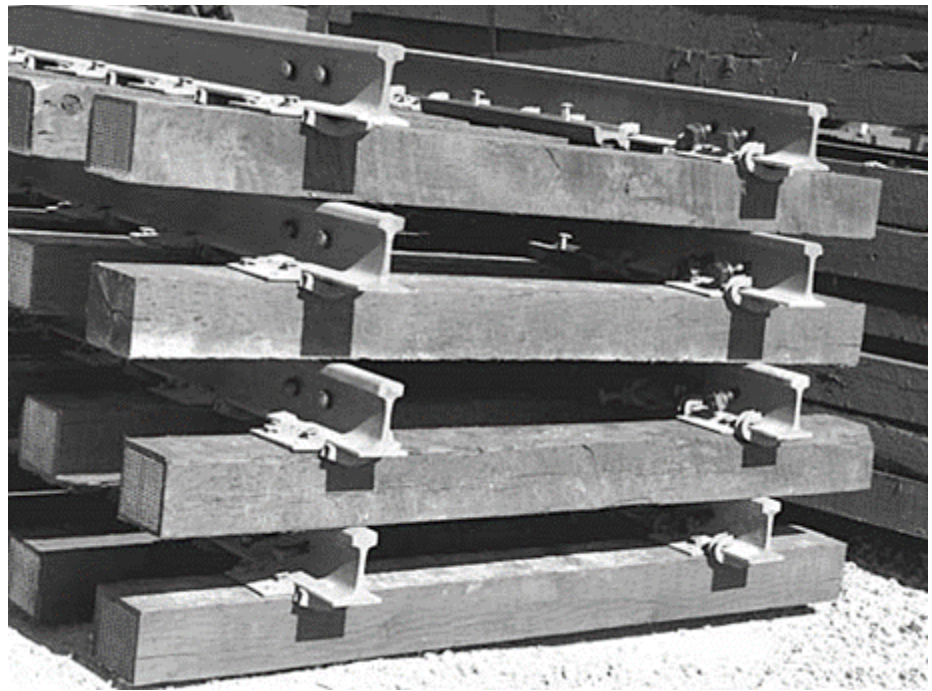


2015 FRA Rail Program Delivery



Mitigating Cost Growth

Trevor Gibson

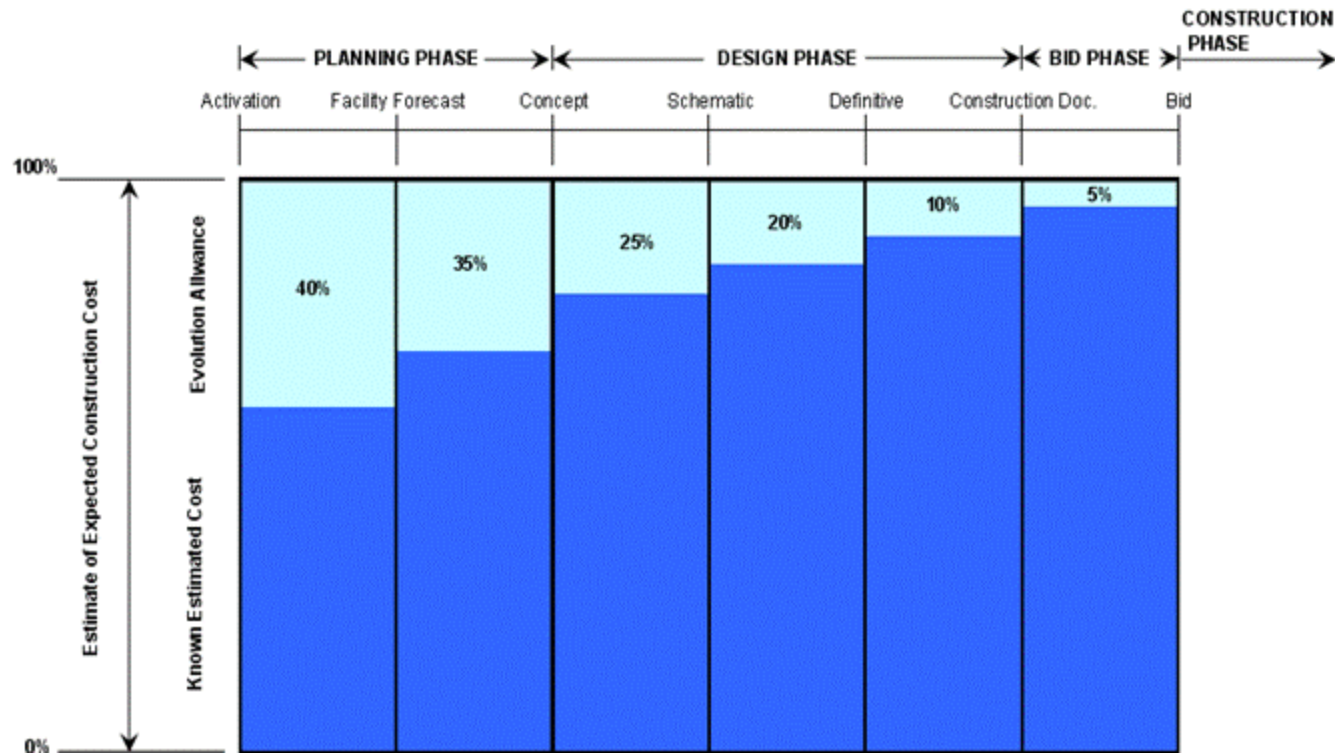


Introduction

Several years often pass between initial project planning and start of construction. During this time, cost estimates can change for a variety of reasons. This variability must be managed to avoid cost overruns and schedule delays.



Contingency



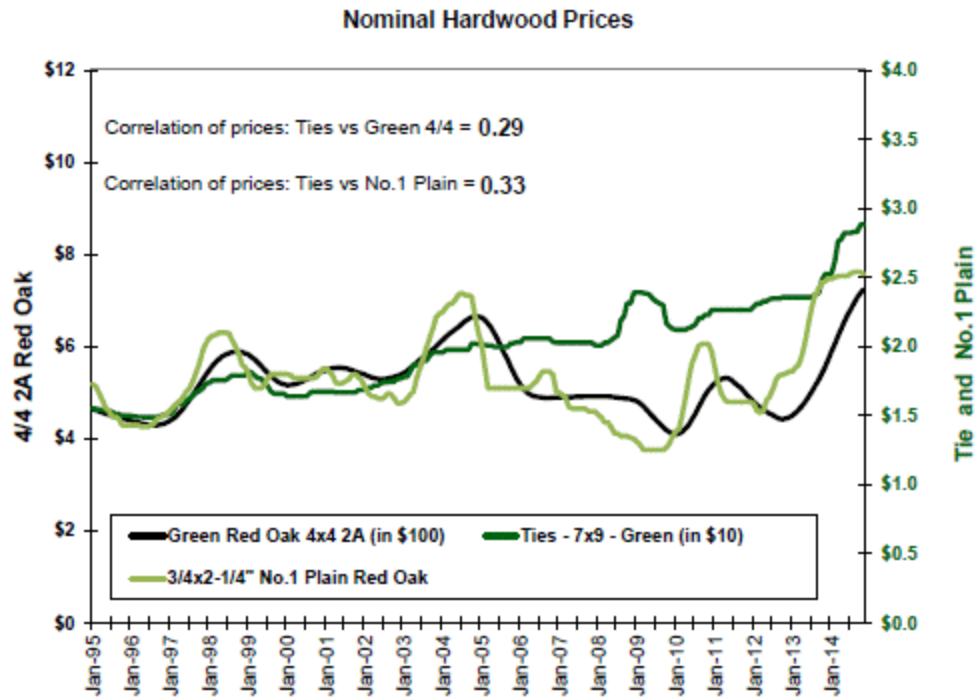
Sound project cost management requires contingency levels commensurate with the maturity of the project.

Example 1: Procuring Contractors



Market conditions may change from when the application was developed/submitted. Increased competition for contractors can increase bid prices.

Example 2: Materials – Ties



Source: Railway Tie Association, September 2015

The recent increase in tie prices (dark green line) has impacted some FRA-funded rail projects. In some cases prices have increased by ~30% in the past 24 months.

Example 3: Rehab Projects



Making sure all information about existing conditions is included and accurate is key for managing the cost of rehabilitation projects.

Mitigation Techniques

- **Review**: Check the assumptions in the pricing and scheduling models on a regular basis until contracts are finalized.
- **Communicate**: Inform FRA as soon as potential issues are identified.
- **Network**: Leverage purchases by other buyers and excess inventory of other users of materials as risk mitigation.
- **Value Engineering**: Examine where cost can be reduced without impacting function.

Finding Solutions Together

FRA continues to work with its grantees to find solutions that deliver projects on time and budget. Identifying problems early provides all parties time to reach a suitable resolution.



Thank You

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