



IN REPLY REFER TO:
CMS-AP00-00187

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas
EXECUTIVE DIRECTOR AND CEO

April 23, 2012

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The Honorable Ernest Y. Martin, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Martin and Councilmembers:

Subject: Request to Provide Cost Analysis

In response to the request for the Honolulu Authority for Rapid Transportation (HART) to provide cost analysis on how HART arrived at the conclusion that delaying rail construction will cost more than commencing construction only to have those constructed fixtures subsequently demolished, we provide the following:

The cost to delay construction until January 31, 2013, exceeds by \$194 million the construction cost to proceed then to demolish, if the contract is terminated.

Assuming that a decision to terminate the rail project was to be made no later than January 31, 2013, the costs that would be incurred by commencing planned construction at this time through January 31, 2013, is approximately \$114 million and the subsequent demolition of the structures completed is about \$5 million, for a total cost of roughly \$119 million. By contrast, assuming the construction is delayed until January 31, 2013, and project construction then proceeds, the cost to complete the same work including the delay is approximately \$313 million. The latter figure is based upon estimated costs of delay claims of approximately \$22 million, plus \$114 million for the work to be delayed, as well as an estimated \$109 million for an escalation of construction costs, and an additional 11 months to complete the project with staff costs of approximately \$68 million.

These amounts could vary, depending on when a termination of the project occurs (and what construction has been completed to that point), as well as when delayed construction would commence (and what elements of the project schedule are delayed because of that particular time frame). However, as indicated by the \$194 million difference in the example provided, the cost of delay and later construction would surpass the cost of construction and subsequent demolition.

The exact calculations involved in making these comparisons are obviously sensitive, as we would not want to compromise the project's ability to negotiate the lowest possible delay costs with the contractors in the scenario presented. Due to the sensitive nature of this information, the specific bases of our calculations are not contained herein. However, this detailed analysis is available for

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and Members
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discussion in Executive Session, if that is permissible. Copies of the respective contracts will be provided on a CD by separate cover.

If you should have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Grabauskas', with a long horizontal flourish extending to the right.

Daniel A. Grabauskas
Executive Director and CEO

cc: All Councilmembers
HART Board of Directors