



U.S. Department
of Transportation
**Federal Transit
Administration**

Administrator

1200 New Jersey Avenue S.E.
Washington DC 20590

January 28, 2008

The Honorable Tim Kaine
Governor
Commonwealth of Virginia
Patrick Henry Building, 3rd Floor
111 East Broad Street
Richmond, Virginia 23219
Dear Governor Kaine:

I am writing to notify you that the Federal Transit Administration (FTA) has agreed to your request for additional time to consider FTA's concerns about the Dulles Corridor Metrorail-Extension to Wiehle Avenue Project. We will delay taking any action on a final decision pertaining to advancing this project into Final Design until after we hear from you. We appreciate your offer to respond by February 1, 2008.

I wish to take this opportunity to also clarify two other matters about which there seem to be some confusion, namely (1) the recent FTA New Starts/Small Starts "scorecard" rating given to Congressional staff and (2) the FTA's project management oversight report concerning the Metropolitan Washington Airport Authority's (MWAA) readiness, as Project sponsor, to enter into Final Design.

New Starts / Small Starts Scorecard - Recently, FTA received inquiries about an apparent inconsistency between the Dulles Project ratings on the *New Starts Project Status* "scorecard," which FTA staff shares with congressional staff on a monthly basis, and the ratings discussed in FTA's January 24, 2008 letter to you. The scorecard listed a Dulles Project budget of "\$2,960.8" million (the conditional revised Project budget). It further listed the Dulles Project's Finance rating as "Medium," rather than "Medium-Low" as mentioned in the letter. The Cost Effectiveness rating on the scorecard is "Medium-Low," instead of "Low," as reported in the letter. Finally, the Overall Project rating on the scorecard is identified as "Medium," rather than the "Medium-Low" indicated in the letter.

Except for the project budget, all other information on the scorecard reflects the project status as reported in the February 2007 *Annual Report on New Starts and Small Starts Projects*. The scorecard does reflect more recent budget information FTA received in the latest submissions of information for the *Annual Report*. These budgets are listed because they reflect information already known to the grantees. What the scorecard does not reflect, however, are the ratings that FTA plans to assign to the projects in the *February 2008 Annual Report*. The *Annual Report* is a companion document to the President's budget and FTA does not release project ratings before the announcement of the President's budget and release of the *Annual Report*, which will occur on February 5, 2008. In the case of the Dulles Project, the last

ratings occurred in November 2006 and were included in the *Annual Report* issued in February 2007.

Project Management Oversight Contractor Report - Concerning possible confusion generated by specific statements in one of FTA's Project Management Oversight reports, I would like to provide some context for New Starts project assessments and oversight. FTA has used professional engineering firms to supplement FTA professional staff for twenty years. The New Starts program has grown in comprehensiveness and complexity as the portfolio of projects presented for funding have introduced different project delivery methods, expedited schedules, new construction methods, ownership structures, financing structures, etc. FTA has expanded its own staff and specialists to address these trends as well.

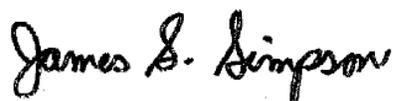
FTA staff works closely with its Project Management Oversight Contractors (PMOC) on all candidate New Starts projects to provide continual monitoring and assessment of a project's scope, schedule, and budget, and of its sponsor's technical capacity. In the case of the Dulles project, the PMOC produced twenty-eight separate formal reports since January of 2007. In its January 2008 assessments of MWAA's Technical Capacity and Capability and Readiness to Advance into Final Design, the PMOC premised its recommendation on thirty-two separate and necessary actions MWAA should take in order to advance the project. FTA does not believe these recommendations can be addressed in time to meet existing contractual commitments to keep the project on time and within budget.

Further, the PMOC opinion is offered to assist FTA in its *overall* decisionmaking on whether or not to admit the Dulles Corridor Metrorail Project into Final Design. The PMOC report on readiness in no way constitutes the only basis for FTA's decision. While each project receives a level of oversight resources commensurate with its complexity and risk, it is the responsibility of FTA to put a PMO report in the context of FTA staff experience with all aspects of the project, as well as FTA's history and portfolio of all major capital projects.

As explained in my January 24, 2008 letter to you, the project has received an overall rating of "Medium-Low," which, by FTA regulation, is insufficient to advance the Project. Aside from the New Starts rating, FTA's analysis of the Project's multi-organizational management structure and Design-Build contract – both of which are not directly focused on in the PMOC's reviews-- highlight a number of organizational and management risks that threaten MWAA's ability to implement the current project scope, schedule, and budget. As I wrote to you then, "FTA is concerned that the cumulative risks and uncertainties that characterize the Dulles Project in its current form are extremely likely to result in further cost escalation and schedule delay." Nothing in the PMOC reports refutes this concern.

If I can be of further assistance, please call me at (202) 366-4040.

Sincerely,



James S. Simpson

cc:

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