CON: Road makes no economic sense

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I thought I'd heard everything there was to say about the Juneau road controversy. And I figured any economic report on the proposed road paid for by the Alaska Department of Transportation would say that building the highway up the east side of Lynn Canal, with its little shuttle ferry at the end, would be a super investment. I was wrong.

A new report by the McDowell Group's Jim Calvin and Juneau economic consultant Milt Barker concludes that the road, from an economic standpoint, makes no sense.

"The significant findings from this study are (that) none of the 'action' alternatives are worth more than they cost, considering all resources (state and federal) required to build and operate the project. This is true under all sensitivity cases, as well as the base case," they found.

Bottom line: None of the alternatives the state studied beat the existing ferries in terms of net public benefits.

Eight years ago, I wrote that "the Road," the east side road-ferry promoted by DOT, would bring economic benefits to Juneau. Calvin and Barker agree, but they find that the value of all user benefits is worth less than half the money DOT says its project would cost to build, maintain and operate.

I was stunned by the magnitude of the net benefit shortfall. I suspect Juneau's build-the-road-now boosters will be stunned, too. The Calvin-Barker report is the first rigorous cost-benefit analysis in the 20 years since DOT began studying the proposed road. In contrast with previous studies, the Juneau economists used the widely accepted cost-benefit methodology endorsed by the Association of State Highway and Transportation Officers.

When choosing between alternative highway projects, the standard is to dismiss projects with benefit-to-cost ratios less than 1.0, because it doesn't make sense to invest in projects when the costs outweigh the benefits. According to Calvin and Barker's calculations, the proposed Juneau road doesn't even come close, with a benefit-to-cost ratio of 0.28.

Calvin and Barker delivered their study to DOT in April, but the department saw it for what it was, a smoking gun, and kept it under wraps until September. When they released it, they buried it behind 1,421 pages of other material in the Juneau Access draft supplemental Environmental Impact Statement.

Even so, DOT Commissioner Pat Kemp and Deputy Commissioner Reuben Yost deserve credit for authorizing and publishing this careful and credible economic study. Kemp and Yost both devoted major parts of their careers to the Juneau road project; neither can be pleased with the study's findings. Making facts like this public, especially when inconvenient or embarrassing, is in the best tradition of public service.

Opponents have claimed the Road would be unsafe and damage the environment. DOT's recently released environmental and engineering reports offer some support for these claims: the Road would negotiate 43 avalanche paths — 10 of which are classified as especially dangerous. It would likely affect 136 eagle nests, consume 412 acres of old-growth forest, and gobble up 130 acres of wetlands, fish habitat and highly productive tidelands.

Road proponents have always relied on economic arguments to counter such concerns. But with the Calvin-Barker study confirming that the Road is a huge economic loser, the "build-it-now" contingent and DOT's current leaders face a much tougher task. They must convince legislators from around the state — and Gov.-elect Bill Walker — that Alaska should plow a half a billion dollars into a Juneau project whose economic costs vastly outweigh its benefits. Building the Road wouuld come at the expense of a host of non-Juneau projects with arguably positive payoffs, like widening and separating opposing lanes on the Turnagain Arm section of the Seward Highway, a piece of road that kills, on average, 2.3 people a year.

ONLINE

The Calvin-Barker study, appendix FF of the Juneau Access Improvement Draft SEIS, by the McDowell Group, Inc. and Milt Barker, LLC., is available at http://dot.alaska.gov/sereg/projects/juneau_access/documents.shtml.

Erickson's 2008 Empire column on the road issue is available at http://juneauempire.com/stories/060108/opi_285173322.shtml.

without cost, either in terms of other projects foregone or drawing down the State's political capital in the competition for funds.

TABLE 17

Economic Efficiency
Total Funds
(2013 $000)

	2015-50 Present Value as of 7/1/14 @ Private Sector Rate of Return			
Alternative	User Benefits	Incremental Net Project Costs (vs. No Action)	NPV	Benefit/Cost Ratio
1 - No Action	0	0	0	1.00
1B - Enhanced Service	12,716	163,885	(151,170)	0.08
2B - East Lynn Highway	118,182	427,305	(309,123)	0.28
3 - West Lynn Highway	38,779	378,293	(339,514)	0.10
4A - Fast Ferry Auke Bay	29,562	246,844	(217,283)	0.12
4B - Fast Ferry Berners Bay	56,325	270,968	(214,643)	0.21
4C - Monohull Auke Bay	9,069	81,884	(72,815)	0.11
4D - Monohull Berners Bay	32,553	58,110	(25,557)	0.56

Considering all funds, none of the alternatives have benefits that exceed their costs. Of the "action" alternatives, Alternative 4D would produce the smallest economic loss. The road alternatives show the greatest losses, followed by the FVF alternatives.

If one were using B/C ratios to evaluate Juneau Access alternatives against other projects, Alternative 4D also would have the best B/C ratio, but a ratio below 1.0, meaning it wouldn't be in the running, if economic efficiency is the criterion. What project, if any, to select under a budget constraint would, of course, depend as well on the amount of funds available and the B/C ratios for projects other than Juneau Access.

Looking only at State funds (Table 18), only Alternative 4D has a positive NPV.