Exaggerated Benefits, Omitted Costs: The Interstate Bridge Boondoggle

By Joe Cortright ⁝ 10-12 minutes ⁝ 12/14/2023

A $7.5 billion highway boondoggle doesn't meet the basic test of cost-effectiveness

The Interstate Bridge Project is a value-destroying proposition: it costs more to build than it provides in economic benefits

Federal law requires that highway projects be demonstrated to be "cost-effective" in order to qualify for funding. The US Department of Transportation requires applicants to submit a "benefit-cost" analysis, that shows that the economic benefits of a project exceed its costs. We take a close, critical look at the benefit-cost analysis prepared for the proposed $7.5 billion Interstate Bridge Replacement project between Portland and Vancouver.

City Observatory's analysis of the Interstate Bridge Replacement Benefit-Cost Analysis (IBR BCA) shows that it is riddled with errors and unsubstantiated claims and systematically overstates potential benefits and understates actual costs. .

- It dramatically understates the actual cost of the project, both by mis-stating initial capital costs, and by entirely omitting operation and maintenance and periodic capital costs.
- The construction period is under-estimated, which likely understates capital costs, and overstates benefits
- In addition, the study also omits the toll charges paid by road users from its definition of project costs, in clear violation of federal benefit-cost guidelines.
- In addition, the IBR BCA study dramatically inflates estimated benefits.
- It uses an incorrect occupancy estimate to inflate the number of travelers benefiting from the project.
- The IBR BCA analysis also presents inflated estimates of safety benefits, based an incomplete and un-documented crash analysis.
- In addition, ODOT's study fails to separately present the benefits and costs of the project's tolling and capacity expansion components, and omits an analysis of the distribution of benefits and costs among

different demographic groups.

IBR and Corrected Benefit Cost Summary		
Millions of 2021$, Net Present Value		
	IBR BCA	*Corrected*
BENEFITS		
Travel Time Savings	2,513	2,237
I-205 Diversion		(404)
I-205 Congestion		(586)
Resiliency		
Life Lost	335	35
Added Congestion	364	153
Replacement Cost	125	29
Repair Savings	177	-
All Other	621	621
TOTAL BENEFITS	4,134	2,084
Delay in Benefits @25%	3,101	1,563
COST		
Construction Cost	2,740	4,150
Excess Toll Revenue Collections		1,000
TOTAL COSTS	2,740	5,150
B/C Ratio	1.51	0.40
Net Benefits	1,394	(3,066)
With Delay in Construciton		
B/C Ratio	1.13	0.30
Net Benefits	361	(3,587)

A correct evaluation of this project shows that its costs exceed its benefits by a wide margin. What this means is that the proposed freeway widening is not cost-effective; not only is it not something that qualifies for federal funding, it also is a demonstrably wasteful, value-destroying expenditure of public funds. The amount of money that the federal government, the States of Oregon and Washington, and highway users would pay in tolls, exceeds by a factor of more than two the actual economic benefits that would accrue to a subset of highway users. This is a project that would make us worse off economically—exactly the kind of project that the cost-effectiveness standard is established to prevent.

Benefits are overstated

ODOT and WSDOT claim that the present value of benefits from the IBR project amount to more than $4 billion; nearly all of these benefits are attributed to travel time savings, congestion cost reductions and seismic resilience, and reduced crash losses. ODOT's estimates of both travel related savings and crash reductions lack documentation.

Travel Benefits: The IBR BCA claims that the project will produce $2.4 billion in travel time benefits. ODOT's estimates are plagued with errors and a lack of documentation

- Travel benefits are minuscule to individual travelers—averaging about 20 seconds in a typical five-mile trip, according to the BCA. These savings are imperceptible to individual travelers and are likely to be of no significant economic value.
- The estimates use the wrong value for peak hour vehicle occupancy, exaggerating peak travelers by 13 percent. The BCA assumes 1.67 passengers per vehicle while USDOT guidelines prescribe a figure of 1.48 passengers per vehicle.
- The project fails to document the diversion of traffic to the parallel I-205 bridge as a result of charging tolls on I-5; this will cause longer trips for 33,000 diverted vehicles per day, and will increase congestion and travel times for the 220,000 persons crossing the I-205 bridge. These costs will largely offset the travel time savings purported to accrue to travelers in the project area.

The Benefit Cost Analysis concedes that tolling the I-5 bridges will divert traffic to the I-205 bridge, but the project's benefit cost analysis only models the effect of the project in the study area. The added cost, pollution and other effects on the I-205 area are not included in the benefit cost analysis.

Benefit-Cost Analysis Narrative

Replacement Program

Figure 2. IBR Study Area

The Benefit Cost Analysis admits:

> The Build scenario assumes tolling for the highway river crossing. The added cost from inclusion of tolls causes a reduction in I-5 auto trips as people shift to transit, use the alternative I-205 crossing, or change their destination to avoid the crossing

As described, this benefit-cost analysis is highly selective: it counts beneficial time savings in the project's "study area" but ignores the costs in added travel distances, travel times and congestion that will occur outside the study area when traffic diverts to avoid tolls.

Resiliency Benefits: The IBR BCA claims savings for lives lost in a potential earthquake, savings on the cost of a replacement bridge, and added savings in traveler delay in the event that the bridges collapse in an earthquake. All these estimates are exaggerated, including probability of a major seismic event, likelihood of collapse, fatality rate in the event of a seismic event, number of persons on the bridge at the time of an event, the cost of replacing the bridge, and the scale of added travel that would result from traffic disruption if the bridge collapses.

Safety Benefits: The IBR BCA claims that the project will reduce crashes on I-5 and will produce benefits with a present value of approximately $53 million. The IBR-BCA asserts that it has used the ISATe model to predict a 17 percent decline in crashes in the project area. Also, it has not documented what features of the project produce the supposed ISATe benefits, and it has failed to calibrate the ISATe model for I-5, and the ISATe methodology can't be used to accurately compute crash reduction on highways with ramp-metering, which I-5 has.

Costs are understated

The IBR BCA claim that the present value of the initial capital costs of this project are $2.7 billion. That is a significant understatement. The project's construction cost, according to other IBR BCA documents is as much as $7.5 billion. IBR BCA's failure to comprehensively account for project costs violates federal benefit cost guidance which requires that costs include "the full cost of the project. . . regardless of who bears the burden . . including state local and private partners . . " This should include tolls paid by users.

Costs Exceed Benefits by a Wide Margin

After we correct IBR BCA's study for under-counted costs, and unsubstantiated benefit claims, the project's benefit-cost ratio falls to dramatically less than one, which is the minimum standard for meeting the statutory requirement that the project be cost-effective. Our corrected estimates show that the actual cost of the project ranges as high as $5 billion. The actual benefits of the project, are roughly $2 billion. This means that the project has a benefit-cost ratio of between 0.4 and 0.3, well below the minimum threshold of 1.0. The correct analysis shows that the I-5 Bridge Replacement project is a value-destroying endeavor: it costs users and taxpayers far more than it provides to the public in benefits. It is not cost-effective, and should not be approved by FHWA.

Failing to disaggregate benefits and ignoring distributional impacts

Federal regulations require that a benefit-analysis separately report the benefits and costs of independent elements of a project. This is to prevent a prospective applicant from combining an ineligible project (with costs that exceed benefits) with an eligible project (with a positive benefit-cost ratio) in order to get a larger amount of federal funds. The IBR project consists of at least two elements with independent utility: a plan to toll I-5, and the proposed widening of the highway, intersections and approaches. Nearly all of the travel time benefits associated with the project result from tolling, according to IBR BCA's own analysis. Appraised separately, the tolling would have a far more favorable benefit-cost ratio than the highway expansion. To comply with federal requirements, IBR BCA should produce separate benefit cost estimates for each component of the project.

Federal regulations strongly encourage applicants to examine the distribution of benefits and costs among different segments of the population. IBR BCA included no distributional analysis in its benefit-cost study.

Nearly all of the travel time, and congestion reduction benefits accrue to peak hour travelers. Yet a majority of the the cost of tolls are likely to be paid by travelers who use the I-5 during off-peak hours; these off-peak travelers get no travel time benefits. In effect, they are made worse off: they have to pay a toll even though they get no better service than under the no-build scenario.

Conflict of interest and risk of fraud

The benefit-cost analysis is more than a mere formality: it is a legal requirement for the $7.5 billion project to qualify for federal aid. False representations made in the IBR BCA could represent fraud. It is concerning that the benefit-cost analysis is prepared by a private sector contractor with a direct financial interest in the construction of the IBR. The Benefit-Cost Narrative report indicates that the report was "Prepared by WSP." Financial records obtained from the IBR project pursuant to a public records request show that WSP has current contracts to perform paid work on the Interstate Bridge Replacement Project valued at $76,282,807.03. Indeed, WSP is the single largest contractor for the project. In the event that federal funding is not forthcoming, it is unlikely that the project will proceed, and WSP will lose this lucrative source of income. WSP is not, and cannot be, an independent and objective evaluator of the benefits and costs of this project. It has a blatant conflict of interest, which is not disclosed.

City Observatory Analysis of Interstate Bridge Project Benefit-Cost Analysis

usa.streetsblog.org /2023/12/14/how-governments-decide-a-harmful-highway-is-worth-it

Freeway Math: How Governments Decide a Harmful Highway Is 'Worth It' — Streetsblog USA

By Kea Wilson ⁝ 10-13 minutes ⁝ 12/14/2023

Advocates in Portland are debunking the economic justifications behind one of the nation's most notorious highway mega-projects — and their efforts are offering a rare glimpse into the rat's nest of errors, assumptions, and perverse incentives that underlie similar efforts across the country.

Recently, advocates with No More Freeways delivered an explosive letter to the Federal Highway Administration and the US DOT Inspector General, urging the agencies to "take no further action to advance the proposed Interstate Bridge Project" until the state DOTs in Oregon and Washington can prove, essentially, that the project isn't setting fire to a giant pile of taxpayer money.

"Concretely, in economic terms, this is a wasteful, value-destroying project," the advocates wrote. "Roughly speaking, it costs $2.50 to deliver just $1 in value to users of the facility. No More Freeways calls on FHWA to carefully examine the benefit-cost ratio of this project, and to reject the proposed application for federal funds."

A rendering of the proposed I-5 "upgrades." GIF: City Observatory

The single most expensive project on the U.S. Public Interest Research Group's 2023 list of highway boondoggles, the seeds of the Interstate Bridge Replacement Project were planted more than 17 years ago when transportation officials began exploring their options to replace an aging crossing over the Columbia

River, which officials feared would be vulnerable to collapse if the long-forecasted Cascadia earthquake hits anytime soon.

In the years since, though, estimates for the effort have ballooned to between $5 and $7.5 billion, with most of that budget devoted to expanding and reconfiguring the interstate leading *up* to the bridge, I-5, to accommodate as many as 12 lanes, rather than reconstructing the aging structure for which the initiative is misleadingly named. Currently, much of I-5 has just six lanes.

“I think there's very little resistance in Portland to just replacing the bridge before the Big One hits," said economist and advocate Joe Cortright, who led the analysis. "And if that's all they were doing with this project, I think it would have happened a long time ago, and at a lot lower cost. But the state DOTs are using this as an excuse to rebuild and widen five miles of freeway and to rebuild seven highway interchanges … most of the cost of this project comes from a freeway widening that doesn't produce many, if any, benefits.”

Big numbers, little value

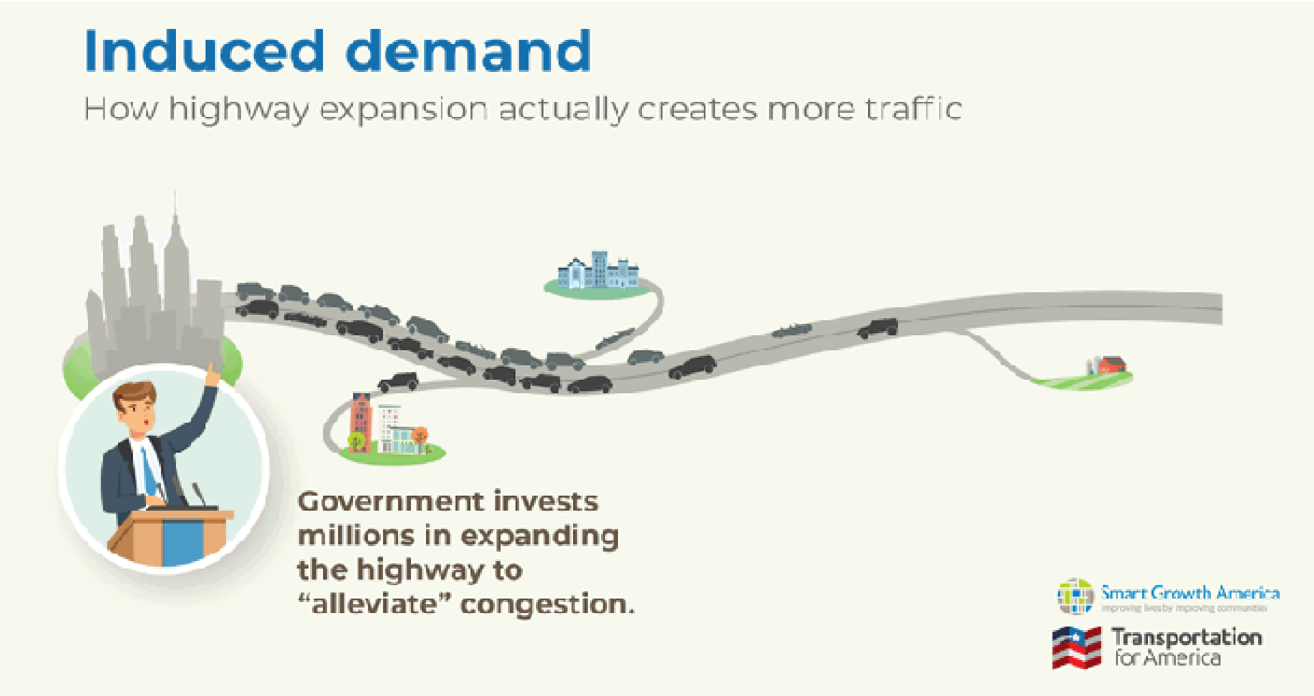
According to the sponsors of the project, though, the Interstate Bridge Replacement Project *would* create substantial public benefits — at least in the head-scratching world of Freeway Math.

Cortright explains that in order to qualify for federal funds, highway projects like the IBR have to perform what's known a "Benefit-Cost Analysis," or BCA, proving that every dollar they spend will generate at least one dollar in benefits for the public at large. And while BCAs can't comprehensively account for everything that highways *cost* us, they do calculate their *value* in many different ways, including the economic value of the hours drivers might spend working instead of stuck in traffic, the quantity of emissions and fuel loss they'd avoid by not sitting in gridlock, and even the dollar value of human lives that might be saved by making road design changes to avoid crashes.

Predicting the future, though, is far from an exact science — and some advocates say the formulas DOTs use to do it tend to make freeway projects look more valuable on paper than they actually turn out to be.

In the case of "traffic time savings," for instance, agencies utilize congestion prediction models that studies show tend to massively over-estimate future car travel as populations grow — so much so that some legal experts have called those models "junk science" and questioned whether courts and planning boards should accept them at all.

And when those junk formulas inevitably forecast future traffic delays, all that "lost" time is multiplied by millions of drivers and billions of dollars in "lost" wages (as well as "lost" fuel, vehicle wear-and-tear, and other costs) that motorists will collectively forfeit if they arrive even a moment late to punch the clock, producing stunningly large numbers that agencies argue could be "saved" by expanding the freeway.



GIF: Transportation for America

The trouble is, a hundred years of research on the phenomenon of induced demand has shown that expanding freeways *doesn't* cut congestion – it encourages it. And even if it did, it wouldn't necessarily save drivers any money at all.

In the case of the Interstate Bridge Project, Cortright says that agencies estimate an average of just *20 seconds* in time savings on the average five-mile trip. Even based on that tiny estimate, though, the BCA calculates that expanding the highway would, magically, put *$2.4 billion* back in residents' pockets, even if most drivers just don't value a saving few extra seconds stuck in gridlock all that highly —and their willingness to sit in traffic rather than pay tolls suggests a lot of them don't.

"It's far from clear that saving anybody 10 or 20 seconds on an individual trip has any economic value at all — even if you can multiply that 10 or 20 seconds times 150,000 people a day times 365 days a year times $18 an hour to gin up some really big number," he adds. "It's not even clear that they that would even recognize that there even *was* a travel time savings."

Convenient mistakes and bad assumptions

Cortright says, though, that the Interstate Bridge Replacement project isn't just suspicious because it relies on flimsy freeway math. Because in many cases, he says, the authors behind the BCA actually got the math *wrong* in ways that make the project look more valuable than it really is — and if they did so deliberately, he argues, they essentially slipped a few extra winning cards into an already-stacked deck.

When estimating the value of travel time cost savings, for instance, the agencies deviated from federal guidance and overestimated how often drivers will carpool on the newly-widened highway, a mistake that would reduce those benefits by a staggering 11 percent if corrected. And they also ignored the fact there's *a second* bridge across the Columbia running parallel to I-5 just a few miles away — and didn't account for all the money drivers who took *that* bridge rather than pay the I-5 toll would "lose" as the free crossing became more congested.

The study area for the Interstate Bridge Replacement Project, along Interstate 5. Not pictured: the Interstate 205 bridge parallel to this one, which is located just to the right of this frame.Graphic: IBR BCA.

When it comes to safety, Cortright says the BCA calculated a 17-percent drop in crashes based on an incorrect use of a formula designed primarily for rural highways with no traffic lights on their on- and off-ramps to minimize dangerous merges. And again, agency officials basically ignored the existence of the nearby bridge where crashes might rise as drivers change their routes.

Perhaps most gallingly, though, Cortright says the analysis over-estimates the probability of the harrowing Cascadia earthquake striking the region during the lifetime of the highway, as well as essentially assuming an extreme, worst-case scenario where that disaster would cause the bridge to completely collapse during heavy traffic and kill almost everyone driving on it. Cortright says the report authors even inflated the *length of the bridge itself,* thereby inflating the economic value of the lives that would be lost on it by a factor of ten — and *also* added hundreds of millions of dollars in *additional* "travel time costs" by assuming, probably incorrectly, that drivers would clog up every other road in the region when the bridge went down, rather than taking other modes, or even just staying home and waiting out the castatrophe.

The Cascadia Subduction Zone.Graphic: National Oceanic and Atmospheric Administration.

"[The bridge collapsing] is absolutely a real risk — no doubt about it," Cortright stressed. "But they made [an estimate] based on a set of assumptions that gives you this very inflated value for the number of people who would be at risk during the seismic event. ... [And they're also predicting] it'll be a Carmageddon situation, which just isn't what tends to happen."

Cortright says some of those errors could be honest mistakes on the part of WSP, the firm which prepared the analysis of behalf of the DOTs. Considering that WSP has *already* secured $76 million in consulting contracts on the project should it go forward, though, he suspects the errors weren't all innocent — especially since the firm's gargantuan conflict of interest was not openly disclosed.

“They're not an independent or objective analyst of benefits and costs. … They have reasons to put their thumb on the scale and make it come out a particular way," he adds.

Knowingly submitting false information about highway projects to the federal government is a crime punishable by fines, up to five years in prison, or both.

Unstacking the deck, rethinking the dealers

Cortright acknowledges that unraveling the Gordian knot that is a highway project Benefit Cost Analysis isn't for the faint of heart, even for a professional economist like him. He says, though, that systemic reforms could someday force agencies to be more honest with the public about the real benefits of autocentric mega-projects — or, more accurately, their devastating costs.

For one, US DOT could require grant applicants to use better formulas to forecast the congestion impacts if their projects get built, incorporating decades of research on induced demand as well as how much drivers are *actually* willing to pay to avoid sitting in traffic. And if that happened, advocates say many of the on-paper safety, emissions, and congestion "benefits" of highway expansions would likely vanish.

Unstacking the deck, though, won't be as impactful if the dealer still gets a multi-million dollar cut when the house wins. That's why Cortright suggests that BCAs should face more federal scrutiny — or, at the very least, the people who stand to benefit from fuzzy freeway math shouldn't be allowed to prepare them.

"It makes no sense that a private consultant who has an interest in the outcome gets to write the benefit-cost study," he added. "And for that matter, it doesn’t make sense for [a state highway department] to do it, either. If you're going to do a benefit cost study, it ought to be done by somebody who has no interest one way or the other in whether the benefit cost ratio comes out at one level or another… In a sense, the process is a sham."

November 17, 2023

TO: Federal Highway Administration

FROM: Joe Cortright, City Observatory

RE: Analysis of Interstate Bridge Replacement Benefit Cost Study

City Observatory has reviewed the Benefit Cost Study for the Interstate Bridge Replacement project submitted in connection with the Oregon Department of Transportation (ODOT) and Washington State Department of Transportation (WSDOT) application for Federal funding for the Interstate Bridge Replacement Project (IBR).

Our review shows that there are numerous errors, omissions and undocumented assumptions in this study, and that the true benefit cost ratio for this project is much less than one. This is important because the benefit cost analysis is used by FHWA to determine whether a project is cost-effective. ODOT's study claims that this project will have a benefit cost ratio of 1.5 to 1, therefore meeting the requirement that it demonstrate that this project is cost-effective. USDOT may approve an Infra Grant request only if it is shown to be cost-effective:

As federal statute creating INFRA (23 U.S.C. 117 (g) (2)) provides:

> (g) Project Requirements. The Secretary may select a project described under this section (other than subsection (e)) for funding under this section only if the Secretary determines that-
> . . .
> (2) the project will be cost effective,

As USDOT responded to GAO audit of the program,

> . . . DOT clarified that it would determine a project to be cost-effective if its benefit cost ratio was greater than or equal to one.
> GAO, DISCRETIONARY TRANSPORTATION GRANTS DOT Should Clarify Application Requirements and Oversight Activities, April 2022.
> https://www.gao.gov/assets/gao-22-104532.pdf, page 1

This requirement is clearly laid out by USDOT in its public application materials explaining the INFRA program.

> **What are the requirements for large projects that receive INFRA grants?**
>
> The Department may select a large project under the INFRA Grant Program only if the Department determines that:

. . .

- the project will be cost effective,

. . .

https://www.transportation.gov/policy-initiatives/infra/infra-grants-faqs

The materials submitted by ODOT and WSDOT in support of this claim contain significant and material errors and omissions which exaggerate benefits and understate costs. After correcting ODOT's calculations for these errors, the proposed project has a benefit cost ratio of less than one, meaning that it is not economically cost effective.

This memorandum details the errors in the submitted estimates of project benefits and costs, and also identifies other issues in the benefit cost analysis that fail to comply with USDOT guidance.

Benefits

ODOT has overstated the benefits of this project

A majority percent of the calculated benefits of this project are attributed by the BCA to travel time improvements and congestion reduction, seismic resiliency and safety benefits.

Travel Time and Congestion Cost Benefits

The BCA claims that the project will produce travel time benefits with a net present value of approximately $2.4 billion. These estimates are derived from highly aggregated reported modeling from the regional travel demand model. The BCA offers the following description of its analysis:

> The IBR Program **study area** is the approximately 5-mile section of I-5 between the State Route (SR) 500/39th Street interchange in Vancouver to the north and the Interstate Avenue/Victory Boulevard interchange in Portland to the south. . . .
>
> The Program will benefit the tens of thousands of private travelers, commuters, and commercial vehicles projected to use the I-5 corridor and surrounding roadway network on a daily basis. The BCA relies on summary of results derived from the Regional Travel Demand Model (RTDM), which focuses on regional travel, and a separate microsimulation (VISSIM) model, which provides an enhanced simulation of traffic operations **in study area**. The RTDM is run by Oregon Metro (Metro), the metropolitan planning organization (MPO) for the Portland, Oregon, region and Southwest Washington Regional Transportation Council (RTC), the MPO for Clark County,

> Washington. As part of project development and National Environmental Policy Act (NEPA) process, the RTDM and VISSIM models were used to estimate impacts of the IBR Program on vehicular, transit, and active transportation trips **in the study area**.
> (BCA, page 16, emphasis added).

The BCA provides a map of the study area, as follows:

Benefit-Cost Analysis Narrative

Figure 2. IBR Study Area

1. **Travel speed improvements are imperceptible and may have no economic value**

According to the Benefit Cost Analysis, the average travel speed in the study area will change by less than one mile per hour between the Build and No-Build Alternatives. According to the BCA, average travel speeds in the study area will be 32.7 miles per hour if the project is built, and 32 miles per hour if it is not. This level of improvement is likely to be imperceptible to most travelers. For example, on a typical five-mile trip, the difference between 32 miles per hour and 32.7 miles per hour is just 20 seconds—time savings that are not large enough to have any meaningful utility to consumers. In economic terms, the benefits are "infra-marginal"—too small to be perceived as economically significant.

I-5 Study Area-Build and No-Build Travel Distances and Times, 2045

	Build	No-Build	Change
Miles (VMT)	14,211,373	14,921,079	-709,706
Hours (VHT)	434,037	466,199	-32,162
Average Speed	32.7	32.0	0.7
Time to Travel 5 Miles	9:18	9:38	0:20

BCA Spreadsheet, Tab: Automobile Travel

2. **Vehicle occupancy is overstated**

The IBR Project uses a passenger vehicle occupancy estimate of 1.67 persons per passenger vehicle to compute the number of hours of delay. The FHWA guidance directs that benefit cost analyses use factors more narrowly appropriate for the time period of travel. Specifically: for peak hour travel, FHWA directs agencies to use a factor of 1.48 persons in peak hour travel (USDOT Benefit cost Guidance, Table A-4). This factor alone would reduce benefits associated with travel time reduction by 11 percent.

3. **Traffic diversion to I-205 is not analyzed**

As described in the BCA, the study area is shown to be I-5 in Vancouver and North Portland and adjacent roads. IBR, in a response to a public records request, admits that it did not analyze traffic volumes on I-205 in its benefit cost analysis:

> BCA Traffic Projections- **river crossing volumes** for the no-build/no-bridge scenario and volume **for any I-205 scenario were not analyzed**.

Washington State Department of Transportation, Response to P013510, October 30, 2023.

In its benefit cost analysis, IBR concedes that the effect of tolling will be to divert traffic to I-205.

> The Build scenario assumes tolling for the highway river crossing. The added cost from inclusion of tolls causes a reduction in I-5 auto trips as people shift to transit, **use the alternative I-205 crossing**, or change their destination to avoid the crossing.
> *Benefit Cost Analysis Narrative*, page 7. (Emphasis added).

While IBR did not include any analysis of diversion in the Benefit Cost Analysis, modeling done by and for IBR as part of its planning efforts confirms that tolling I-5 will divert substantial volumes of traffic to I-205.

IBR has commissioned Stantec to prepare a "Level 2" traffic and revenue study for the IBR. This "Level 2" travel demand modeling predicts that traffic on IBR tolling will reduce traffic on I-5 to an annual level 40.7 million vehicles, which corresponds to an average weekday traffic count of approximately 116,000 vehicles. The IBR forecasts that in the "No-Build" scenario that 176,000 vehicles per average weekday will use I-5. That means that about 60,000 fewer vehicles will use the I-5 bridge in the tolled, build scenario.

Metro, the regional government and maintainer of the region's travel demand model used by IBR and Stantec for their forecasts, predicts that reductions in traffic on I-5 result in about 55 percent of the reduced traffic shifting to the I-205 bridge. This means that in 2045, about 33,000 vehicles (.55 * 60,000) that would otherwise use I-5 would divert to I-205. For nearly all of the vehicles shifting from the I-5 bridge to the I-205 bridge, this means a longer trip (the logic of the transportation demand model is that the shift is caused by persons who value their time at less than the proposed toll levels; absent the IBR project tolls they choose the shorter of the two routes).

Tolling I-5 will increase traffic on I-205 33,000 vehicles per day are diverted from the I-5 bridges to the I-205 crossing this will increase total travel times, increase total vehicle miles traveled and increase pollution associated with these journeys.

The IGA is deficient because it only reports on travel in the project area, which maps show is a narrow corridor corresponding to I-5 in Portland and Vancouver, and excluding the parallel I-205 corridor to which trips would be diverted. Nothing in the cost benefit analysis acknowledges or examines the extent to which diverted trips would increase travel times, vehicle miles traveled, and pollution.

This modeling confirms the results of Investment Grade Analysis prepared for the earlier iteration of this project by CDM Smith shows that traffic will divert from I-5 to I-205. The CDM Smith Study showed that tolling I-5 would divert tens of thousands of trips per day to I-205.

This diversion effect was also documented by other research, including some performed by ODOT and WSDOT, that anticipated toll levels would cause traffic to shift to the I-205 bridge.

Survey research commissioned by the Oregon and Washington transportation departments (and paid for in part with federal transportation funds) disclose that many travelers currently using the I-5 bridge will divert to other routes, notably the I-205 bridge.

ODOT and WSDOT commissioned focus groups of area travelers; the study concluded:

> "Over half of the participants said they would not be willing to pay a $2-$3 toll to cross the bridge "if you also gained more dependable travel time between Vancouver and Portland."
> DHM Research, Columbia River Crossing Project/Washington & Oregon Focus Groups Report, October 2006, page 6.

Local news media organization KATU also paid for a scientific random sample poll conducted by Survey USA). It asked how regular bridge users would respond to tolls.

> "If a new bridge is built and a toll is charged, what would you be most likely to do? Use the bridge? Drive out of your way to avoid the bridge? Take mass transit? Or do something else?"
>
> Of regular bridge users:
> Use the bridge: 41%
> Drive out of your way to avoid paying the toll: 42%
> Take Mass Transit 9%
> Don't Know 8%
> Geography: Portland, OR DMA Sponsor:
> Data Collected: 01/23/2008
> Release Date: 01/23/2008
> Results of SurveyUSA New Poll #13244 – Page 2

Added delay for travelers on I-205

The addition of 30,000 vehicles to I-205 represents not merely longer trips and additional travel time for those cars that divert, the added level of traffic will create congestion on I-205 and cause slower speeds and longer travel times for the estimated 220,000 vehicles per day that will travel on I-205 in the future.

In its public comments on this question, IBR officials maintain that congestion on I-205 can be reduced by extending tolls (and/or congestion pricing, through the proposed Regional Mobility Pricing Program) to I-205. If tolling I-205 is required to mitigate this diversion, then these tolls should be viewed as an additional cost of the I-5 project, and should be included in the cost-benefit analysis. Absent the construction of the IBR, and its imposition of tolls on I-5, there would be no toll-driven diversion, and hence no need to impose tolls to manage additional congestion.

Safety Benefits

The IBR project claims that the IBR project will produce $53 million (present value) in safety benefits because of a purported 17 percent reduction in crashes on I-5.

1. The source 17 percent crash reduction figure is not documented. The IBR project benefit cost spreadsheet attributes the reduction to an analysis based on the purported application of the ISATe methodology, but the attached report doesn't document how the 17 percent crash reduction was calculated using ISATe. The narrative contains no analysis explaining which features of the IBR project are supposed to generate this reduction in crash levels.

   In addition, the ISATe methodology does not apply to freeways with ramp-metering. The ISATe Manual (page 3) states:

   > The predictive method for freeways does not account for the influence of the following conditions on freeway safety: . . .
   >
   > - Ramp metering. . . .

   The existing I-5 freeway has ramp-meters which mean that the ISATe methodology does not accurately predict the effect of safety improvements.

   Also, to be valid, the ISATe model has to be calibrated to the roadway in question: There is no evidence indicating that the ISATe model has been properly calibrated to predict future year crashes on I-5. The ISATe model was developed based on data from other locations and time periods. According to the ISATe documentation, the model has to be adjusted or "calibrated" to reflect the level of crash risks when applied to other locations. The ISATe documentation says:

   > **Modifying Calibration Factors and Distributions**
   > The predictive models in ISATe have each been developed with data from specific jurisdictions and time periods. **Calibration to local conditions** will account for any differences between these conditions and those present at the sites being evaluated. It **ensures that the evaluation results are meaningful and accurate** for the jurisdiction.
   > A calibration factor is applied to each predictive model. **It is important that each model be calibrated for application in the jurisdiction in which the sites being evaluated are located**. A procedure for calibrating these models is described in Appendix A.
   > (ISATe User Manual, Page 14, emphasis added).

There is no indication in the benefit cost analysis that the ISATe values were calibrated to I-5. The BCA narrative makes no mention of calibration.

2. The 17 percent crash reduction figure applies only to traffic traveling in the study area on I-5, and not to traffic that diverts to other routes. Consequently, this doesn't represent the *net* change in crashes. According to the IBR's own traffic modeling, the effect of the project tolling will be to shift traffic from the I-5 to I-205, which will result in longer vehicle travel. Because vehicle miles traveled are a risk factor, the addition of VMT will likely increase crashes. The benefit cost analysis includes estimated lower numbers of crashes on I-5, but omits any calculation of the number and value of losses due to increased crashes from increased travel on I-205 and other roads. The safety "benefit" of the project can only be established by including the effects of increased crashes elsewhere.

In short, there is no valid basis for estimating $53 million (present value) crash reduction benefits from the I-5 project.

Seismic Resilience Benefits

The IBR estimates that the project will produce about $863 million (net present value) benefits by reducing the potential costs associated with the failure of the existing I-5 bridges in the event of a major earthquake in the Portland metropolitan area. These benefits would almost entirely come from three sources:

- The value of lives saved by avoiding collapse of the existing bridges ($336 million)
- The value of travel time savings avoided due to traffic delays caused by collapsed bridges ($364 million)
- The value of savings from not having to rebuild the collapsed bridges ($125 million)

Seismic Benefits: Reduced Fatalities

The BCA asserts that avoided fatalities from a bridge collapse have a net present value of $336 million. These estimates are a product of estimating the probability of a major event, estimating the likelihood of catastrophic failure of the existing bridges, estimating how many people would be on the bridge at the time of any collapse, the fatality rate for those on the bridge, and the time and cost to replace the bridge in the event of a failure. Also, the project uses a simple-minded "expected value" calculation to evaluate this complex and extremely low-probability set of events.

Several of the IBR's assumptions are not independently documented, i.e. the likelihood of a major seismic event, the probability of bridge failure, the likely fatality rate on the bridge. Instead, IBR consultants have inserted their own undocumented assumptions. In addition, the IBR has over-estimated the number of vehicles and persons on the I-5 bridges, because they over-stated the length of the bride structures.

Probability of a major seismic event. IBR has settled on 1.06 percent as the likelihood of a major seismic event affecting the bridges. A recent study commissioned by the Washington State Department of Transportation (Kortum, et al, 2022) has revised previous seismic vulnerability estimates for highway structures in Washington State and finds that the Vancouver area (which includes the I-5 bridges) is at substantially lower risk of a severe seismic event than previously thought. The IBR benefit cost analysis makes no mention of this study. The Oregon Department of Geology and Mineral Industries reports that the estimated likelihood of a major Cascadia Subduction event is 7-12 percent in the next 50 years—this is considerably lower than the probability used in the IBR assessment. DOGAMI also reports that major earthquakes in similar zones have been preceded by substantial foreshocks that may provide an opportunity to minimize casualties from a major quake.

Probability of bridge collapse. IBR has assumed that in *any* major seismic event, both bridges will collapse completely. While there is a risk that both bridges collapse completely, this cannot be known with any certainty. The bridges may avoid a collapse entirely, or may experience only a partial failure, or loss of one or two spans, or structural damage other than a complete collapse. IBR officials have no reasonable basis for asserting that both bridges would collapse fully in a 100-year probability event.

Probability of fatalities: IBR assumes that 90 percent of those on the bridge will die. The IBR offers no basis for this estimate. We correct this estimate by assuming only 50 percent fatalities in the event of a bridge collapse.

Number of vehicles and persons on the bridge. IBR estimates that there will be about 342 people on the bridge, on average, at any time. This is based on vehicle travel times on the bridge and the length of the bridge. IBR uses unrealistically low travel speeds (averaging 30 MPH), and treats the bridge as if it were 1.5 miles long, when in fact the bridge structure is just 3,500 feet long. Correcting for these errors reduces the number of people on the bridge at any one time to 150. In addition, the IBR estimates vehicle occupancy at 1.67 persons per passenger vehicle; US DOT benefit cost guidelines direct 1.48 persons per passenger vehicle should be used in benefit cost analyses. The IBR spreadsheet indicates that this adjustment to vehicle occupancy would reduce estimated fatalities by a further 11 percent.

Consequently, because of all of the extreme assumptions used by the IBR BCA, the results presented are not robust. If the likelihood of serious quake is 0.5 percent (once in 200 years, more consistent with the geological evidence) rather than one percent, if just half of the span collapses, if the death rate on the collapsed spans is 50 percent rather than 90 percent, then the total number of deaths would be fewer than 40 rather than more than 300. The following table shows that more realistic assumptions about the probability of a major seismic event, the fatality rate on the bridge, and corrected estimates of the number of persons on the bridge at any one time (with the correct length of the bridge and correct automobile occupancy) would reduce the net present expected value of life lost due to a seismic event by more than $300 million.

	IBR Estimate	Corrected
		$
Value of a Life	$ 11,800,000	11,800,000
Persons On Bridge	342	150
Fatality Rate	90%	50%
Annual Probability of Major Seismic Event	0.0106	0.005
Fatalities	308	75
Occupancy Adjustment		-11%
Adjusted Fatalities		67
Net Present Value	335,716,721.28	34,501,923.55

Seismic Benefits: Avoided additional travel time if bridges collapse

The IBR BCA asserts that travelers will incur costs with an expected net present value of $364 million for in the event of a collapse of the I-5 bridges due to a seismic event. This estimate is based on modeling that assumes no changes in travel demand for trips across the Columbia River. The IBR modeling asserts that closure of the I-5 bridges in 2045 would produce an 45 percent increase in total vehicle hours of travel in the study area—195,000 additional vehicle hours of travel per day (Intermediate Calculations: G629:G630) compared to a base estimate of 425,000 vehicle hours (Automobile Travel:I45) of travel per day in 2045.

This assumption flies in the face of demonstrated scientific knowledge about the responsiveness of travel demand to the availability of infrastructure. Reduced capacity and longer travel times will result in lower trip-making and shorter trips. There is a wide body of literature establishing the scientific basis of "induced demand"—that the provision of highway capacity induces additional vehicle travel (see Duranton & Turner, 2011). In addition, there is an inverse phenomenon: the elimination or removal of road capacity results in a reduction in vehicle travel. People substitute alternate means of travel, go to other destinations, take fewer trips, and over long periods of time, have different home and work locations. The well-studied experience with "carmaggedons" shows that a significant portion of observed traffic simply evaporates in the face of reduced roadway capacity (Goodwin 2002, Levinson 2010). That has been exactly the experience with past closures of the I-5 bridges for maintenance in 1997 and 2010. ODOT predicted extensive congestion and travel delays, but traffic almost immediately adapted and long delays did not occur (Cortright, 2020). If the I-5 bridges were unavailable, there would be a significant decline in traffic across the Columbia River, and travelers would not experience the predicted prolonged travel times erroneously forecast in this model (which does not allow demand to decline in response to a reduction in capacity). There is no evidence that these foregone trips would be valued as equal to the travel time losses associated with the unrealistic assumptions about demand not responding to a lack of infrastructure. As a result, claims that there would be extensive benefits to preventing lengthy travel times in the event of a bridge collapse should be deeply discounted.

Regardless of the accuracy of the travel forecasting, the estimated value of added travel time due to a possible bridge collapse is inflated by two other factors: the overstated risk of bridge collapse due to a seismic event and the incorrect vehicle occupancy assumptions. If the seismic risk is 0.5 percent per year rather than the 1.06 percent per year used in the BCA, the net present value of time savings is reduced by half. In addition, these estimates are also exaggerated by the use of a vehicle occupancy factor of 1.67, which is 13 percent higher than the 1.48 vehicle occupancy factor prescribed by US DOT. Correcting for the exaggerated seismic risk and the exaggerated vehicle occupancy would reduce the estimated time loss by 58 percent, even before correcting for the failure to correctly model the behavioral response to reduced capacity.

Seismic Benefits: Avoided Bridge Replacement Costs

The IBR asserts that in the event of a major earthquake the entire bridge would be destroyed and could not be repaired, and would have to be replaced. It asserts that the cost of a replacement bridge would be $2,155 million. (BCA, page 33). Given the predicted likelihood of a collapse the net present value of these savings is asserted to be worth about $125 million.

The IBR has estimated that the construction cost of replacing the existing river span is about $500 million. In November of 2022, the Interstate Bridge Replacement team (a collaboration of the Oregon and Washington highway departments), released a document called the “River Crossing Option Comparison” sketching out the advantages and disadvantages of several different alternatives crossing the Columbia River. The alternatives examined included tunnels under the river, and a series of bridge designs—two different moveable span bridges, and two fixed spans, a high level and mid-level (116-foot clearance crossing.) Here’s the bottom line of the report—buried away on page 50 of a 68-page PDF file—the IBR’s preferred design, a mid-level fixed span, is supposed to cost $500 million.

Interstate BRIDGE Replacement Program

Mid-level Fixed

- Construction cost of two 450-foot fixed spans: $70 million
- Total bridge cost (Pier 1-8): **$500 million**

Total bridge replacement cost would be much lower than estimated by IBR. Given that any potential replacement would occur in some later year, the net present value of the cost of replacement would be lower. The net present value of the replacement cost of the bridge at a $500 million price tag in 2021$ would be approximately $29 million, not the $125 million estimated in the Benefit Cost Analysis. This results in a further reduction in the estimate of resiliency benefits by $96 million.

Inappropriate Use Expected Value

Instead of using expected value, IBR should use a Monte Carlo simulation to test the combined effects of all these very low probability events and accurately assess the actual distribution of risks, rather than applying a simple and misleading linear computation. IBR should include a sensitivity analysis of each of its assumptions.

Fictitious Repair and Renovation Cost Savings

The IBR BCA assumes that the existing bridges will require $450 million in repair and rehabilitation expenses in 2034-2035, and that saving these expenses constitutes a benefit of the project.

Table 7. I-5 No Build Bridge O&M and R&R Forecasts, Millions of 2021 Dollars

Calendar Years	River Bridge		Harbor Bridge		Total No Build O&M and R&R
	O&M	R&R	O&M	R&R	
2033	$5.0 M	$0.0 M	$0.1 M	$0.0 M	$5.1 M
2034	$5.0 M	$50.0 M	$0.1 M	$0.0 M	$55.1 M
2035	$5.0 M	$350.0 M	$0.1 M	$50.0 M	$405.1 M
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The BCA provides no link to any external documentation as to the need for or plans for this expenditure or the dollar amount of the expenditure—which does not appear in any ODOT or WSDOT spending plans, such as the Regional Transportation Plan adopted by Metro. The assumption in the BCA is conveniently timed to maximize its impact on the benefit-cost analysis (any earlier expenditure would not be saved by construction of the IBR; any later expenditure would have a much lower present value). Absent valid independent documentation that such expenditures would be needed and would actually occur if the IBR was not built, these "savings" from avoided $450 million in "repair and replacement" should be excluded from the analysis. Excluding these expenditures from the analysis would reduce the net present value of project benefits by $176.5 million.

Effect of longer construction period on present value of benefits

All benefits will be reduced by a longer than expected construction schedule. The Interstate Bridge project is expected to commence construction no early than the first quarter of 2026.

The Cost-Benefit Analysis asserts that the project will be complete, and full benefits will commence in July 2033
(IBR, Written Testimony to Joint Oregon-Washington Legislative Interstate Bridge Committee Legislature, October 2023, https://apps.oregonlegislature.gov/liz/2023I1/Downloads/CommitteeMeetingDocument/277581).

IBR staff testified that construction may take as long as ten years. Testimony of IBR project deputy administrator Ray Mabey to the Oregon Legislature Joint Ways and Means Committee November 7, 2023:

> ". . . two dozen construction contracts spaced out over a period of over ten years."

If the project commences in 2026 and continues for ten years, it will not be completed until 2036, which means that all of the benefits of the project will be delayed for a further three years.

There is considerable risk to the project schedule from as yet unresolved environmental issues. Construction of the proposed river crossing requires drilling multiple shafts into the bed of Columbia River. The river is protected habitat for endangered salmon, and federal agencies restrict drilling activity to a limited "In-Water Work Window" which ranges from four months (Army Corps of Engineers) and two months (National Oceanographic and Atmospheric Administration). Yet Interstate Bridge project officials have asserted that they will be able to use a six month in-water work window, stretching from September through February. (IBR Administrator Greg Johnson). The IBR Benefit-Cost analysis omits inclusion of the project's Cost Estimate Validation Process (CEVP) report, which contains a risk register of cost and schedule risks. These risks are large, and vastly more likely than seismic risk, but are not considered in the Benefit Cost Analysis.

According to the IBR Benefit-Cost Analysis, 25 percent of the net present value of all benefits from the project occur in six months of calendar year 2033 and in the succeeding three calendar years (2034, 2035 and 2036). If, as conceded by Assistant Administrator Mabey, construction of the project takes 10 years rather than the six to seven years contemplated in the benefit cost analysis, the total benefits of the project will be reduced by that amount.

BCA_Calculations-BCA_Model-WA-Interstate_Bridge_Replacement_Program, Tab BCA Summary, Range V39:X39. NPV of benefits, 2033-2036: $1,045,366,824; NPV of all benefits $4,134,538,751.

Costs

The IBR project has understated the actual cost of the project. The IBR project 's benefit cost analysis asserts that the year of expenditure cost of the project is $4.963 billion and that this has a present value cost of $2.743 billion. A more correct and complete analysis, based on figures produced by the IBR project, shows that the actual cost (on a year of expenditure basis) of the project ranges as high as $7.5 billion. In addition, the benefit cost analysis omits other costs that will be paid besides construction costs.

FHWA guidelines provide:

- Cost data used in the BCA should reflect the **full cost** of the project(s) **necessary to achieve the benefits** described in the BCA. Applicants should include all costs **regardless of who bears** the burden of specific cost item (including costs paid for by State, local, and private partners, as well as the Federal government).
  USDOT Guidance, page 27, (Emphasis added).

The IBR project has failed to correctly state initial capital costs, has omitted excess tolling costs and has omitted operating and maintenance costs and periodic capital costs.

1. **Capital costs of highway and bridge construction are understated.**

The IBR project claims that the cost of Phase 2 capital construction is $4.9 billion in year of expenditure terms. Actual costs, per IBR, range as high as $7.5 billion.

The IBR project claims that the cost of the project is $2.7 billion in present value terms based on total construction costs of $4.9 billion in year of expenditure dollars. This estimate is not accurate or complete and is inconsistent with other cost estimates presented by The IBR project. For example, The IBR project ’s own cost estimates say the cost of the project is as much as $7.5 billion (year of expenditure), which is almost 50 percent higher than the figure used in the Benefit Cost Analysis.

On a present value basis, this $7.5 million initial capital expenditure for highway construction is equal to roughly $4.15 billion.

2. **Excess Toll Collection Costs.**

Tolls constitute a major and ongoing private cost of the project and need to be fully incorporated in the benefit cost analysis. IBR has likely underestimated the amount of tolls people will have to pay, assuming its stated traffic projections are accurate. The IBR traffic projections predict that the “Build” alternative will have 175,000 vehicles per day in 2045. The IBR “Level 2” traffic and revenue survey estimates that tolls in 2045 will average about $4.40 per vehicle, and will produce about $1.78 million annual gross toll revenues per 1,000 vehicles per day traveling across the I-5 bridge.

To be clear, IBR has produced two mutually exclusive projections of future traffic on the I-5 bridges. Its “Level 2” projections predict traffic will be just 115,000 vehicles per day in 2045, while its promotional projections for the project claim that traffic will be 175,000 vehicles per day. If IBR’s higher figures—which are being used to justify the size of the project and the expenditure of federal funds—are accurate, this means that it will collect considerably more toll revenue than described in the Level 2 forecasts.

At 175,000 vehicles per day in 2045, and with a growth in traffic consistent with the Level 2 forecast through 2055, the net present value of total toll collections for the Interstate Bridge Project from 2026 through 2055 would be about $2.3 billion. This is approximately $1 billion more in toll collections that the expected contribution of toll revenues to net project construction costs ($1.3 billion, per IBR financial plans.). These excess toll revenue collections represent a cost to the public for this project.

In addition to excess toll collection costs associated with the I-5 bridge, it is likely, as explained above, that once the IBR project begins tolling on I-5, there will be massive diversion to the I-205 bridge, and that in order to manage that level of congestion, Oregon and/or Washington will have to impose tolls on the I-205 bridge. These toll costs should be included in the benefit-cost analysis of the IBR project.

3. Operating and maintenance and periodic capital costs of toll system are omitted.

The IBR project 's "cost" estimate for the IBR project includes only initial capital costs. This is contrary to USDOT guidance:

> "The O&M costs of the new or improved facility throughout the entire analysis period should be included in the BCA, and should be directly related to the proposed service plans for the project." (USDOT Benefit Cost Guidance)

The IBR project 's Level 2 Toll and Revenue Forecast reports that The IBR project will spend between $30 and $60 million annually operating the toll collection system, including, including contracting for toll assessment and collection, bank fees, and maintenance and staffing of the toll operation. The present value of these costs is $300 million.

Corrected Benefit Cost Analysis

The following table summarizes our analysis of the errors in The IBR project 's benefit cost analysis. Data are drawn from the preceding text. The IBR project analysis overstates the actual benefits of the project by about $2 billion in present value. The IBR project analysis understates the costs of the project by $2.3 billion in present value. As a result, the project has a negative benefit cost outcome: The costs of the project exceed its benefits by $3 billion in present value**. The benefit cost ratio is well below one (the minimum for meeting the statutory requirement of cost-effectiveness).** Each dollar spent this project costs produces only 40 cents in benefits for society. In the event that the project is delayed, three years, as seems likely given the track record of the sponsoring agencies and the challenges of the In-Water Work Window, the extended construction period would reduce the present value of benefits by about 25 percent, lowering the benefit/cost ratio to about .30. This is a value-destroying project that makes us worse off.

IBR and Corrected Benefit Cost Summary		
Millions of 2021$, Net Present Value		
	IBR BCA	*Corrected*
BENEFITS		
Travel Time Savings	2,513	2,237
I-205 Diversion		(404)
I-205 Congestion		(586)
Resiliency		
Life Lost	335	35
Added Congestion	364	153
Replacement Cost	125	29
Repair Savings	177	-
All Other	621	621
TOTAL BENEFITS	4,134	2,084
Delay in Benefits @25%	3,101	1,563
COST		
Construction Cost	2,740	4,150
Excess Toll Revenue Collections		1,000
TOTAL COSTS	2,740	5,150
B/C Ratio	1.51	0.40
Net Benefits	1,394	(3,066)
With Delay in Construciton		
B/C Ratio	1.13	0.30
Net Benefits	361	(3,587)

Failure to separately analyze different project components.

Many of the asserted benefits are attributable only to the tolling portion of the project. The IBR project has combined a freeway expansion (which produces few if any benefits, and which accounts for most project costs) with a tolling project (which accounts for nearly all of the travel time benefits, and little of the project's capital costs). Each of these components of the project have independent utility as transportation investments, and should be assessed separately, rather than combined.

The USDOT rules governing the INFRA grant program call for separately reporting the eligibility, including cost-effectiveness, of each of the independent parts of a proposed project.

> VIII. Statutory Project Requirements
> To select a project for award, the Department must determine that the project—as a whole, as well as each independent component of the project— satisfies statutory requirements relevant to the program from which it will receive an award. The application should include sufficient information for the Department to make these determinations for both the project as a whole and for each independent component of the project. Applicants should use this section of the application to summarize how their project meets applicable statutory requirements and, if present, how each independent project component meets each of the following requirements.
> Federal Register/Vol. 87, No. 58/Friday, March 25, 2022/17108 at 17122.

This requirement is echoed in the US DOT Benefit Cost Guidance.

1. USDOT discretionary grant programs often allow for a group of related projects to be included in a single grant application. In many cases, each of these projects may be related, but also have independent utility as individual projects. Where this is the case, each component of this package should be evaluated separately, with its own BCA.

   Highlight the results of the benefit cost analysis, as well as the analyses of independent project components if applicable. The Department will base its determination on the ratio of project benefits to project costs as assessed by the Economic Analysis Team.
   USDOT Benefit Cost Guidance, page 11: (Emphasis supplied)

Congestion pricing has independent utility from the reconstruction and widening of the roadway. The Oregon Legislature directed that tolling be applied to this and other portions of I-5, irrespective of whether this project was built. Elsewhere in this region, ODOT has separately analyzed the implementation of road pricing and freeway widening. The tolling and highway widening/bridge reconstruction portions of the project have independent utility and therefore should be evaluated separately under FHWA guidelines.

The IBR project has combined two distinct projects—road pricing and freeway widening—into a single project. Nearly all of the supposed benefits from the project stem from the congestion reducing aspects of road pricing. The fact that these are two independently useful projects is proven by the fact that tolling is planned to be implemented in 2027, at least five years before the remaining work on the project is completed; tolling is slated to commence even prior to construction of the river crossing and freeway widening. As a legal matter, Oregon already has authority under the value pricing demonstration project to implement tolling on I-5, and has legislative direction to implement pricing (enacted in 2017).

The BCA makes it clear that essentially all of the travel time benefits come from tolling I-5, not widening the roadway. The principal source of benefits in the BCA is travel time savings, estimated at a net present value of $2.4 billion (60% of total benefits). These travel time savings are claimed based on a reduction in hours of travel between the "Build" and "No-Build" Alternatives. The BCA presents travel time estimates for the "Build" and "No-Build" scenarios for the year 2027. Because the new crossing will be under construction, and not completed until 2033 (or later), the only difference between the "Build" and "No-Build" traffic estimates has to do with the imposition of pre-completion tolling on I-5. The BCA makes it clear than all of the net benefits in terms of vehicle hours of travel reduction occur in 2027, due to tolling, not due to construction. (BCA, Tab:AutomobileTravel:F6:M13).

Daily Vehicle Hours of Travel Study Area	
BCA: Tab: Automobile Travel	
Scenario	Daily VHT
2027 Build	353,106
2027 NoBuild	408,913
2045 Buld	385,795
2045 No Buid	436,514
2027 Savings	32,688
2045 Savings	27,601

In 2027, the "Build" scenario—which in this year consists only of tolling, and no added capacity—results in savings of more than 32,000 vehicle hours of travel per day (the difference between the "No-Build" travel of 408,000 and the Build travel of 386,000). The difference between the two scenarios is even less in 2045. Consequently, it is the tolling, and not the expenditure on capacity expansion, that results in travel time savings.

This is a general finding for tolled projects: road pricing, not capacity expansion, produces travel time savings. In a similar project proposed for federal funding, The Oregon Department of Transportation told USDOT:

> Demand management through **tolling significantly improves congestion outcomes** . . .
>
> Value of Travel Time savings, or Vehicle Hours of Driving (VHD) benefits are calculated from traffic studies on pre-pandemic traffic levels and modeled traffic volumes **under the addition of tolling**. These traffic figures are provided by WSP USA and their Transportation Engineering team. Volume growth under the baseline is limited by congestion and lack of additional lanes, while **volume growth under the Build scenario sees slower growth over time due to the ability of tolling to manage demand.**
> ODOT, I-205 Benefit Cost Analysis Narrative, 2022 (Emphasis supplied)

Most of the costs of the IBR are associated with capacity expansion (i.e. widening the river crossing, and expanding the capacity of intersections and approach roads). If the IBR project were to separately analyze these two project components—pricing and capacity expansion--each of which has independent utility, it would show that tolling alone has a much more favorable cost-benefit ratio than tolling combined with added capacity. What the IBR project has done is to combine tolling (which produces the lion's share of benefits) with additional costs which produce few benefits.

The IBR project should re-submit its benefit cost analysis, showing separately the benefits and costs for the tolling component and the road-widening component. Based on the figures presented above, the tolling-only project would have a much more favorable benefit cost ratio than the road expansion/bridge replacement portion of the project.

Failure to Analyze Distribution of Benefits and Costs

FHWA's Guidance on Benefit Cost Analyses recognizes that projects can impose undue costs on some groups and encourages applicants to submit an analysis of the distributional effects of any project:

> Projects may even result in some parties being made worse off, even in cases where the proposed project would deliver positive net benefits in the aggregate. While these distributional impacts would not affect the overall evaluation of benefits and costs, applicants are encouraged to provide information (such as the demographics of the expected users or by distinguishing between public and private benefits) that would help USDOT better understand how the project can meet these other public policy goals. (USDOT, Benefit Cost Guidance Page 31).

The IBR project 's benefit cost analysis provides no information on the distributional effects of the I-5 project.

The IBR project 's report contains no analysis of how the benefits and costs of the project inure to different demographic groups. According to the IBR project, the bulk of congestion occurs during AM and PM peak hours; In off peak hours, traffic moves at (or above) the posted speed limit. Consequently, the travel time savings from the project will chiefly accrue to peak hour travelers, and not to off-peak travelers. Yet non-peak travelers will also have to pay tolls to finance the project, even though the bulk of benefits go to peak hour travelers.

The IBR project omits an analysis of toll payments by hour of day so it is not possible to disaggregate toll payments made by peak and non-peak hour travelers. However, ODOT's own Level 2 study for the nearby I-205 project shows that peak hour travelers will reap 100 percent of the travel time benefits of the project, but will pay only about 46 percent of the tolls charged to weekday users. Conversely, off-peak hour travelers will get zero travel time benefit (their travel times will remain unchanged from No-Build conditions), but they pay the majority (54 percent) of the tolls to finance the project. This imbalance would be even wider if we were to include tolls paid by weekend travelers who are also expected to get no travel time savings, but pay the same tolls as weekday travelers.

Distribution of Benefits & Costs, Weekday Travelers (I-205 project)

Annual Weekday Traffic, Toll Collections and Travel Time Benefits, 2027			
	Daily Vehicles	Annual Tolls	Travel Time Benefits
Peak	54,000	$ 29,800,000	$ 18,400,000
Off-Peak	94,000	$ 44,300,000	$ -
Total	148,000	$ 74,200,000	$ 18,400,000

Vehicles include counts of numbers of vehicles crossing Tualatin and Abernethy Bridges. Source: ODOT I-205 Traffic & Revenue Study data.

Roughly 60 percent of all toll revenue will come from off-peak travelers (on weekdays). Off-peak users are more numerous (about 64 percent of users). Yet all of the travel time benefits of the project accrue to peak hour users. Notably: even peak hour users have to pay more in tolls ($29.8 million) than they get in travel time benefits ($18.4 million). These calculations omit tolls paid by weekend travelers, who would also pay according to the hourly toll schedule, but according to ODOT's analysis, would also get no travel time benefits.

Census journey-to-work data indicate that higher income workers are much more likely to travel during the peak hour than lower income workers. Workers commuting to work by automobile who leave their homes during peak hours (6:30 AM to 8:30AM) have median household incomes that are about 9 percent higher than all commuter households. Those who leave for work during the off-peak hours (9:30 AM to 3:30 PM) have median household incomes that are about 21 percent below the average for all commuter households

Time Left for Work	Median Household Income, Difference from All Commuters
Before 6.30	-3%
630 to 830	9%
830 to 930	4%
930A to 330P	-21%
330 to 530	-13%
530 to 630	-2%
After 630	-12%
American Community Survey, IPUMS, 2015-19	

In effect, the toll financing structure chosen for this project taxes lower income commuters (who disproportionately travel during off-peak hours and get no travel time savings) to pay for time savings for higher income commuters. ODOT and WSDOT should be directed to provide information on the amount of tolls paid by peak and non-peak travelers, and estimate the benefits that each group receives, and provide a distributional analysis of who pays for the project as opposed to who receives its benefits.

Conclusion

The submitted benefit cost analysis is plagued with errors and mistakes that systematically overstate benefits and understate project costs. Calculated correctly, this project has a benefit cost ratio well below one, which means that it is not cost effective as required by 23 USC 117. As a practical matter, this is a value destroying project: It costs more in economic resources than it provides in economic benefits. The IBR cost benefit analysis fails to follow the guidance issued by USDOT for determining cost-effectiveness. USDOT cannot rely on this document as an accurate assessment of compliance with federal law. Approving a grant for this project relying on the submitted Benefit Cost study would be arbitrary and capricious.

Errors and Misrepresentations Violate 18 USC 1020

Moreover, the systematic and consistent nature of the omissions and false assumptions presented in the ODOT application serve to represent an unqualified project as qualified for federal funding. These materially false statements constitute a fraudulent attempt to qualify a project for federal funds for which it is not eligible. This matter should be submitted to the USDOT Inspector General to determine whether the applicants have violated the terms of 18 U.S.C. 1020, by submitting materially false information in application for federal highway construction funds.

The Preparer of the Benefit-Cost Analysis has an Undisclosed Conflict of Interest

It is concerning that the benefit-cost analysis is prepared by a private sector contractor with a direct financial interest in the construction of the IBR. The Benefit-Cost Narrative report indicates that the report was “Prepared by WSP.” Financial records obtained from the IBR project pursuant to a public records request show that WSP has current contracts to perform paid work on the Interstate Bridge Replacement Project valued at $76,282,807.03. Indeed, WSP is the single largest contractor for the project. In the event that federal funding is not forthcoming, it is unlikely that the project will proceed, and WSP will lose this lucrative source of income. WSP is not, and cannot be, an independent and objective evaluator of the benefits and costs of this project. It has a blatant conflict of interest, which is not disclosed. Inasmuch as preparation of the benefit-cost analysis relies substantially on assumptions and opinions made by the preparer for which there is considerable reasonable uncertainty and even disagreement, WSP cannot be relied up on to make such judgements. The US DOT should disregard the Benefit-Cost Analysis, and insist on the preparation of a benefit-cost analysis by a firm with no financial interest in the Interstate Bridge Project, and which is selected by a process that assures that the contractor has no present or future interest in the project or in the outcome of the benefit cost analysis.

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cityobservatory.org /diversion-ibr-tolls-will-gridlock-i-205/

Diversion: IBR tolls will gridlock I-205

By Joe Cortright ⁝ 11-13 minutes ⁝ 12/6/2023

The proposed I-5 Interstate Bridge Replacement (IBR) Project will be paid for in part by $2.80 to $4.30 tolls charged to travelers. These tolls will cause tens of thousands of vehicles per day to stop crossing the I-5 bridge; and most traffic will divert to the parallel I-205 bridge, producing gridlock, according to IBR consultant reports and Metro travel demand modeling.

OregonDOT and Washington State DOT officials have offered vague and largely meaningless claims about potential diversion from tolling the I-5 bridge, and failed to disclose actual analyses done this subject by their consultants.

City Observatory obtained—via public records requests—toll revenue estimates prepared by IBR contractor Stantec, and travel demand modeling prepared by Metro for the IBR project. These studies show that tolling I-5 will dramatically reduce I-5 traffic, with most vehicles diverting to I-205.

Tolling I-5 will cause traffic levels on I-5, currently about 140,000 vehicles per day will fall by almost half, and will permanently depress I-5 traffic

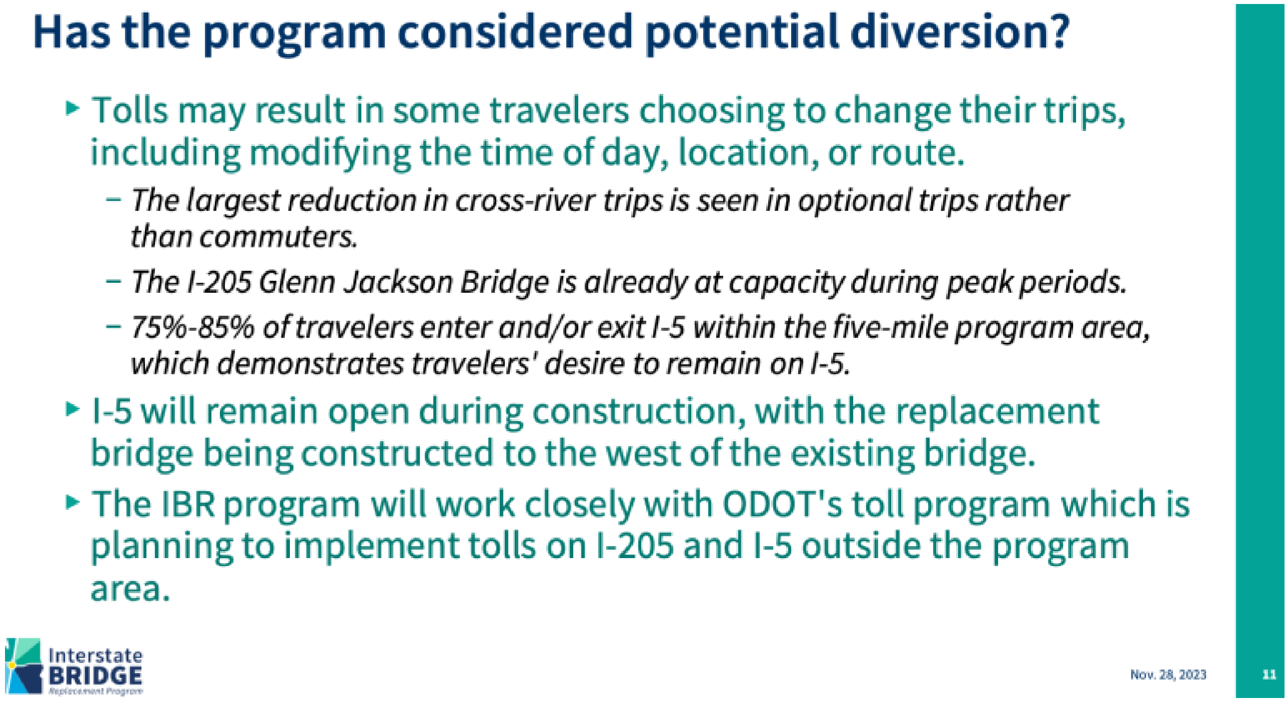
Tolling I-5 will cause more than 30,000 vehicles to divert to the parallel Interstate 205 bridge, likely producing gridlock.

The new toll revenue projections echo exactly the findings of studies for the earlier carbon copy of this same project (then called the Columbia River Crossing) as well as the experience of tolled bridges and highways elsewhere in the country.

Highway agency claims that investment grade forecasts are unlikely "worst case scenarios" are untrue: Traffic levels routinely fall below levels predicted in investment grade forecasts, as happened with the Tacoma Narrows Bridge, and many other similar projects.

IBR traffic projections and diversion estimates are a DOT state secret

Although repeatedly asked about diversion, WSDOT and ODOT officials have steadfastly refused to share their toll and traffic estimates with the public. At a November 27, 2023 meeting of the joint Oregon and Washington legislative committees overseeing the project, IBR officials offered only the vaguest possible description of diversion.



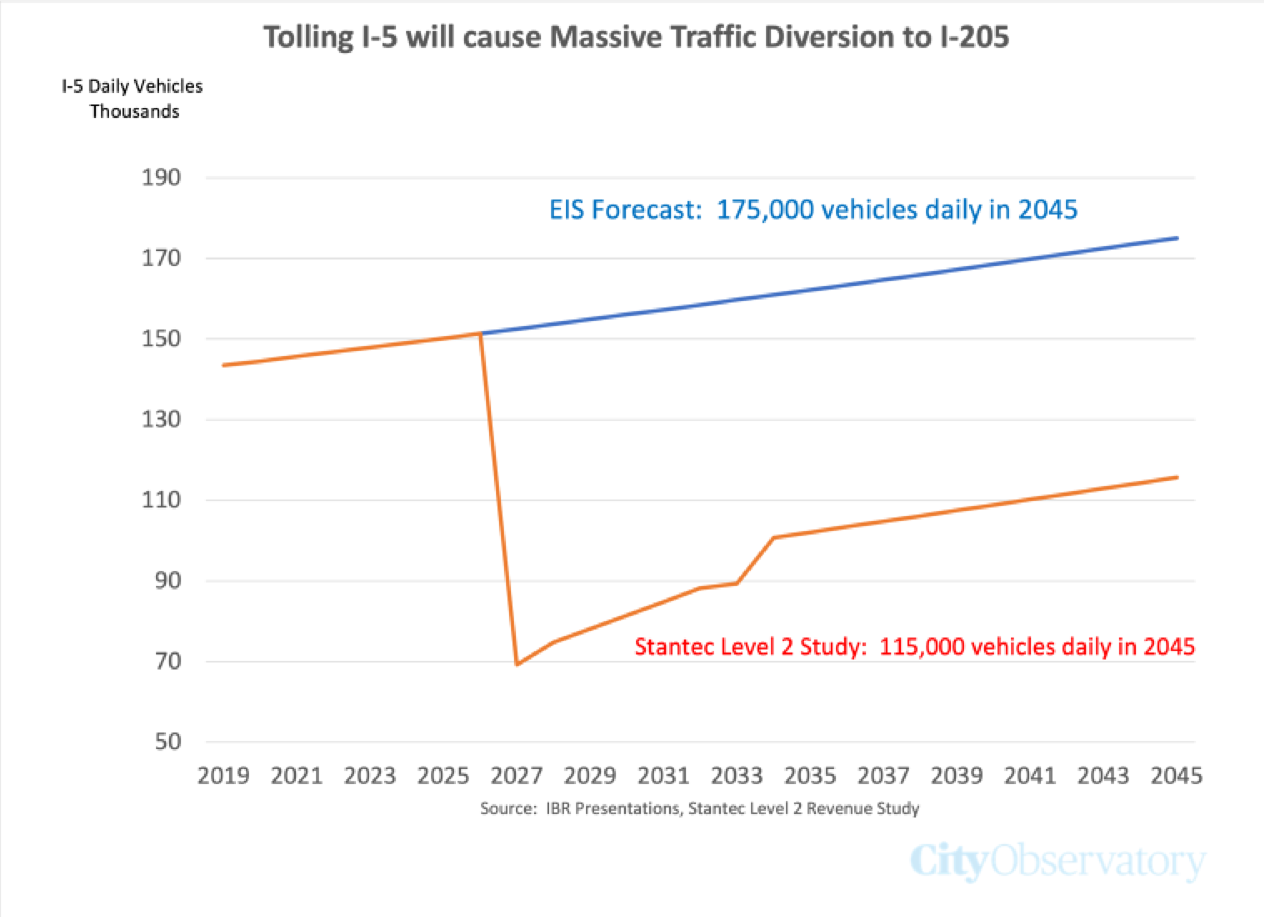
Their slide show and testimony omitted the fact that IBR and its consultants have already prepared detailed estimates of likely diversion.

After filing a public records request, we obtained toll-related financial projections prepared by IBR consultants that show the estimated tolls that will be charged, the amount of revenue tolls would raise, and the average level of traffic using the I-5 bridge under tolls. The appendix to this report shows “Scenario A” of the project’s financial analysis, prepared by consultants WSP using traffic projections made by another consultant, Stantec. Stantec’s work is a so-called “Level 2” study of traffic levels. We converted the annual data reported in these financial reports to average weekday traffic.

Previously secret IBR “Level 2” traffic studies show massive diversion

The financial report indicates that the IBR will begin charging tolls on the existing I-5 bridge in 2026, just as the project starts construction. This “pre-completion tolling” will start out an an average of $2.80 per passenger car (peak tolls will be higher; off-peak tolls lower). Average tolls rise each year and will be $3.30 per car in 2033 which the new bridge opens, and will rise to $4.34 in 2045. (Again, peak hour tolls will be even higher).

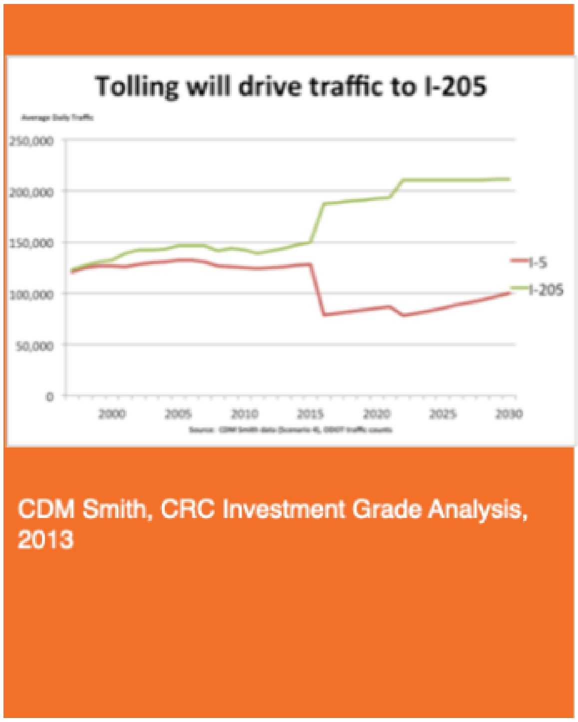
Tolling will depress traffic on I-5 and cause diversion to I-205. The following chart shows the predicted daily level of trips across the I-5 bridge according to the IBR’s published environmental analysis. Currently about 140,000 vehicles per day cross the I-5 Columbia River Bridges The red line on the chart shows what Stantec predicts will happen to daily I-5 traffic when tolls are implemented in 2026. Traffic will fall by almost half, to only about 70,000 vehicles per day.

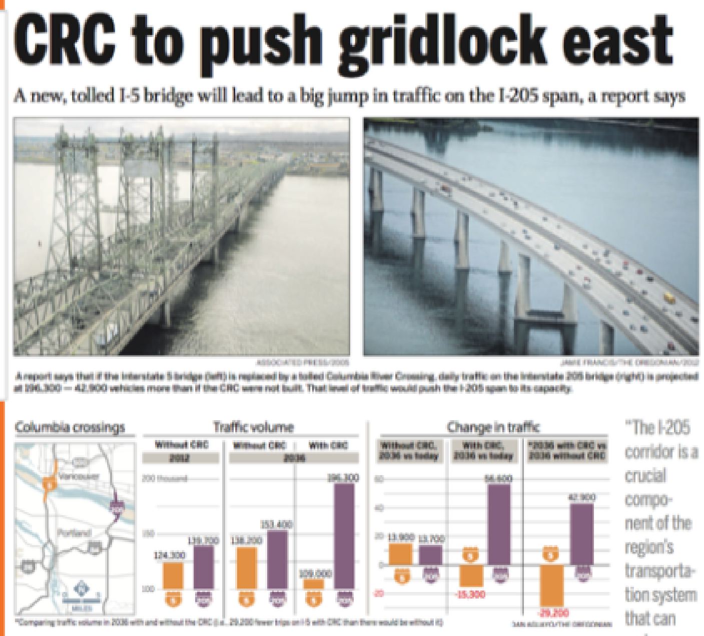


These high toll levels will prompt many users to avoid the I-5 bridge. Some may shift to transit, or avoid traveling across the Columbia River. But most of this traffic will shift to the I-205 bridge, which is not tolled. Metro, the regional's transportation planning agency has used its regional travel demand model to estimate traffic diversion under various tolling scenarios. On average, it finds that about 55 percent of diverted traffic will instead cross the I-205 bridge. This means that tolling I-5 will add more than 30,000 vehicles per day to I-205.

The "Level 2" study confirms the diversion estimates generated a decade ago.

The results of the 2023 Stantec Level 2 study confirm the results obtained in the CDM Smith Investment Grade Analysis for the Columbia River Crossing a decade ago. In 2013, the Oregon and Washington highway departments paid CDM Smith about $1.4 million to produce an "investment grade" study that would qualify the project for federal loans and private bond financing. CDM Smith's investment grade analysis (IGA), assumed that pre-completion tolling would start in 2019, and when it did, traffic on the I-5 bridge would fall precipitously, and remain below historical levels indefinitely. The CDM Smith study also concluded that the bulk of this traffic would shift to the I-205 bridge.





CRC to push gridlock east

A new, tolled I-5 bridge will lead to a big jump in traffic on the I-205 span, a report says

ASSOCIATED PRESS/2005

JAMIE FRANCIS/THE OREGONIAN/2012

A report says that if the Interstate 5 bridge (left) is replaced by a tolled Columbia River Crossing, daily traffic on the Interstate 205 bridge (right) is projected at 196,300 — 42,900 vehicles more than if the CRC were not built. That level of traffic would push the I-205 span to its capacity.

*Comparing traffic volume in 2036 with and without the CRC (i.e., 29,200 fewer trips on I-5 with CRC than there would be without it)

SAN AGUAYO/THE OREGONIAN

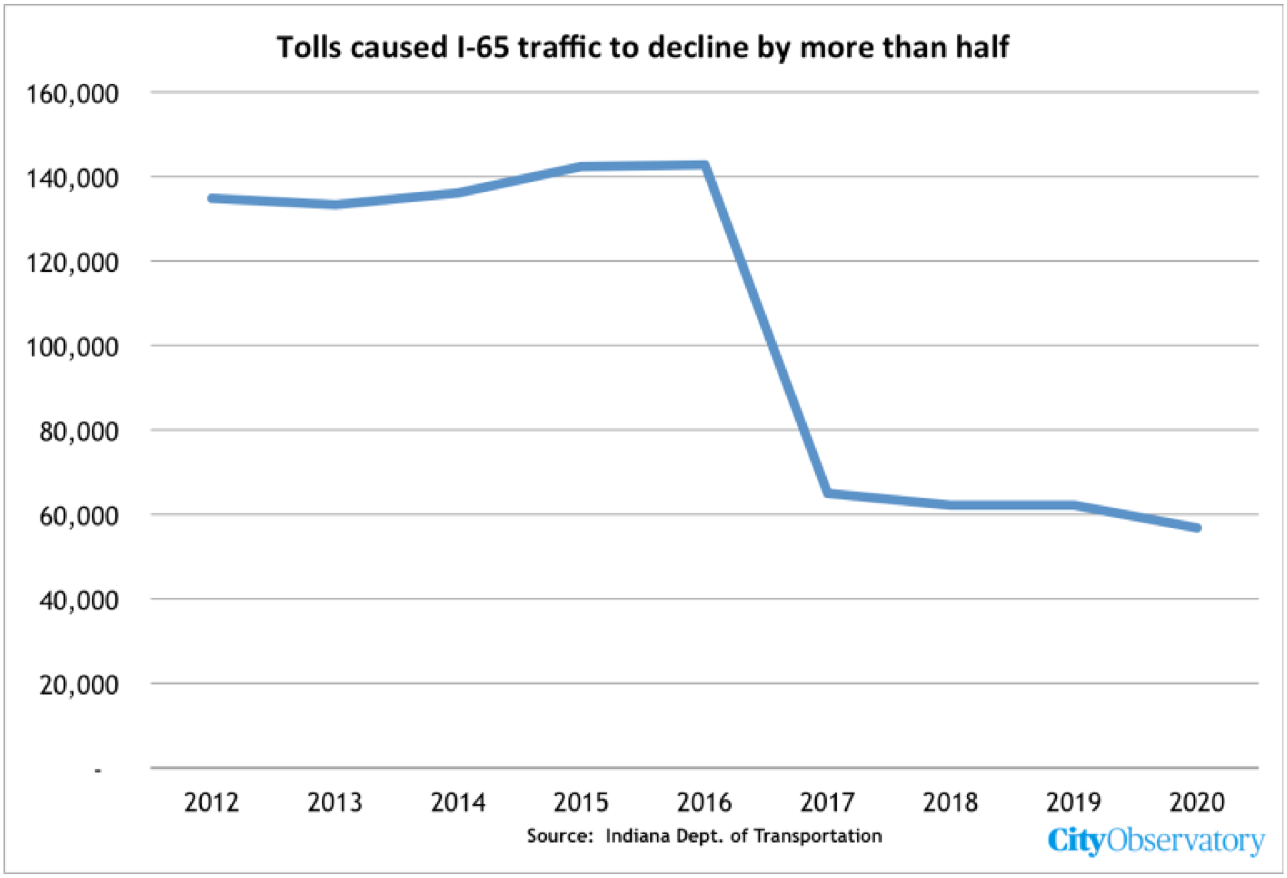
"The I-205 corridor is a crucial component of the region's transportation system that can

Louisville, Kentucky built the equivalent of the IBR, and tolling produced massive traffic declines and diversion

This is exactly what has happened with comparable tolled projects. A decade ago, Louisville Kentucky built a project extremely similar to the I-5 bridge replacement, doubling the capacity of I-65 across the Ohio River from 6 lanes to 12 lanes. It imposed a modest toll of $1-$2 for crossings, and this had the result that traffic on the expanded I-65 bridges fell from about 130,000 vehicles per day (nearly identical to the current I-5 bridges) to about 65,000 vehicles per day. As a result, the expanded bridge capacity is going almost entirely unused. Traffic cameras show that even at 5pm on a typical weekday afternoon, the bridges are almost empty.

I-65 crossing the Ohio River at Louisville at rush hour (November 3, 2021; 5:34PM)

Here's the average daily traffic count on I-65, according to data tabulated by the Indiana Department of Transportation. In the years just prior to the tolling, traffic was in the 135,000 to 140,000 vehicles per day level. But as soon as tolling went into effect, traffic dropped to barely 60,000 vehicles per day (with a very slight further decline due to Covid-19 in 2020).

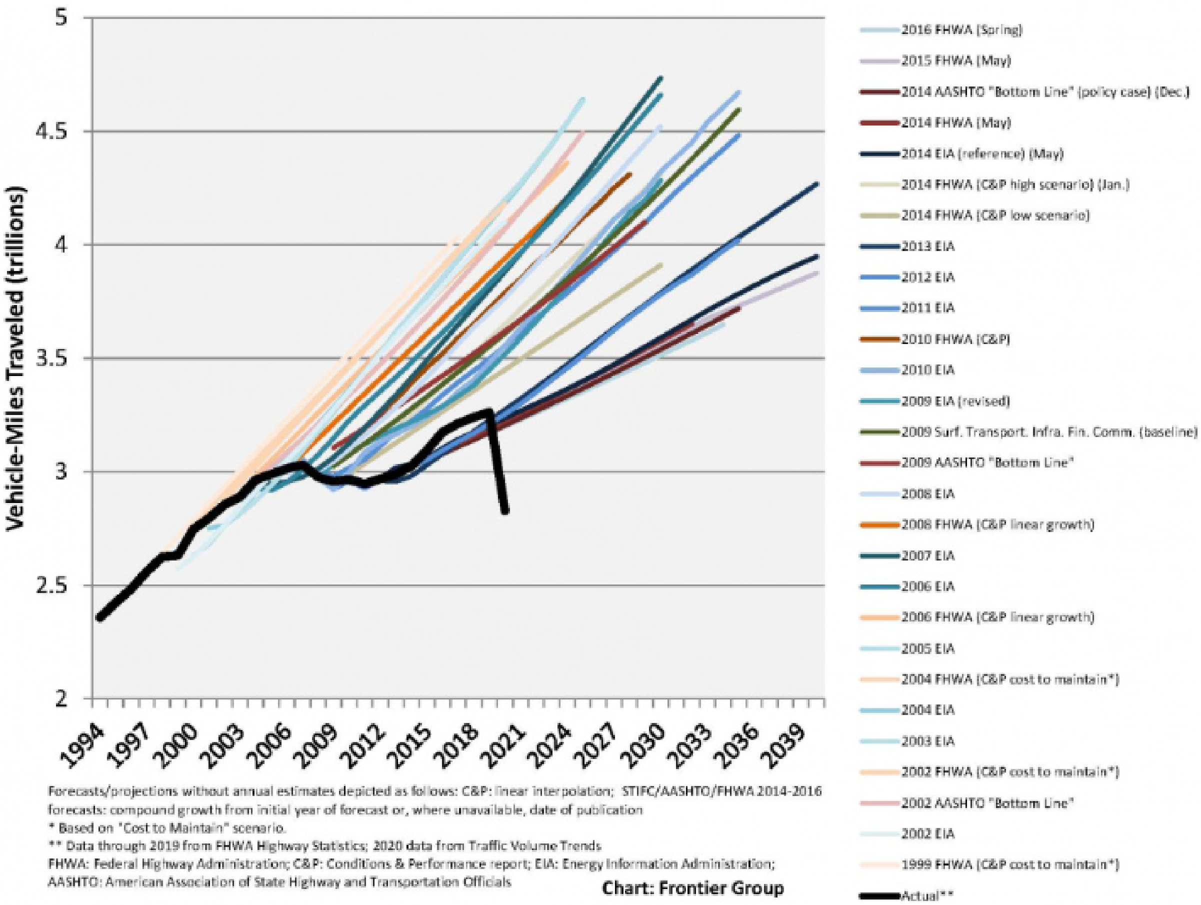


Investment Grade Forecasts are not "worst case" estimates

The staff of the IBR has claimed that the investment grade analyses are financial "worst case" scenarios that will never be born out in practice. That's simply false. The federal government and bond rating agencies require the preparation of independent, investment grade forecasts because state highway department forecasts are unreliable and are generally dramatic over-estimates. Investment grade forecasts are more realistic, but also tend to be over-optimistic; they are not described by their authors as "worst-case" scenarios, and as we'll see, traffic levels regularly come in below levels forecast by investment grade analyses.

First, to be sure, highway department forecasts wildly overstate future traffic growth. A comprehensive review of two decades of traffic growth projections prepared by state transportaton departments, the Federal Highway Administration and other groups, like AASHTO (the highway agency lobby), shows that they continually predict "hockey-stick" growth patterns that have never been realized in practice.

Predicted Versus Actual VMT Growth (Dutzik 2021)



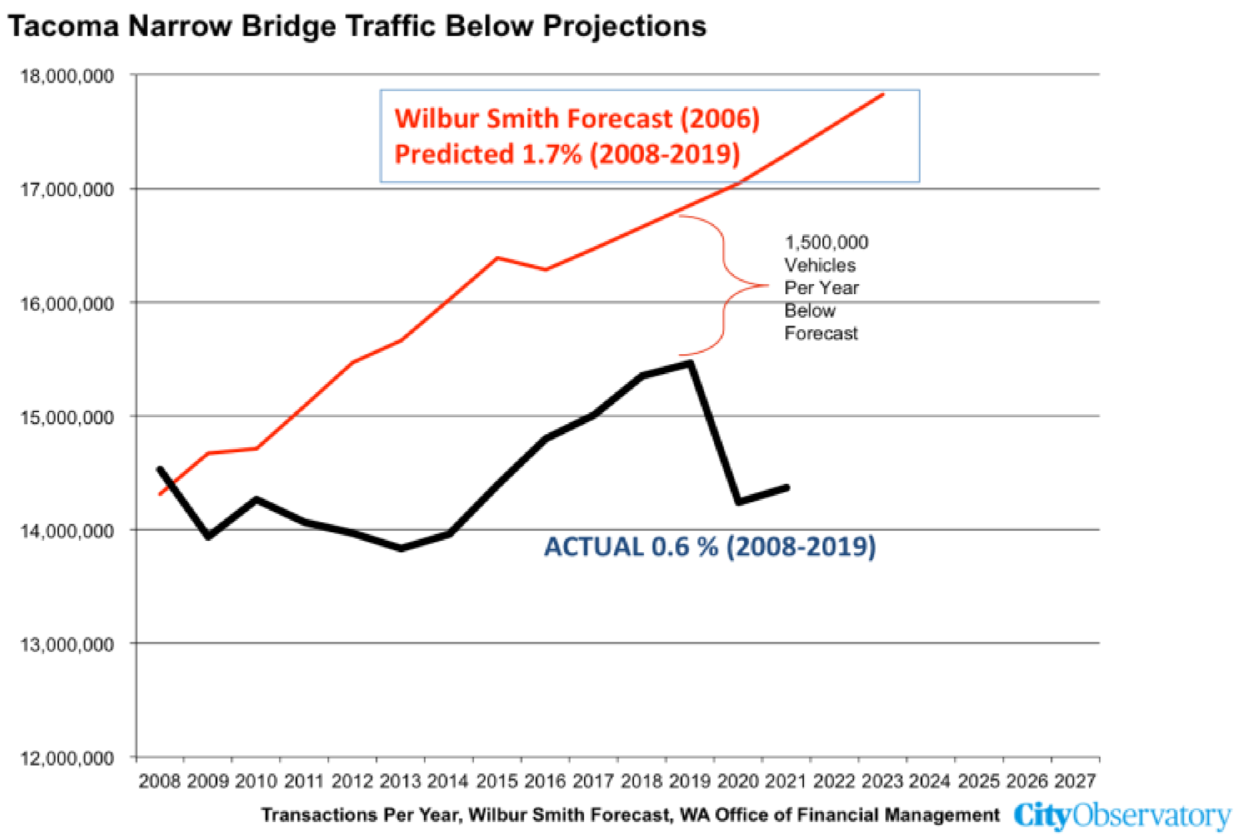
While investment grade analyses are not as egregiously bad as these hockey-stick forecasts, they tend to consistently over-estimate actual traffic levels. The problem of over-estimating traffic levels (and associated toll revenues) is endemic. Bond rating agency Fitch issued a scathing report on toll forecast errors. They warned that over-estimating revenue is common in the industry and is a key cause of financial problems for toll-financed projects. The Fitch message, summarized in the trade publication, *Toll Roads News*, is clear and stark:

> **They [Fitch] call demand forecasting "a key vulnerability," adding: "The probability of over-estimation remains high despite decades of experience with forecasting demand on transport projects**. Many greenfield projects over the years across many jurisdictions have suffered from this… While other risks have been manifested in many cases, **defaults on debt have largely been driven by under-performance relative to original projections."**
> (emphasis added)

Investment grade forecasts also routinely suffer from optimism bias, as demonstrated by international expert (and Oregon State Treasury adviser) Robert Bain's comprehensive review of industry practice:

> "The standard of some traffic and revenue studies, supporting infrastructure investments worth billions of dollars, is truly appalling," Bain said. "Forecasts are commonly used to 'sell' deals to potential investors, insurers or rating agencies — so they are exposed to manipulation."

One need look no further than the Tacoma Narrows Bridge in Washington State, the nearest highway project that has been subjected to an investment grade forecast. Wilbur Smith (the predecessor of CDM Smith) prepared the investment grade forecast for the Tacoma Narrows Bridge. It predicted that traffic on the bridge would grow at an annual rate of 1.7 percent per year after the capacity of the bridge was doubled. In fact, through 2019 (i.e. prior to the pandemic) actual traffic growth was only about a third that fast (traffic up 0.6 percent). The result is that toll revenues are dramatically lower than projections, necessitating repeated bail outs from state highway funds.

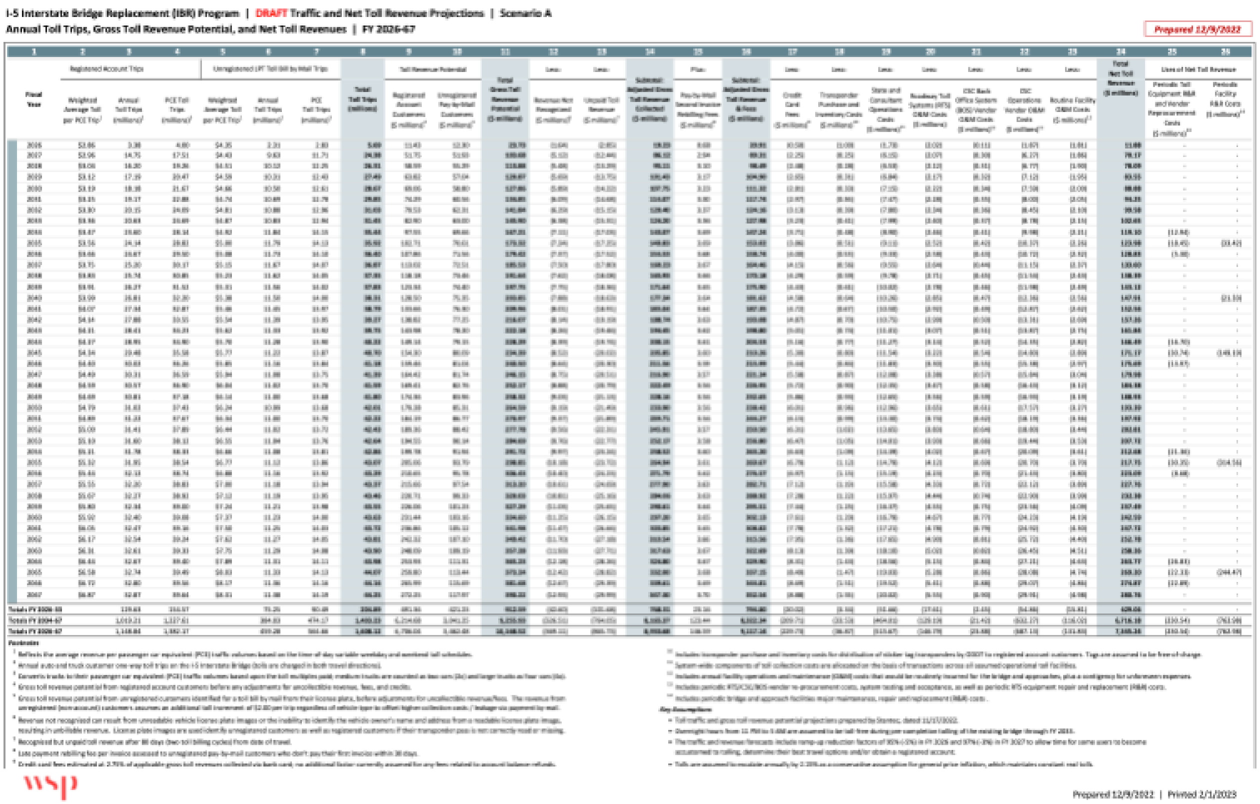


Over-predicting traffic is commonplace for toll road studies, even those done for "investment grade" forecasts. Streetsblog reported that:

> In 2012, the Reston (Virginia) Citizens Association completed a study [PDF] examining traffic projections provided by engineering firm Wilbur Smith (the company that did the very wrong Indiana Toll Road projections, now called CDM Smith). The group collected data from 26 toll road projects on which Wilbur Smith had produced the traffic projections. During the first five years that were forecast, traffic projections overshot actual traffic every single year, and by an average of 109 percent, according to the report.

In short, investment grade toll revenue forecasts are not as wildly unrealistic as the promotional forecasts produced by state highway agencies, but they still consistently over-estimate traffic volumes and toll revenues on newly tolled-roadways. They are decidedly not unrealistic worst-case scenarios as portrayed by IBR officials. As a practical matter, the results of the IGA's confirm that overall traffic levels will be lower, and diversion to un-tolled parallel routes (in this case I-205) will be higher than acknowledged in IBR's promotional forecasts. That will lead to vastly different community, environmental and economic impacts that portrayed in the project's environmental impact statement.

Appendix: Scenario A Financial Analysis (disclosed pursuant to public records request)


I-5 Interstate Bridge Replacement (IBR) Program | DRAFT Traffic and Net Toll Revenue Projections | Scenario A
Annual Toll Trips, Gross Toll Revenue Potential, and Net Toll Revenues | FY 2026-67

Prepared 12/9/2022

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