JournalStar.com

First Keystone pipeline pumped little into retail sales numbers

By ART HOVEY / Lincoln Journal Star
September 2, 2013

A crew offloads 10,000-pound sections of pipe from a railcar just east of David City in 2009 during construction of the first Keystone pipeline. A look at retail sales tax receipts during the pipeline's prime construction year shows little evidence of a consistent economic boost.

TransCanada has pointed to the economic benefits that will accrue for Nebraska towns and counties along the path of its Keystone XL pipeline, but a check of retail sales figures for the 10 counties crossed by its first pipeline doesn't show a consistent economic boost.

In fact, net taxable retail sales in eight of those counties declined in 2009, the prime construction year for Keystone 1 in Nebraska, compared with 2008.

Sales rose in Seward County by less than 1 percent and by 1.1 percent in Cedar County, according to information on file with the Nebraska Department of Revenue.

But results in five other Keystone 1 counties dropped even lower than the statewide average of minus 3.4 percent in 2009, a recession year across the United States.

Pipeline critics say the Journal Star's look at sales tax facts supports what they have been saying all along.

A TransCanada spokesman said it's a very partial picture that can lead to all sorts of wrong conclusions.

"Whenever anyone from TransCanada tries to say our towns will make millions off the pipeline and it will bring thousands of jobs to folks in our state, I always remind our officials to look at Keystone 1," said critic Jane Kleeb of Bold Nebraska. "We have a case study right here in our state. No one got rich off the pipeline, our gas prices are still high and we still have national security risks."

TransCanada's Shawn Howard begged to differ. "With the first Keystone, we spent hundreds of millions on goods, services, etc. in the state of Nebraska," he said.

But Howard said retail sales are highly variable at the local level and that any examination of 2009 must take into account that it was a recession year in both rural and urban settings.

Keystone 1, which passes through the Lincoln area just west of Seward, began operating in 2010 without attracting much opposition in the state.

Keystone XL, which would pass along the edge of the Nebraska Sandhills and over more vulnerable parts of the Ogallala Aquifer, has been a magnet for controversy. It remains under federal review more than four years after it was unveiled.

A closer look at the 10 counties on the Keystone 1 route does indeed show some plus and minus variability for the big 2009 construction months of May, June, July and August.

Net taxable retail sales for July of that year for Seward County showed a 10.5 percent gain. Right on the other side of the Platte River in Colfax County, they dropped 11.2 percent that same month.

But what an annual and monthly comparison of sales tax figures does not show is consistent evidence of Keystone 1 lifting the counties it crossed beyond the sales results achieved in the rest of the state in 2009.

Ernie Goss, a professor of economics at Creighton University of Omaha, said it's possible to read something into a comparison of taxable retail sales. The question is how much.

“It's supportive, but not definitive,” Goss said, in measuring the pipeline's economic impact.

That said, he pointed to a number of factors that would make a retail sales analysis something less than the whole story.

For example, in terms of hotel and motel traffic, individuals may be staying, not in the county where the pipeline crosses, but in another county, according to Goss. "Maybe they're spending in that other county,” he said.

Also, “just because we don’t see a bump, what would retail sales have been, absent the Keystone pipeline?”

On a related point, Goss said only about 11 percent of those working on the pipeline in Nebraska were from the state. But South Dakota was another state on the construction route.

“How many of those are going to be Nebraskans?”

Goss suggested that looking at counties contiguous to the pipeline counties that have bigger populations might change the sales tax picture for 2009.

For the sake of full disclosure, Goss volunteered that he had been a consultant to the Consumer Energy Alliance, a pro-pipeline group earlier, although he's not under contract now.

Meanwhile, TransCanada's Howard offered a copy of glowing testimony by the Norfolk Area Chamber of Commerce to the Legislature's Natural Resources Committee in 2011 that amplified TransCanada's point of view.

“At the end of the day,” chief executive Dennis Houston said, “we experienced a $10 million economic impact in Norfolk and the Madison County area.”

Houston also cited 750 jobs and TransCanada's status as the third-largest employer there for five months in 2009.

A check of taxable retail sales in Madison County for 2009 showed they declined 2.4 percent from 2008. Dodge County, home to Fremont and just east of the pipeline county of Colfax, dipped 3.9 percent in 2009.

But Houston also alluded to larger economic forces. “Please keep in mind that this was all happening at a time when most areas of the country were experiencing the peak of the recession.”

Ben Gotschall of Bold Nebraska said there's a different message in the Department of Revenue data. “As for sales tax revenue, these figures agree with what people in the counties along the pipeline route have been saying all along. TransCanada's promises never materialize.”