

POLICY NOTES

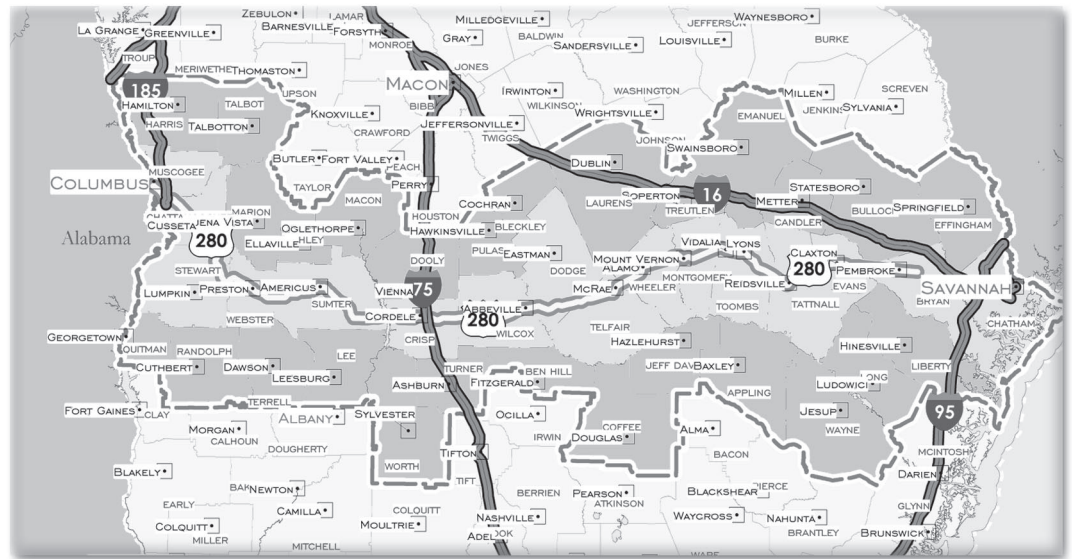
Infrastructure Investment Would Benefit South Georgia

by Richard W. Campbell, J. Griffin Doyle, Richard Hawkins, and Thomas J. Pavlak

The Carl Vinson Institute of Government was called upon by the Georgia General Assembly to conduct a study of the anticipated economic impacts of a major infrastructure investment in south Georgia. Dubbed the “power alley initiative,” the proposed investment would enhance an east-west transportation corridor, expand telecommunications infrastructure, create new electric power generation and distribution capacity, and develop a large natural gas pipeline along the corridor. The investments would be made in a part of the state that continues to be characterized by economic stagnation and decline despite a strong state economy. A major premise of the policy proposal is that the state’s investment in the targeted area would be followed by sufficient private investment to complete the needed infrastructure improvements and spur economic development.

The target area of the contemplated investment consists of 43 counties, including the 16 counties that form a corridor along U.S. 280 between the cities of Savannah and Columbus and 27 counties that border the corridor (see figure). Predominantly rural, the area has not shared in the state’s economic prosperity of the last two decades. In fact, the Georgia Rural Development Council (2000) in its economic vitality index classifies two-thirds of the target counties as either “lagging” or “declining.”

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The infrastructure improvements would be made in the 16 corridor counties. They include widening U.S. 280 to four lanes, upgrading the quality of the Georgia Southwestern Rail Line, adding a new natural gas pipeline, and adding a continuous east-west fiber-optic cable. The demand for natural gas and electricity is growing rapidly, and expansions in both industries are expected in the Southeast and Georgia. The power alley initiative seeks to leverage public and private investments to dramatically improve the economic development of the area while accommodating the capacity needs of private utilities.

The estimated total cost of the proposed investment is \$466 million. The state would fund the transportation upgrades at a cost of \$226 million and provide right-of-way for the gas pipeline and fiber-optic cable. The cost of the gas pipeline and fiber-optic cable installation totals \$240 million and would be borne by the private sector.

In the analysis of the economic impacts, an econometric policy simulation model (from Regional Economic Models Inc. [REMI]) was used. The analysis is based on estimated costs of the infrastructure upgrades and three hypothetical scenarios of private-sector leveraged investments. Most of the estimated economic gain would occur in the corridor area itself, with the public investments completely recouped in 10 years or less. Projected impacts in the corridor by 2005, based on a heavy private-sector participation scenario, include the following:

- 4,804 new jobs
- 1,352 new construction jobs (to produce the infrastructure upgrades)
- 1,874 new manufacturing jobs for private-sector firms interested in cutting their utility costs and getting better access to external markets
- \$327.6 million increase in gross regional product annually
- nearly 4,000 new residents
- \$68 increase in per capita income
- \$4.0 million annual increase in local government property taxes, and an increase of \$17.6 million in other local government revenues

The anticipated effects outside the corridor in 2005, including the border counties, are noticeably less significant. However, the state does benefit, as these impacts based on the heavy private-sector participation scenario show:

- 1,199 new jobs outside the 43-county target area
- \$75.2 million in gross regional product annually
- \$38.4 million annual increase in state revenue

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Selected Resources

Campbell, Richard W., J. Griffin Doyle, Richard Hawkins, and Thomas J. Pavlak. 2000. *The Power Alley Initiative: An Assessment of the Economic Development Potential of State Infrastructure Investment in South Georgia*. Vol. I, *Executive Summary*. Athens: Carl Vinson Institute of Government, University of Georgia.

Campbell, Richard W., J. Griffin Doyle, Richard Hawkins, and Thomas J. Pavlak. 2000. *The Power Alley Initiative: An Assessment of the Economic Development Potential of State Infrastructure Investment in South Georgia*. Vol. II, *A Detailed Analysis*. Athens: Carl Vinson Institute of Government, University of Georgia.

Georgia Rural Development Council. 2000. *The State of Rural Georgia: Surviving, Not Thriving*. 2000 Update. Report of the Technical Advisory Committee and Georgia Institute of Technology.

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