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TITLE

How do decision makers prioritize transport projects with a negative net social benefit within a BCA paradigm? The case of Nye Veier AS

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RESEARCH QUESTION

How do decision makers prioritize transport projects with a negative net social benefit within a BCA paradigm?

INTRODUCTION

The Norwegian Government has a history in the transport and mobility sector to build roads that are not socially beneficial. Several papers support the claim that decision makers do not consider BCA results when prioritizing road transport projects (Sager, 2016; Eliasson et al. 2015). In general, transport and mobility projects had low or negative returns but were built nonetheless. This could explain why decision makers disregard BCA results when deciding on which projects to prioritize.

Recently, the Norwegian Government decided it was time to relocate resources towards more beneficial projects and implemented a road sector reform[1]. This reform in the transport sector is changing how decision makers are prioritizing road transport projects. In 2016 the Norwegian Government established Nye Veier AS (NV), a state-owned company, to ensure the use of BCA results in road construction. In its statutes, it is stated that the company will provide effective and complete planning, construction, operation and maintenance of safe roads where the road projects with a high net social benefit is prioritized before projects with a low or negative social benefit.

[1] The document concerning the road sector reform in Norway can be found on the Norwegian Government official website (only provided in Norwegian) https://www.regjeringen.no/no/dokumenter/meld.-st.-25-2014-2015/id2406847/

In the beginning, the company was allocated a portfolio containing 530 km of highway roads and connecting roads. This portfolio is to be built within 20 years.

NYE VEIER'S METHODOLOGY TO PRIORITIZE TRANSPORT PROJECTS

NV prioritizes the projects in its portfolio by using results from benefit-cost analyses and more specifically the net social benefit per budgeted Norwegian Krone (NOK) as a decision criterium. Nye Veier's execution model focuses on increasing the benefit for the road users and reducing the cost of construction (Figure 1.). The following factors (including costs) are included in the BCA analysis of Nye Veier: Net social benefit values, accident load, the degree in which different projects can be wholly constructed, EUs terms for tunnel construction, the maturity of the project as well as the value for the local society. The prioritization analyses of the projects are reviewed every 6 months, always ensuring an updated portfolio.

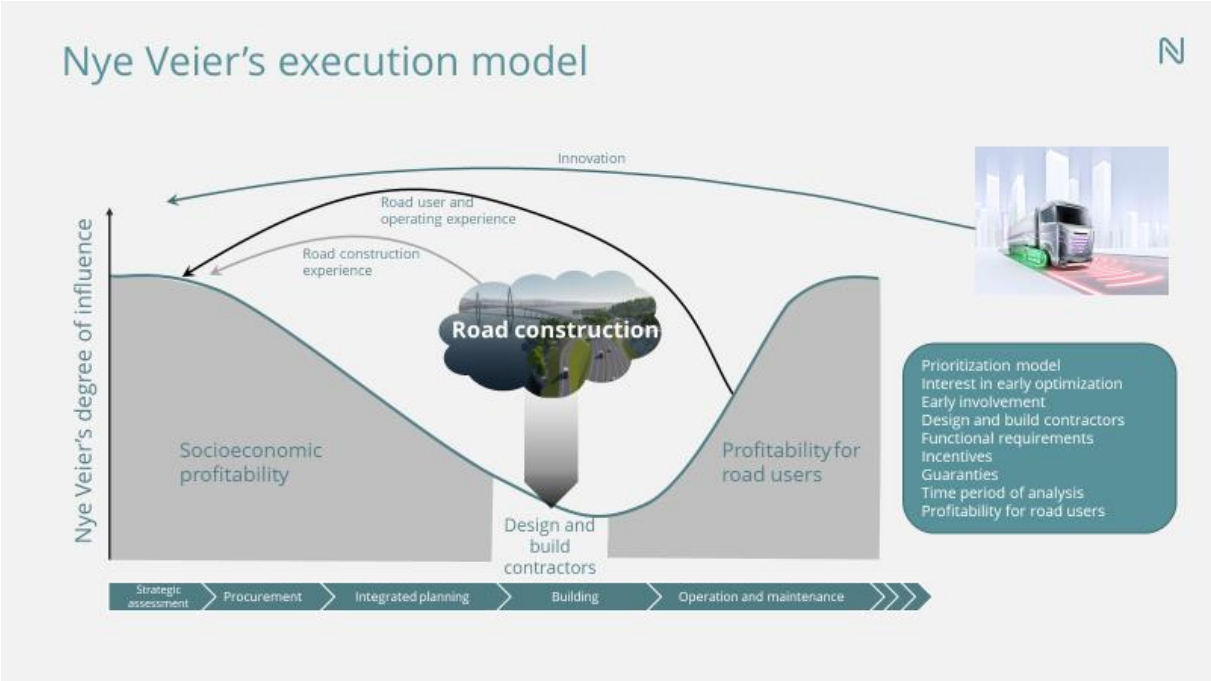

Figure 1: Nye Veier's execution model

The BCA methodology applied by Nye Veier is the standard method suggested by the Norwegian Government (Hagen, et al., 2012).

However, this standard method does not capture important aspects of a transport project such as political goals (lobbying), societal safety or predictability for commercial transport. Nor does using net social benefit per budgeted NOK as a criterium to prioritize projects reflect the loss to society if used on social non-beneficial road projects.

Political goals, both local and national, are important to consider in transport projects and according to Eliasson et al. (2015) the Norwegian government tends to favor investments in regions where they enjoy strong local electoral support. Nye Veier attempts to convey decision makers to choose projects that have a positive net present value. Their prioritization model gives incentives for local politicians to alter aspects (especially in the early stage of road planning) in a road project that will give added value. The additional value added in the project will give it a higher net social benefit. It will make it possible for the project to be ranked higher in Nye Veier's portfolio and hence be constructed earlier than previously planned.

Olsen, Kruke and Hovden (2007) define societal safety as "The society's ability to maintain critical social functions, to protect the life and health of the citizens and to meet the citizens' basic requirements in a variety of stress situations". It is a sensitive political issue that contains dilemmas and value choices that are difficult to perceive in a scientific analysis. Hence other methods must be incorporated alongside BCA results to capture other societal issues.

Given that Nye Veier's road projects in its portfolio must be constructed within 20 years, there is a risk that projects with a negative net present value are built. Other decision criteria have been developed to reflect Nye Veier's commitment to build all roads in its portfolio.

EXPECTED RESULTS

This paper will attempt to collect knowledge on methods used alongside BCA to prioritize projects and further develop methods that can incorporate other important aspects such as political goals and societal safety into the prioritization mechanism.

This will be done through an extended literature review and an analysis of qualitative data achieved from interviewing central people in Nye Veier and other relevant institutions.

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