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**For More Information Contact:
Andrew J. Niemiec, Executive Director
or Verne Geidl, Chief Engineer
(907) 269-6698**

KABATA Releases Updated Cost Estimate of \$680 Million for the Knik Arm Crossing Project

(Anchorage, AK). The Knik Arm Bridge and Toll Authority (KABATA) has prepared an updated cost estimate for the Knik Arm Crossing project based on an independent contractor-type estimate for the bridge. The total cost to construct the project, including basic cost of construction, contingencies, design/engineering, construction management and right-of-way, is estimated at \$680 million in 2011 dollars. The cost estimate was updated using the latest bid prices and an independent contractor-type estimate for the bridge based on time, materials, labor and equipment. The basic cost of construction estimate (without contingencies, design/engineering, construction management and right-of-way) in 2011 dollars is \$540 million and remains in line with the \$600 million basic cost of construction used for screening during the environmental process.

Because the Knik Arm Bridge is a toll bridge, most of the estimated \$680 million total construction cost will be paid for by toll payers, not the taxpayer. Taxpayers will pay for only a fraction of the construction cost. Construction cost is only one of several financial considerations for a toll bridge. Of equal or greater importance are (1) the toll revenue forecasts, (2) financing and debt service costs, and (3) operations and maintenance costs over the life of the facility.

Eight separate independent professional engineering estimates have previously been developed during the environmental process, including one by PBS&J of Tampa, Florida in 2006 under contract to the FHWA for a Major Projects Cost Estimate Review. The current estimate results are consistent with the previous estimates. KABATA has had all of its estimates escalated to mid-year of construction which, because of delays in the environmental process, is now projected as 2011. The PBS&J report had previously estimated that each year of delay adds about \$25 million to the cost of the project.

Due to the current recession and decreasing world demand, the costs of asphalt and steel products have decreased significantly from those used for this most recent cost update and are predicted to drop more in the coming year. These changes could result in a decrease from the current total cost estimate.

The updated cost estimate is for the initial construction of approximately 10 miles of road from the intersection of Point MacKenzie Road with the Port MacKenzie boundary in the Mat-Su Borough to the A-C Couplet south of Government Hill in Anchorage, including the bridge across the Knik Arm. As population and traffic grow in the future, KABATA will use toll revenues to widen the road to four lanes and build a bridge over Ship Creek connecting the Knik Arm Crossing project with the proposed Highway-to-Highway project in Anchorage. The extent of the project as determined by the FHWA for environmental impact is from the intersection of Burma Road and Point MacKenzie Road in the Mat-Su Borough to the Ingra-Gambell Couplet in the vicinity of the Glenn Highway, with a secondary connection to the A-C Couplet south of Government Hill in Anchorage. The Mat-Su Borough has already paved the Point MacKenzie Road from Burma Road to near Port MacKenzie for the project.

The population of the Anchorage/Mat-Su region is predicted to grow by nearly 200,000 more people by 2030 whether the bridge is built or not. That population growth will require hundreds of millions of dollars of additional investment in road and bridge projects outside of the Knik Arm Crossing's area of environmental impact regardless of whether the bridge is built. Constructing the Knik Arm Crossing now will defer the need to spend hundreds of millions of dollars to widen the Glenn Highway.

About KABATA

KABATA was formed by the Alaska Legislature in 2003 to develop, stimulate and advance the economic welfare of the state through construction and operation of a toll bridge spanning the Knik Arm of Upper Cook Inlet. The bridge will provide a second connection between Anchorage, Alaska's largest city, and the Matanuska-Susitna Borough, one of the fastest growing counties in the United States, improving the regional transportation network and facilitating the movement of people and goods and enhancing safety. KABATA has commenced a Public-Private Partnership procurement to award a concession for the finance, construction and operation of the planned crossing. Additional information is available on KABATA's web site at www.KnikArmBridge.com.

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