



## The Fact Checker

The Truth Behind the Rhetoric | By Glenn Kessler



(Alex Wong/GETTY IMAGES)

*"The Keystone energy project would create tens of thousands of American jobs."*  
— **House Speaker John Boehner (R-Ohio), Dec. 10, 2011**

*"At a time when many are without work, it is time that we come together in a bipartisan way to pass this legislation which will create tens of thousands of new jobs."*  
— **Rep. Dan Boren (D-Okla.), Dec. 12, 2011**

*"The privately financed Keystone XL pipeline project is projected to create tens of thousands of U.S. jobs in construction and manufacturing."*  
— **Mark H. Ayers, president of the building and construction trade department, AFL-CIO, Nov. 3, 2011**

*"My administration will stand behind the Keystone pipeline, creating more than 100,000 American jobs while reducing our dependence on overseas imports."*  
— **Former Utah governor Jon Huntsman (R), Nov. 1, 2011**

There is bipartisan consensus: The Keystone XL pipeline means jobs, jobs, jobs.

The Obama administration last month announced that it was taking more time to consider how to balance environmental concerns and economic issues in deciding whether to approve the pipeline, which would carry heavy crude oil from Canada's Alberta province to the Gulf Coast. (Skeptics would suggest the White House wanted to avoid angering [two key allies](#) during an election year.) Ever since, advocates of the pipeline have pressed the case that thousands of shovel-ready jobs are being delayed by the administration's inaction, with House Republicans including a shortened timeline for a permit in [legislation extending the payroll tax cut](#).

We've [repeatedly warned](#) that many "job creation" statistics are often guesstimates of estimates, and should be viewed skeptically. By some accounts, the number of jobs that would be created could be as many as 150,000. But the State Department in August [put the number of construction jobs](#) at just 5,000 to 6,000.

What's going on here?

## The Facts

TransCanada Corp., which is pushing to build the pipeline, [claims](#) that Keystone XL “was poised to put 20,000 Americans to work to construct the pipeline.” The company also cites another figure — 118,000 spin-off jobs Keystone XL would create through increased business for local restaurants, hotels and suppliers — that comes from [a study](#) commissioned by the company. The study even suggested that under “normal” oil price assumptions, the number of permanent jobs would top 250,000.

These statistics form the basis of most of the claims made about the jobs supposedly created by the pipeline. Caveat emptor: the company building the pipeline is obviously going to offer the rosier scenario possible. One should especially view with a large grain of salt any study for which it paid good money.

Juliet Eilpern and Steven Mufson of The Washington Post explored some of the problems with these numbers in [an article](#) last month, but their analysis apparently did not get enough attention. Here’s what they wrote:

A key question for the administration is how many jobs the Keystone XL project would create. TransCanada's initial estimate of 20,000 — which it said includes 13,000 direct construction jobs and 7,000 jobs among supply manufacturers — has been widely quoted by lawmakers and presidential candidates.

[TransCanada chief executive Russ] Girling said Friday that the 13,000 figure was “one person, one year,” meaning that if the construction jobs lasted two years, the number of people employed in each of the two years would be 6,500. That brings the company's number closer to the State Department's; State says the project would create 5,000 to 6,000 construction jobs, a figure that was calculated by its contractor Cardno Entrix.

People can reasonably disagree whether one should look at the overall size of the construction force — as the State Department did — or whether one should look at jobs per-person-per-year. Obviously, the second method can greatly increase the number of “jobs,” depending on the length of the project. TransCanada officials also argue that the State Department estimate was made before binding labor contracts were signed, which they suggest means the estimate could increase.

[Opponents](#) and proponents of the project have also disagreed over whether as many as 7,000 indirect supply chain jobs will be created. (That’s the rest of TransCanada’s 20,000 figure.) Much of that figure depends on where steel pipe will be fabricated, with opponents claiming that many of the jobs will actually be outside the United States.

Opponents obviously have their own reasons for minimizing the number of jobs created. But the biggest stretch in all of these figures is the biggest number: the 118,000 “spin-off” jobs that supposedly would be created from building the pipeline. (This is again “person-year” jobs.)

This figure, [calculated by Ray Perryman](#), a Texas-based consultant, depends mostly on two key figures, both of which are estimates: the basic capital costs, and the multiplier effect. As opponents have documented, if the capital costs are lower than predicted, and if the multiplier is smaller, then the number of “spin-off jobs” can shrink dramatically. The same goes for the estimates of “permanent jobs,” which depend also on the price of oil. And what are some of these jobs? The TransCanada report does not say but Perryman used a similar technique for [a report](#) touting the benefits of a wind farm project.

Among the list of jobs that would be created: 51 dancers and choreographers, 138 dentists, 176 dental hygienists, 100 librarians, 510 bread bakers, 448 clergy, 154 stenographers, 865 hairdressers, 136 manicurists, 110

shampooers, 65 farmers, and (our favorite) 1,714 bartenders.

He even suggested the project would create jobs for 898 reporters and 98 public relations people, but that ratio seems off these days. Surely, it must be reversed. Anyway, you get the picture.

The House Speaker is the most prominent person in recent days to claim “tens of thousands of Americans jobs” would be created. Brendan Buck, his spokesman, defended the use of the figures. “Americans need jobs, and however you slice the numbers, approving this project will create a whole lot more of them than punting on it — like the president has done,” he said.

## The Pinocchio Test

The main problem with all of the “tens of thousands of jobs” statements above is that they are spoken with such certainty and conviction. (Huntsman, who is running for the GOP presidential nomination, gets special mention for grabbing the highest possible number — 100,000!)

There is no hint that these are company figures, that these are estimates, that these are “person-year” jobs — or that some of the estimates are likely pie in the sky.

Lawmakers on both sides of the aisle may have legitimate reasons for pushing this project, but they don’t need to oversell it. Imagine if someone actually said: “The company says this project will create an estimated 13,000 construction jobs over two years.”

That, at least, would be closer to the truth.

## Two Pinocchios



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