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Opinion: Road boosters close eyes to moral issue

Let's talk about the Juneau access road. Yes, I know, it's hard to say anything new about the proposal to build a highway up Lynn Canal. But I have a new idea.

First of all, understand that I am an economist. That's no reason to keep reading, I admit. Economists are dull. But I'll try to liven things up and in any event, I'll be brief.

My idea is simple. Let's take the \$500 million that the road would cost, and stash it instead in the Alaska Permanent Fund as a special purpose endowment dedicated to subsidizing transportation in the Juneau to Haines-Skagway corridor. We'll have a contest to come up with a cute acronym, but for now let's just call it the endowment.

A payout of 5 percent each year yields about \$25 million annually, in real dollars, forever. The trustees set (and annually reset) the per passenger and per vehicle subsidies such that the \$25 million is all paid out each year. The subsidy gets paid to whoever can provide the service-air carrier, toll road, private ferry, state ferry. Above all, let the private sector get involved.

How far would a \$25 million annual subsidy go? A long way. The road boosters think moving cars and trucks is the be all and end all of transportation, so let's start by focusing on vehicles. The state ferries carry about 28,000 vehicles a year (80 a day) between Juneau and ports at the north end of Lynn Canal. The math is simple. Dividing the money by the vehicles gives us \$900. That's the subsidy our endowment could pay for every vehicle they can carry between Juneau and Skagway or Haines.

Wow! At that amount of subsidy rolling in the ferries could reduce their vehicle charges to zero, and still make a bundle, even in the winter. Indeed, the ferries could let everyone ride free in Northern Lynn Canal and still

make a tidy profit.

The state ferries wouldn't have that lucrative market all to themselves for very long. Private companies such as Allen Marine and other forward-thinking entrepreneurs would no doubt get involved, providing even more capacity, and probably faster and better service. Traffic would soar, and the subsidy would have to be reduced - but by how much?

Road boosters say the highway north would generate 380 vehicles a day. I consider that number nothing short of a fantasy - it's a car zipping by every four minutes - but let's assume traffic rose to that astounding level. The subsidy to pay out the full \$25 million would still be a substantial \$180 per vehicle per trip.

Could a subsidy at that level pay for a Lynn Canal road? That depends on several variables, including how much it would really cost to build the road, including its little shuttle ferry at the northern end. The big issue, however, would be whether a road would capture traffic - and the associated subsidy - from the ferries. That could be problematic if when road is completed the ferry providers, in competition for the subsidy, are providing fast, convenient and reliable service.

Could a road project win financing under those circumstances? Who knows? Maybe investment bankers would clamor to loan the money for a road, secure that if you built it, the cars would come. I doubt it, but I'd be happy to let competition do its job, and let the vehicles go where they may.

Am I serious about this proposal? You bet. Extending the blacktop north would improve Juneau's economic prospects. The real question is whether the road is the best way to obtain those benefits.

Comparing the road with an equivalent amount placed in an endowment illustrates why the road, despite its benefits, is economic foolishness. Road boosters say this calculus doesn't matter because the money can't be used for anything except building roads. They think it's morally acceptable to spend other peoples' money on a project that we wouldn't spend our own money on. I don't agree. At its heart the road plan is a greedy scheme to get people who live elsewhere to pay for something we wouldn't buy ourselves.

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