

MUST READ ALASKA

Young, Sullivan, and Murkowski's swampiness is costing all Alaskans

Dan Fagan

July 13, 2021

Why would Alaska's Congressional delegation support the Jones Act when it clearly and indisputably significantly drives up the cost of just about everything in the state?

The Jones Act embodies crony capitalism in its purest form. The 101-year-old federal statute mandates only U.S. owned, flagged, crewed, and built ships can transport cargo between two domestic ports.

The law eliminates most competition for U.S. shipyards and their labor unions. But it is a huge financial burden for the citizens of Alaska.

And yet Rep. Don Young, and Senators Lisa Murkowski and Dan Sullivan are big supporters of the law.

According to a study by the CATO Institute, it costs eight times as much to build a ship in the U.S. than it does to build one on foreign soil.

The Heritage Foundation reports it costs more than \$20 thousand per day in 2010 to operate a U.S. flagged ship, compared with less than \$8 thousand per day for those foreign flagged.

These higher costs are absorbed by Alaskans pushing up the price of all goods arriving to the state via ships. It's not difficult to understand the more it costs to ship stuff to Alaska, the higher the price of the goods coming to the state.

"The Jones act is a typical example of political cronyism at work and perverting economic policy," wrote Patrick Tyrrell with the Heritage Foundation in a 2019 column entitled "The peculiar case of Alaskan senator's support for the Jones Act."

"A small group of people lobby extensively to receive a government economic benefit whose cost is spread widely over the entire population," wrote Tyrrell.

Tyrrell also blames the Jones Act for the price of groceries costing 38 percent more in Juneau, Anchorage, Kodiak, and Fairbanks than the average U.S. city.

There was a day when Alaska state leaders were, unlike Young, Murkowski, and Sullivan, willing to take on the special interests like ship builders and their unions.

In 1955, former Alaska territory Gov. Ernest Gruening described the Jones Act as “ruining business and imposing heavy expense” on the state.

Then in 1969, Sen. Ted Stevens introduced legislation demanding the federal government compensate the state for the extra expenses caused by the Jones Act. His bill failed.

In 1984, Alaskans overwhelmingly passed a ballot measure mandating the governor persuade Congress to repeal the Jones Act and then submit an annual report detailing progress toward this goal. The Alaska Legislature later removed the yearly reporting requirement.

Back in 1982, the Alaska Statehood Commission estimated the Jones Act added \$1,000 per year in additional expenses per family in Alaska. The commission also found Alaska’s oil industry suffered an additional \$600 million in yearly expenses because of the Jones Act.

But in 1988, a study published by the U.S. Government Accountability Office discovered the Jones act alone imposed a cost equal to 2% of each Alaskan’s personal income.

The Jones Act driving up the cost of just about everything in Alaska has gotten much worse in recent years since fewer U.S. ships are being built. The U.S. shipping industry is in serious decline driving up the cost of the Jones Act limitations to Alaskans even that much more.

The Jones Act also drives up the cost for energy companies operating in Alaska.

Remember the 2007 closing of the Agrium fertilizer plant on the Kenai? Plant officials lobbied Congress for an exemption to the Jones Act. One was not granted. The plant couldn’t compete, in part because of the high cost of shipping and closed, ending the jobs of 400 Alaskans.

“How much more energy exploration would be taking place in Alaska and how many more energy related businesses would be prospering without the Jones Act standing in its way,” asked CATO Institute researcher Colin Grabow in a 2018 report.

Former President Donald Trump was contemplating issuing waivers to the Jones Act to lower the costs of shipping natural gas from U.S. ports.

But according to the Heritage Foundation, Murkowski and Sullivan convinced him otherwise during a 2019 meeting.

“The president’s apparent change of heart may be due in part to the advocacy for the Jones Act at the meeting by Alaska’s two Republican senators, Dan Sullivan and Lisa Murkowski,” wrote Tyrrell with the Heritage Foundation.

“Why would Alaska’s senators be arguing in favor of a law that so clearly raises costs for their constituents? For whatever reason, the vested interest of the sea transport industry have won the day in the competition for the senator’s ears,” wrote Tyrrell.

In a recent newsletter the president of the Sailors Union of the Pacific singled out Sullivan and fellow Sen. Bradley Byrne of Alabama for bragging about their role: “both spoke directly to their influential roles in the recent rejection of a proposed Jones Act LNG waiver.”

Sullivan recently claimed he and Murkowski make a good team. They do indeed.