

ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE TRANSPORTATION STANDING COMMITTEE
SENATE TRANSPORTATION STANDING COMMITTEE
January 18, 2001
1:35 p.m.

HOUSE MEMBERS PRESENT

Representative Vic Kohring, Chair
Representative Beverly Masek, Vice Chair
Representative Scott Ogan
Representative Drew Scalzi
Representative Peggy Wilson
Representative Mary Kapsner
Representative Albert Kookesh

HOUSE MEMBERS ABSENT

All members present

SENATE MEMBERS PRESENT

Senator John Cowdery, Chair
Senator Jerry Ward, Vice Chair
Senator Robin Taylor
Senator Gary Wilken
Senator Kim Elton

SENATE MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM (STIP) PROCESS,
FUNDING SOURCES: FEDERAL, STATE, AND LOCAL GOVERNMENT MATCHES

WITNESS REGISTER

KURT PARKAN, Deputy Commissioner
Department of Transportation & Public Facilities (DOT&PF)
3132 Channel Drive
Juneau, Alaska 99801-7898

POSITION STATEMENT: Provided information on DOT&PF.

THOMAS B. BRIGHAM, Director of Statewide Planning
Department of Transportation & Public Facilities
3132 Channel Drive
Juneau, Alaska 99801-7898

POSITION STATEMENT: Provided information on statewide planning policies and procedures of DOT&PF.

FRANK RICHARDS, State Maintenance Engineer
Department of Transportation & Public Facilities
3132 Channel Drive
Juneau, Alaska 99801-7898

POSITION STATEMENT: Provided information on highway maintenance.

GEORGE CAPACCI, Captain and General Manager
Marine Highway System
Department of Transportation and Public Facilities
3132 Channel Drive
Juneau, Alaska 99801-7898

POSITION STATEMENT: Provided information on the Marine Highway System.

ACTION NARRATIVE

TAPE 01-2, SIDE A [HOUSE TRA TAPE]
Number 0001

CO-CHAIR JOHN COWDERY, Senate Transportation Standing Committee, called the joint meeting with the House Transportation Standing Committee meeting to order at 1:35 p.m. Members present were Representatives Kohring, Masek, Ogan, Scalzi, Wilson, and Kapsner, and Senators Cowdery, Taylor, Ward, Wilken, and Elton.

STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM (STIP) PROCESS,
FUNDING SOURCES: FEDERAL, STATE, AND LOCAL GOVERNMENT MATCHES

Number 0067

CO-CHAIR COWDERY indicated the committees would hear an overview relating to the Statewide Transportation Improvement program (STIP) process and funding sources.

KURT PARKAN, Deputy Commissioner, Department of Transportation and Public Facilities (DOT&PF), reported that he had brought

handouts and other information requested by the committee at its previous meeting.

Number 0255

MR. PARKAN offered a handout ["Estimates of DOT&PF Cost Savings by Not Paying 50% of the Non-Federal Match Requirement for Anticipated AIP Projects at 6 Specific Local Sponsor Airports"] in response to Senator Elton's question about potential general fund savings if the state did not participate in the federal program for municipally owned airports. Mr. Parkan said the handout had been provided by the DOT&PF statewide aviation office using information from the Federal Aviation Authority (FAA). The estimate for federal fiscal years 2001-2005, based on entitlements scheduled to go to particular airports plus the capital project requests that those airports have submitted to the FAA, was for \$1.76 million in general savings to the state.

[Mr. Parkan's second handout addressed Representative Kohring's question on the .08 [blood] alcohol [level reading]. Information in it was provided by the United States Department of Transportation Highway Administration. The information, broken down by state, shows how much money the State of Alaska would lose if the state fails to implement the policy.]

Number 0399

MR. PARKAN then presented two handouts related to Senator Ward's questions about rural airports, their runway lengths, facilities, lights, and related information. One listed all of the airports in the state. The second was a sample of information available on the Internet, what the FAA calls "50-10 information," based on the FAA's Alaska Supplement, which he characterized as containing "pretty much all the information pilots use in flying into the state."

Number 0536

SENATOR WARD said he had been hoping that a state that was in charge of this many airports, or that had some degree of funding responsibilities, might have compiled a list of what [the airports] all were. However, he would go to the Internet.

Number 0547

MR. PARKAN explained that the Alaska Supplement published by the FAA is the basic reference, and is used extensively. DOT&PF helps provide and update the information in it. In response to Senator Ward's request, he promised to provide two copies of the book [the Alaska Supplement] to put on file for use by both the House and the Senate.

Number 0595

MR. PARKAN then provided information pertaining to Senator Taylor's questions about the Bradfield Road. A considerable amount of review has taken place on that road, he said. He gave out copies of two documents submitted to the legislature in 1997. He described the first one as "a summary of the Bradfield project and why it's not considered a viable project, with some background as to why," which DOT&PF had prepared, and the second one as a feasibility study by the United States Department of Agriculture (USDA) Forest Service on the same project. He noted that both documents include information relating to the British Columbia (BC) government's reluctance to support the project.

CO-CHAIR COWDERY asked if the BC government is still reluctant.

MR. PARKAN replied that DOT&PF has heard nothing to the contrary.

Number 0727

MR. PARKAN recalled testimony given last week by Thomas B. Brigham [Director of Statewide Planning, Department of Transportation and Public Facilities] that the road probably would be a \$300 million dollar project, adding, "very expensive when you consider that our entire state program is about \$400 million."

SENATOR WARD asked if DOT&PF would be contacting the BC government to see if there has been any change in their opposition.

NUMBER 0777

THOMAS B. BRIGHAM, Director of Statewide Planning, Department of Transportation and Public Facilities, said the department would be happy to do so. He explained that ore mined in Canada's Iskut River Valley now is hauled to Stewart, a Canadian port, for export. He said he thought the BC government was not likely

to support shipping the ore through an American port, even though the route might be shorter and more cost-effective.

Number 0803

SENATOR WARD asked DOT&PF to call Canada and report back to the committee.

CO-CHAIR COWDERY said that if there were a change in position, it would be helpful to get it in writing.

MR. BRIGHAM said that might prove to be more difficult since it is a diplomatic issue, and the Canadians were not willing to put their position in writing the last time the subject was discussed. However, he said, DOT&PF would do what it could to get the best [indication].

CO-CHAIR COWDERY said he was sure that Senator Taylor would like to get as much as possible in writing, and suggested that Senator Taylor might have been able to secure that if he had been present at the last meeting.

MR. BRIGHAM observed that he did not think there was anything that would prevent the committee or any legislator from contacting a counterpart in British Columbia about the issue. There is no question that it [a change in the Canadian position] would shed a whole new light on the project, he said.

CO-CHAIR COWDERY added, "But our counterpart is the legislature; your counterpart is in administration, right? And so I think administration would...like to get the letter from administration if at all possible."

MR. PARKAN said he had brought one more item, which the committee had not requested but might be of interest. It was material from a presentation that the [DOT&PF] commissioner had given to the House Finance Committee the previous day on DOT&PF missions and performance measures and how the department had performed last year on the measures that were included in Senate Bill 281.

Number 0928

REPRESENTATIVE KOHRING asked for an explanation of the handout entitled, in part, "Estimates and Costs Savings."

MR. PARKAN recalled that at the last meeting, Senator Elton had asked about the department's decision to discontinue contributing 50 percent of the match requirement for FAA projects at municipally owned airports. "We [DOT&PF] felt those communities could cover that match requirement themselves, and there was discussion about that," he said. Senator Elton had asked how much the state was going to save in general funds as a result. Currently, for FAA projects, there is about a 7 percent general fund match requirement to the federal dollars that come in, he said. The state has been contributing general fund dollars at half of that match for the larger communities in the state -- Juneau, Kenai, Anchorage, Merrill Field, Palmer, Soldotna, and Wasilla.

Number 1046

REPRESENTATIVE KOHRING said he was concerned that municipalities -- which often have agreed to take over the operations and management of municipal airports -- might be left with little incentive to continue to participate "if they're going to be not only short of these monies, but also assuming the operation and management."

MR. PARKAN replied that most of these airports (with the possible exception of Wasilla) have been municipally owned and operated for many years. He said DOT&PF had considered the possibility that Representative Kohring raised, but felt that the agency's action would not create an overall disincentive. When there was a squeeze in the capital budget a few years ago, DOT&PF had been asked to reduce its match requirement, he said, and this was one area in which the agency did not have a responsibility. "They weren't our airports," he pointed out. "In a way, it has been a kind of municipal assistance offer in which we have participated when we were able and had the general funds to do so." Mr. Parkan said the agency had given communities ample notice of the policy change so they would have time to adjust future budgets and not have to make the accommodation in their current fiscal year. He noted that landing fees are an option open to communities to offset the loss of state funds.

Number 1229

SENATOR ELTON said the objection he has to the decision made by

DOT&PF is that those communities most responsible in maintaining their ports and harbors are the ones that are getting squeezed. He said he thought the department's decision is going to make it more difficult to convince other municipalities to assume those responsibilities, "if they know they are going to have to pick up these costs."

Number 1381

MR. BRIGHAM distributed another handout and gave a broad overview of the Statewide Transportation Improvement Program (STIP) process. The program consists of four pieces: the National Highway System, of which the Marine Highway System is a designated part; the state highway system, which is located primarily in central Alaska; the Community Transportation Program (CTP), consisting of local roads and streets; and Trails and Recreational Access for Alaska (TRAAK), including highway pullouts and enhancements.

SENATOR WARD asked where the scenic highways fall into that.

MR. BRIGHAM replied that the department has been able to fund that program by successfully competing for scenic byway grant money.

Number 1492

MR. BRIGHAM explained that CTP and TRAAK projects are proposed by advocates from the local level, then evaluated and given a numerical score by DOT&PF to determine the order in which they will be funded.

MR. BRIGHAM then called attention to a page of the handout describing how a local community can get federal money for a project. He said the first step would be for the community to talk to DOT&PF planning people in their region to find out if the project might be eligible for federal funding, and if so, how to present the local project in the most effective manner. He stressed that it was up to the local governmental unit, not the state, to determine if a project has local support.

Number 1597

SENATOR WARD asked if a project could originate at the state level without any local involvement.

MR. BRIGHAM said that "almost never happens" except when there is a state road in the area that DOT&PF is responsible for maintaining, in which case DOT&PF might initiate dialog with the local community about improving the state highway that runs through town.

Number 1619

SENATOR WARD referred to a proposal for a TRAAK project put forth by Representative [Joe] Green about maintaining the Tony Knowles Coastal Trail in the district that both Representative Green and Senator Ward represent. He said there had been no expression of support from the community in Anchorage, and asked if that project had become a priority.

MR. BRIGHAM said that was an atypical project.

SENATOR WARD asked if there had been any local resolution of support for that project.

MR. BRIGHAM said he thought that [formal expression of support] had come several years ago from the Municipality of Anchorage, and that the project would have to have been chosen by the Anchorage Metropolitan Area Transportation Study to have advanced to the environmental [impact study] stage. He added that he was aware that the project was a complicated and controversial one.

MR. BRIGHAM, in response to a request by Senator Ward, said he would be happy to provide a copy of the local resolution supporting the extension of the Tony Knowles Coastal Trail.

Number 1691

SENATOR ELTON asked if DOT&PF had changed its evaluation and review process in Southeast Alaska in response to the Southeast Transportation Plan. He wondered if the response had changed the way the department would review and evaluate a project for the STIP.

Number 1712

MR. BRIGHAM said there are two parts to that answer. First, if many of the projects that were contemplated as part of that plan

were community transportation-type projects, yes, it would; but very few of them are. Most of them are National Highway System projects. Although DOT&PF has tried to give them as much priority as it could, recognizing the need to improve the cost structure of the Alaska Marine Highway as soon as possible, it takes capital investment in order to realize that, he said.

MR. BRIGHAM said the second part of the answer is that the first review of the local project proposals is made by the appropriate DOT&PF regional office. The projects are given a preliminary score based on certain criteria. Anything above about 70, which is a mid-level score, is sent to the statewide competition. There it is given a final score by the Project Evaluation Board, a six member statewide group, and listed in the overall program in the order of score.

Number 1823

MR. BRIGHAM then called attention to a diagram of the steps that DOT&PF follows for the full STIP. The department is now in the 2001-2003 STIP, he noted. Work on that began nearly two years ago when the department gave public notice that it was looking at the [selection] criteria. Three to four years ago, a lot of communities that lie outside the road system had come forward and said it wasn't fair to give so much weight to local contributions of capital or cash because many of the communities in remote areas don't have any money. He said DOT&PF responded to that with some restructuring.

MR. BRIGHAM said the department then does a broad solicitation asking communities for their ideas, outlining what is federally fundable, and asking that projects be sent in. Then the regional office works with the communities. Noting that it is hard for small communities to present a project in an effective way because they do not have people with expertise in engineering or transportation, he said that having the DOT&PF regional people work with those communities is a key part of making the process a fair one overall. Projects are then evaluated at the regional level, and the higher-scoring projects go to the statewide evaluation. The department then scores all of the projects and publishes a "needs list." That is a list of everything that was requested, and is intended to be a comprehensive list of the transportation needs around the state -- roads, aviation, ports and harbors, everything. Some of those are "wants," but most of those are clearly "needs," he

said. DOT&PF drafts a preliminary program in the back of that [list], based on the scores they have at that time, he said.

Number 1948

MR. BRIGHAM said people then responds to that preliminary listing, and may do so in a way that will raise a project's score. For example, if a community takes over a road and maintains it after the state improves it, that project gains a lot of points, he said. That reflects a very clear and consistent bias on the state's part that the local streets should be the local responsibility.

MR. BRIGHAM said that the needs list is out for 45 days, and there is public review of it in all major communities. He described this part as the most extensive public process the department undertakes. "That's when people need to react," he said, adding, "We get a lot of comments at that stage." DOT&PF takes the comments, re-scores things, and publishes a draft STIP. That draft is out for another 30 days. The department makes more changes, and then gives the final STIP to the federal Highway Administration and the Federal Transit Administration; they need to approve the STIP because it is a federal document. They usually do so in about two weeks, and we have a new STIP, he said.

Number 2092

MR. BRIGHAM then explained that for the 2001-2003 STIP, DOT&PF started very early so the plan could be used for the department's FY 2001 budget submittal to the legislature. DOT&PF revised the STIP timeline specifically to align it with the capital budget timeline, and they are now coordinated reasonably well, he said.

SENATOR WILKEN referred to the process development page and asked how much time elapses between Step 1 and Step 10.

MR. BRIGHAM replied, "Easily a year and a half."

SENATOR WILKEN noted that there was overlap.

MR. BRIGHAM concurred, saying the key is to start early enough.

SENATOR WILKEN then asked about scoring in Step 4, inquiring how many different parameters are used, and if there is a list of

those and their relative weights.

MR. BRIGHAM said there are 12-15 parameters, depending on the program, and that he would provide information about those parameters.

SENATOR WILKEN asked if the selection criteria mentioned under Step 4 are what the department is thinking about putting in regulation.

Number 2171

MR. BRIGHAM said that is part of it, and that "this process is what we're working on putting into regulation right now."

MR. BRIGHAM referred to page 6 [of the STIP Explained handout] noting that no process is ever perfect. "You set up your process to handle what you usually get, and you inevitably get some worthwhile projects that are a little different and don't fit the criteria," he observed. He emphasized that DOT&PF tries to be as fair as possible, which is the objective.

MR. BRIGHAM referred to page 7 [of the STIP Explained handout], noting that there is a different set of criteria for each of the programs. The rural and urban street program covers the bulk of the roadway projects, he said. In addition, there is a set of criteria for transit projects and another one for remote projects, most of which are for "very fundamental infrastructure," such as for sewer, water, or solid waste. He pointed out that the criteria are biased toward those sanitation projects, and that the state undertakes those projects in concert with the Bureau of Indian Affairs.

Number 2284

REPRESENTATIVE OGAN asked if by "rural sanitation projects," Mr. Brigham was referring to the "put the honey bucket in the museum" objective.

Number 2305

MR. BRIGHAM said yes, noting that Village Safe Water and Public Health Service projects often create a sewage system with a sewage lagoon or some other kind of storage facility, and "you need a road out to that to make it functional, and that's the

part we provide."

Number 2326

REPRESENTATIVE OGAN observed, "So you're not actually building the sewer systems or overseeing those contracts."

MR. BRIGHAM said that was correct. He said those projects usually are a cooperative effort with the state Department of Environmental Conservation (DEC) and the Public Health Service. Typically, those agencies will handle the basic infrastructure project and any DOT&PF work would simply be in support of that, he explained.

Number 2341

CO-CHAIR COWDERY asked what impact the Denali Commission has had on this.

MR. BRIGHAM said the impact has been very positive because it is not uncommon to see a housing development funded by the federal Department of Housing and Urban Development (HUD) that is not connected to any sewer or water infrastructure and does not have a road to it, since no one planned that ahead of time. Although The Denali Commission has been focusing on things like bulk fuel storage and similar efforts, they have consistently and continually raised the issue of "We've all got to be working off the same sheet of music here." The DOT&PF supports this 100 percent, he said.

Number 2370

MR. BRIGHAM mentioned that DOT&PF follows a similar process for aviation projects, with a comparable review group and scoring process.

TAPE 01-2, SIDE B

MR. BRIGHAM continued, saying, "The FAA is much more controlling about which projects actually get funded than are either the Federal Highway Administration or the Transit Administration. They let us pretty much develop the program and simply make sure everything is eligible. FAA, on the other hand, actually selects the projects in many cases." He said the state tries to have enough aviation projects in the hopper so that "a good

group of projects" is selected, and that approach has been "pretty successful" over the past few years. The FAA likes this sort of scoring process and uses a similar sort of process for their nationwide selections, he added.

Number 2340

MR. PARKAN volunteered that the FAA liked the system Alaska had established. "The scoring criteria, the matrix that we will be sharing with you, they liked it so much that they chose to adopt it, our model, nationwide, and they are using a similar model now nationwide in the selection for all projects," he added.

Number 2315

MR. BRIGHAM noted that DOT&PF "would love to do a lot of port and harbor projects, but there is no federal funding program for that outside of a little bit of [U.S. Army] Corps of Engineers money for navigational improvements and that sort of thing that we get each year." He pointed to that as a weakness in the current program statewide. "We really have no way to replace and repair a lot of these port and harbor facilities that in many cases were built right after the '64 earthquake... [And that] are now getting old," he said.

Number 2285

SENATOR ELTON asked if the scoring criteria for ports and harbors include a "boost" for projects that the local community will take over and maintain once the facility has been brought up to code.

MR. BRIGHAM said he thought that was the case.

MR. PARKAN said they would check and provide a written answer.

Number 2235

CO-CHAIR COWDERY asked about the "weepy" buried fuel tanks in Whittier, something the federal government had left behind, and said he hoped DOT&PF had that "all squared away."

Number 2213

MR. BRIGHAM referred to page 8 [of STIP Explained handout],

which deals with the evaluation board. He explained that the regional director presents the project and the other members of the board then score it. He characterized it as a "spirited process."

Number 2164

MR. BRIGHAM said other factors also can affect where a project is placed in the STIP. These typically don't affect a lot of projects, he said. The placement of the sanitation projects discussed earlier generally is determined by Village Safe Water/Public Health Service. If a solid waste facility is going to go in 2003, that is when the state tries to schedule the road. "As a lot of you know, mobilization in the Bush is a big deal," he said. "It's a big part of your costs, so you generally want to do all the work that you can while you are there."

MR. BRIGHAM referred to page 10 as he explained that DOT&PF does not score the federal highway projects, in part because those projects are limited "to essentially all our main highways." He said, "Our approach has been very simple." We've just tried to focus on the highways that are in the worst shape, that are the farthest out of compliance with current standards of width, grade, and alignment, and do at least one of those a year." He pointed to the Glenn Highway and the Seward Highway as examples of federal highways of which a piece is being improved each year. He said the Parks Highway also is nearly done, as are the most heavily used portions of the Richardson Highway, but that the Dalton Highway "has a long way to go."

Number 2018

SENATOR WILKEN requested a copy of a map showing which highway sections have been completed and what parts are scheduled next.

MR. BRIGHAM agreed to provide this.

SENATOR WILKEN asked if they had any idea of when work will be finished on the Richardson Highway from Fairbanks to Valdez.

MR. BRIGHAM estimated it would be eight to nine years. Once the Glenn Highway is finished, more money will be available for the Richardson, he added. The department's goal is to have it all up to current standards in ten years.

Number 1957

SENATOR WILKEN asked about the Shakwak Project, and if any more money needs to be authorized.

MR. BRIGHAM said he understands that the last authorization will bring the upgrade all the way from the U.S.-Canadian border to Kluane Lake. The Canadians have been, in his opinion, making good use of the money, he said. The U.S. portion was expanded a little bit to let DOT&PF do two pieces of the Haines Highway, the parts on the U.S. side, which were bad compared with the roadway on the Canadian side, he added.

SENATOR WILKEN said the improvements to that highway certainly have made a difference, and that people in Anchorage and Fairbanks benefit from truckers who will come over that highway now who wouldn't come over it before. That creates some level of competition, helping to keep in check the rates that water carriers are charging, he observed.

MR. BRIGHAM concurred, saying truck travel time has fallen dramatically.

Number 1850

CO-CHAIR COWDERY alluded to a previous discussion regarding the status of the federal funds being used for operations and maintenance.

MR. PARKAN recalled that they had been talking about the use of the investment earnings for the GARVEES [a type of bond financing mechanism], and he said that Frank Richards is prepared to talk about how DOT&PF is using federal funds for some deferred maintenance needs.

CO-CHAIR COWDERY said he thought somebody asked for a letter, "and you said the feds had verbally approved doing that, but somebody here..."

SENATOR WARD volunteered, "It was me."

CO-CHAIR COWDERY continued, "...asked for a letter stating that."

Number 1802

MR. PARKAN said he thought the request had to do with the GARVEE issue, and he has in the past few days obtained some e-mail messages between DOT&PF and the Federal Highway Administration regarding that. "I do not yet have anything in letter form, but we are pursuing that," he added.

CO-CHAIR COWDERY asked for an explanation of "force accounts."

Number 1770

FRANK RICHARDS, State Maintenance Engineer, Department of Transportation and Public Facilities, said "force account" is defined in the Code of Federal Regulations, which governs appropriation of highway funds. "Force account is defined as use of state or public government employees to do work using the highway funds for construction and now for operational expenses, maintenance on the highway systems," he said. "So in order to be able to use force account methods, you have to go through a public interest finding as defined by the Code of Federal Regulations, Title 23."

CO-CHAIR COWDERY asked how many force accounts are typically used in a year.

Number 1720

MR. RICHARDS said each region receives approximately three separate allocations.

CO-CHAIR COWDERY asked how many procurement contracts in excess of \$100,000 have been awarded in the past fiscal year.

MR. RICHARDS said he would have to get that information back to the chair.

CO-CHAIR COWDERY asked for the same information with regard to federal services. He then requested an explanation of the Saint Marys Project, which he characterized as a \$3.5 million project, and asked if it was done by force account.

Number 1677

MR. RICHARDS said the Saint Marys project is yet to be done, that it is scheduled for next year. It is a project that the

northern region [of DOT&PF] is going to do using force account efforts, he explained, and it will utilize individuals from within the community who are trained operators in order to help the economically affected areas.

CO-CHAIR COWDERY asked if that meant it would not be put out to public bid.

SENATOR WARD queried, "So the process on that was whoever was local got the bid?"

Number 1639

MR. RICHARDS replied no.

SENATOR WARD asked how many of the people were local.

MR. RICHARDS said the project is to be done using state employees and a combination of state-owned and contractor-owned equipment. Materials also will be procured through contract, he added.

SENATOR WARD said he assumed that the private sector could not do it for the same amount of money or less with the same level of service, and asked if that assumption was correct.

Number 1603

MR. RICHARDS replied that he was not that familiar with the actual dollar comparison.

SENATOR WARD asked if a dollar comparison was done.

MR. RICHARDS said that a dollar comparison had been done, explaining that a dollar comparison is required [as part of] the public interest finding. He added that DOT&PF Commissioner Joseph L. Perkins "is very familiar with this" and will include it in his presentation.

CO-CHAIR COWDERY asked, "if these are state employees who live there in Emmonak or are they new state employees that are going to be created to do this job? Are they in the public employees' unions and things like that?"

Number 1661

MR. RICHARDS said the workforce will primarily be hired in Saint Marys. They will be state employees through the bargaining contract agreements, most likely Local 71 employees because they will be operators and mechanics.

CO-CHAIR COWDERY asked if there are qualified people in Saint Marys to fill the need.

Number 1545

MR. RICHARDS said there is a new program under Alaska Works that is being funded with Denali Commission money as well as with contributions from the AFL-CIO. People are going to be trained so that they are competent operators who will pass the Commercial Driver's License test, he explained.

CO-CHAIR COWDERY asked if the money for training would come out of the \$3.5 million.

MR. RICHARDS said it would not.

CO-CHAIR COWDERY asked if all of that money was being donated.

MR. RICHARDS replied that it was.

SENATOR WARD asked, "if the residency requirement would be a driver's license and a post office box or will that be somebody that had qualified for a permanent fund [dividend]."

Number 1509

MR. RICHARDS said he was not sure what the requirements would be, but that the program would be open to people in Saint Marys and people who are interested in working on the job would have to fly there.

MR. RICHARDS, responding to the inquiry of an unidentified committee member, explained that the project consists of upgrading the surface of the gravel road from the village of Saint Marys to the airport, a distance of approximately seven to eight miles, removing boulders and covering the surface with asphalt.

Number 1461

SENATOR WILKEN said he is curious about the Saint Marys project, and what brought it to his attention was that a Fairbanks contractor had prepared a bid and was expecting to be successful at securing that \$3.5 million project. The Senator testified:

It was pulled off the table and put under a force account, as I understand it, because of the economic disaster in that particular part of the state, and that was a function of having no fish in the river for that particular time. So what we have done here by saying, well, there was no fish in the river this year, we'll now take the fishermen or the fisher people and make them operators to build a road that's a one-time project, and when they should be fishing next summer, they'll be building a road. So you sort of perpetuate the fact that there are no fish in the river because there are no fishermen out there [because] they're building a road that could have been built by Fairbanksans or Anchorage people or somebody while the economy of Saint Marys is sustained by the fish. We've jumped into the middle of this and we've done really a disservice to two people: one, the private contractor that expects to feed their people in Fairbanks or wherever, and two, the people who are residents of the village. We haven't done them any favors by jumping in and spreading \$3.5 million around Saint Marys. This is a very nice, warm, "group hug" thing that someone did to make everybody feel good. And what they've done is two things that are bad, and I'm not very happy about it, and so I expect we've already had one explanation in December from Commissioner Perkins. I expect we'll have another explanation as to why this was such a good idea, because I think it was a knee-jerk and I'm here to make sure we don't have knee jerks like this. The force accounting system is in place, there's a defined dollar limit, and it's there with a public interest finding that's defined, and I've read through some of them. They're hollow at best, and while I understand the concept, in this particular case, I have great concern about the application, and I hope we don't do it again until we all understand why we take steps like that, because I think we have hurt a lot of people under the guise and under the will to just show

good intent, and I'm concerned about it.

Number 1357

CO-CHAIR COWDERY asked if there is a similar project going on or being discussed in Emmonak.

Number 1346

MR. PARKAN said Emmonak has expressed interest, but DOT&PF does not have a project planned there similar to the one in Saint Marys.

NUMBER 1335

SENATOR WARD asked if there is discussion going on that would be following the same procedure.

Number 1328

MR. PARKAN said that at this point, to his knowledge, there has only been an expressed interest by the community of Emmonak. There are other communities that are interested in force accounting and there have been for years. "We don't want the Saint Marys project to be considered a policy or precedent in the future," he said. "Emmonak is not following a particular path or process for force accounting."

Number 1335

SENATOR WARD countered with, "But you did follow a process to get to this point, so if somebody else wants to re-create the process (which several of them do now that they've seen this nice little door open up), there's a process in place to accomplish that."

MR. PARKAN replied, "Senator Ward, there is no specific process in place. Every project request will be looked at individually. And I can't say that Emmonak will be successful in their request."

Number 1225

SENATOR ELTON said he knows that in Western Alaska, when the fish don't come back, it has a ripple effect that goes far

beyond a storeowner or a bulk fuel seller; it has extensive effects throughout those communities. He said it would be helpful to him and perhaps to all of the committee if when the commissioner comes before the committee, he brings someone from Project Renew Hope or somebody else who is familiar with the economic impacts in that area and how long-lasting they may be.

Number 1200

CO-CHAIR COWDERY, referring to the "Catch-22" situation about which Senator Wilken had expressed concern, requested that the commissioner address whether that is or isn't the case. He then asked what a "public interest finding" or filing of it is.

Number 1160

MR. RICHARDS said a public interest finding is required by the Code of Federal Regulations, Title 23, for the use of public highways monies for force accounting. It is essentially a costing comparison between public employees and public equipment versus a contracting effort, basically a comparison of the cost estimates. That filing is done by the region and provided to the DOT&PF chief procurement officer. Once the commissioner reviews and approves it, it is given to the Federal Highway Administration for approval.

Number 1114

SENATOR WILKEN added that there is a "trip wire" where one would need one. "What is the number, \$50,000 or \$100,000?" he asked. [Several people talked at once, and it sounded as if there was concurrence that the amount was \$100,000.]

Number 1103

SENATOR WARD asked what the finding was in Saint Marys.

Number 1091

MR. RICHARDS replied that the finding was that use of public employees and public equipment was cost-effective for reconstruction of the road in Saint Marys.

Number 1080

SENATOR WARD asked if it was correct that there were some criteria used, some kind of formula put into place in order to arrive at that decision.

Number 1064

MR. RICHARDS answered, "That is correct."

SENATOR WARD asked if that procedure fits into Title 23 and has been used on all projects.

MR. RICHARDS replied, "It is a procedure that we have instituted in the expanding role of our ability to use federal highway monies."

Number 1055

SENATOR WARD asked, "Is this a program that the State of Alaska has made up in order to get to a finding?"

MR. RICHARDS replied, "No, sir, not a predetermined finding. It is a true cost comparison. The [indisc.] must be justifiable."

SENATOR WARD observed that one probably could tell from the questioning that there have been some people concerned with that cost analysis and that those people have contacted the legislature. He added, "some of us have been told on the face of your evaluation that it just doesn't carry water, so maybe some of that material could be given to us so that we could make an independent analysis of it."

Number 1000

CO-CHAIR COWDERY said it wasn't clear to him whether these were going to be new public employees.

MR. RICHARDS confirmed that they would be new hires.

CO-CHAIR COWDERY asked if they would be paid Davis-Bacon [wages].

MR. RICHARDS replied that they would not, but rather will be paid the bargaining contract wages for Local 71.

CO-CHAIR COWDERY asked if they all would be covered by Local 71.

Number 0970

MR. RICHARDS explained that the hiring process is such that if an individual is interested in working for the state, that person must sign up as a member of Local 71.

CO-CHAIR COWDERY asked if the workers would be considered temporary employees.

MR. RICHARDS said they would.

CO-CHAIR COWDERY asked about the normal probation period.

Number 0942

MR. RICHARDS replied that under the bargaining contract with Local 71, the probation period is six months.

CO-CHAIR COWDERY asked Mr. Richards to find out and report to the committee how much maintenance work has been done and in what areas, by force account in about the last three years.

SENATOR ELTON added that he would like to see that reported not just as a number, but also as a percentage of total work.

Number 0882

REPRESENTATIVE OGAN said he had some serious concern about chip sealing of the cracks in the roadways. He recalled that there had been a "beautiful job of paving up there" about four to five years ago. He said he recently became painfully aware -- literally -- of the cracks. He wanted to know how much of the road will be lost by not sealing the cracks. Also, he said, he has introduced bills in the past that have gone nowhere trying to get prison labor to do things like seal cracks. He said, "I keep hearing that, ...it's too technical. But [when] I talk to the people in the field that actually do it, they say... it really isn't technical at all." He said he is concerned that Alaska is losing a lot of the life of its roads by not crack-sealing the secondary roads. He said his primary question is how many years are being lost by not crack-sealing, and would the DOT&PF be willing to consider prison labor? He said he understands that there could be a union problem, but observed that the job isn't being done at all now.

Number 0730

CO-CHAIR COWDERY commented that it seems to him "that the bumps in the road are not really the commissioner's fault or the governor's fault, but the asphalt."

Number 0712

SENATOR WARD asked if there is going to be a project labor agreement in Saint Marys.

Number 0674

MR. PARKAN said he couldn't envision having a project labor agreement "with your own employees," but he would check and get back with the answer to that as well as to Representative Ogan's question.

CO-CHAIR COWDERY asked him also to follow up on "the new projects that we have been talking about that are going to be coming up: is it a policy to have project labor agreements on those or not?"

Number 0639

MR. PARKAN said DOT&PF does not have a policy to have project labor agreements on all new projects that come up.

CO-CHAIR COWDERY asked, "[On] any of them?"

MR. PARKAN said they have had project labor agreements in the past and they have to meet a certain standard of need.

CO-CHAIR COWDERY said he'd like to find out about what might be done in the future.

Number 0557

GEORGE CAPACCI, Captain and General Manager, Marine Highway System, Department of Transportation and Public Facilities, then gave a briefing. He said the Marine Highway System operates nine aging vessels, noting that the average age of the fleet is 28 years, even taking into account the Kennicott, which is less than three years old. The system covers routes of about 3,500

miles from Bellingham through Southeast Alaska to Haines and Skagway, and through Prince William Sound to Homer, Kodiak, and out the Aleutian Chain to Dutch Harbor. The ships call at about 34 different ports. Most of the vessels are in Southeast Alaska, but there is one devoted to Prince William Sound and the Tustumena works primarily out the Chain. The Kennicott, the newest ocean-going vessel, makes trips in both regions.

Number 0439

CAPTAIN CAPACCI said there are about 750 maritime employees within three unions within the Marine Highway System, and that number fluctuates seasonally. About 50 more employees work at the terminals, and there are about 45 on the "shore side staff" in Juneau. In 1999, the ships carried 372,000 passengers and about 150,000 vehicles, up about 5.5 percent in passengers and 4 percent in vehicles over the preceding year. The system is seeing some moderate growth after a few years of decline in traffic numbers.

Number 0377

CAPTAIN CAPACCI said, "We were on pace for a record year in 2000, but we had a significant challenge on June 6 when the Columbia switchboard decided to have a lightning bolt and went a little haywire..." he said. " That was a tremendous maritime rescue that hasn't gotten the publicity it deserved. We transferred 434 passengers in Chatham Strait from the Columbia to the Taku without even a minor injury." He said he wants to recognize the seamanship of the crews, who dealt so well with a situation involving many elderly people and no electricity.

NUMBER 0249

REPRESENTATIVE WILSON interjected that she has not heard anything but wonderful things about the way that was handled.

Number 0199

CAPTAIN CAPACCI said another challenge is meeting international training regulations that take effect February 1, 2002, and the system is "working feverishly" toward that deadline. Also, significant increases over the past three years are responsible for a significant unplanned expense, he said.

CAPTAIN CAPACCI explained that the international maritime

organization continues to come out with safety regulations that are difficult to comply with by retrofitting aging vessels. "Those international regulations are being blended right into Title 46 of the U.S. Code, he said. The Marine Highway System ships are considered passenger vessels, not ferryboats, so must meet very strict safety regulations.

Number 0058

CAPTAIN CAPACCI then addressed the Southeast Alaska Transportation Plan.

TAPE 01-3, SIDE A [HOUSE TRA TAPE]

CAPTAIN CAPACCI said that the Southeast Alaska Transportation Plan is the result of "an incredible effort, a very comprehensive public process" involving all of the communities in Southeast Alaska. Residents said they need a more conveniently scheduled, reliable daytime transportation system. One of the central parts of the plan was a finding that shuttle ferries or high-speed vessels throughout Southeast Alaska can meet some of the demands customers have. The Marine Highway System is working toward the implementation of the Southeast Alaska Transportation Plan.

Number 0161

REPRESENTATIVE OGAN said he had heard that British Columbia is getting out of the fast-ferry business.

CAPTAIN CAPACCI said that is true.

REPRESENTATIVE OGAN asked: If fast ferries are bad for British Columbia, why are they good for Alaska?

Number 0187

CAPTAIN CAPACCI said the key problem with fast ferries in British Columbia was that "they built the wrong ship for the wrong route." There are just 26 miles between the two ports, and there are several places along the way where the fast ferries couldn't run at full speed; the result was that the fast ferries saved only about eight minutes. By contrast, from Sitka to Juneau, "we're talking about 132 nautical miles, and to cover that in a 16-knot vessel, you're talking 8.5 to 9 hours,

depending on the tides and currents through Sergius Narrows," he said. "A high-speed vessel traveling at least 32 knots can cover that route in about four hours." Whereas speed was a luxury for the BC ferry system, it is a necessity for Alaska [to cover a route like the one between Sitka and Juneau in the daytime], he said. He added that those in the Alaska system have studied both British Columbia and Washington State ferries as well as learning from experience worldwide with high-speed craft. "The State of Alaska is just coming online; the rest of the world has been operating fast vehicle ferries and fast passenger-only ferries for a couple decades," he said.

Number 0316

REPRESENTATIVE OGAN asked about fuel efficiency. He noted that fuel consumption usually increases with vessel speed, and that fuel is a major factor in the [Marine Highway System] budget.

Number 0368

MR. RICHARDS said 70-75 percent of Marine Highway System operating costs are labor costs, and that the fuel cost is a small percentage of the current expense of operating the fleet. It is true that a high-speed craft will burn more fuel per unit time, he said, but one needs to look at operating that vessel for eight to ten hours a day as compared with operating another vessel for 24 hours with a huge crew on it. He said a high-speed craft requires a crew size of about 10, whereas the Matanuska has a crew of 45-50 and the Columbia has a crew of 65.

CAPTAIN CAPACCI explained that another advantage of a high-speed craft and a smaller vessel is that it provides greater operational flexibility. For example, "sailing the Matanuska through Lynn Canal with three cars on it is not a good match for the demand that we have," he said. The new high-speed craft are being designed to carry 35 vehicles - one more than the 34 vehicles that the Aurora and the Le Conte carry - and 90,000 pounds of freight.

Number 0492

REPRESENTATIVE OGAN interjected, "And if we build more ferries, we're going to do a little bit better job of change orders, right? What is it, \$40 million now they're claiming on the Kennicott?"

Number 0506

SENATOR ELTON called it "terribly unfortunate" that some people want to correct their business mistakes or increase their profit line by going to court. He said he would be shocked if that claim [from the shipyard that built the Kennicott] turns out to be anything but specious.

SENATOR ELTON then said he thought Captain Capacci had "glanced off the issue" as he was talking about the convenience to the customers that will accrue with the changes that are anticipated in the Southeast Alaska Transportation Plan. He said:

One of the things that drove this plan -- a lot more than convenience to the customer -- is future cost and what is going to occur with the combination of shuttle ferries fast ferries, and mainline ferries. The initial convenience is going to be a by-product of the tremendous saving in cost that will accrue. And those cost savings will not be just to the state, but to the many businesses that depend on the transportation system in Southeast Alaska.

Number 0618

CAPTAIN CAPACCI explained that Marine Highway System planners have gone through Phase 1 of the [fast-ferry] procurement process, evaluating five shipyard build-design packages, and have narrowed the field to two finalists that are in the competitive range. Those finalists are meeting the owner's requirement substantively, are going to meet with the Marine Highway System design team to further discuss those requirements, and will be asked to prepare price proposals within the next few months. The second stage of the procurement process will be based on lowest price for a competitive design that meets the system's demands, he said.

CAPTAIN CAPACCI then said that the first high-speed vessel is being designed for the Sitka-Juneau run, which it can make in a day. That will provide the advantage of "turning the ship off at night, having a very skeleton night crew come aboard for security and maintenance," rather than having a ship running 24 hours a day. "We realize some significant savings in our operating costs that way," he said. Revenue and traffic models

predict that if there were more regular service to different ports, traffic would grow and generate more revenue.

CAPTAIN CAPACCI then pointed out that "one ship does not a system make." In order to have a true system, he said the Marine Highway System would need another vessel running from Ketchikan north to Wrangell and South Mitkof Island, and another vessel of similar speed running from Juneau south to Petersburg (with a minor road connection across Mitkof Island). Those three vessels would be the bare essentials for an improved Southeast Transportation system, he said.

CAPTAIN CAPACCI said there also is potential for using a high-speed ferry in Prince William Sound, connecting Cordova, Valdez, and Whittier in a daytime operation to achieve a significant saving in crew costs there.

Number 0829

CAPTAIN CAPACCI then turned to the Alaska Marine Highway System's economic picture, saying that committee members should have received the annual financial report earlier in the day. The report for fiscal year 2000 shows an operating cost of approximately \$75 million. The system generated about \$40 million in revenues, and the state general fund appropriation was for about \$27 million. That left the Marine Highway System with a shortfall of about \$8 million, which along with some additional expenses for pay increases, fuel, and health-and-benefits packages for employees was absorbed by the Marine Highway Fund. "That fund is rapidly being eroded, and the cover of this book is not yellow by accident," he said. "It's Condition Yellow right now, and the cover for next year is probably going to be red because we envision by the end of 2002 or beginning of '03 our Marine Highway Fund will be depleted with the increased operating costs." That is why it is imperative that we move to a Southeast Transportation Plan that makes some significant cost savings in addition to meeting the demands of the system's customers, both Alaska residents and visitors to the state, he said.

CAPTAIN CAPACCI continued, explaining, "That's one part of the equation." The other part is to increase revenues. The Marine Highway System took the initiative to undertake a marketing and pricing study, completed in September, that Commissioner Perkins forwarded to committee staff. That was the first comprehensive

review that the system has done in many years. It pointed out that the market is strong, with demand for travel to Alaska and demand from the local residents for convenient travel. He said the system needs to take advantage of the "seven-to-one ratio" and make enough money from summertime visitors to provide for a year-round system that serves the cultural, social, and economic needs of the residents of Alaska.

CAPTAIN CAPACCI said one of the things the marketing and pricing study pointed out was that of the "top ten" places visited by the Marine Highway System's summer passengers, the number one destination was Juneau and number two was Anchorage. Five of the passengers' "top ten" destinations were not in Southeast Alaska. "So this is Alaska's Marine Highway System, because we do not just serve Southeast Alaska, but the entire state, traveling through and bringing some significant economic impact to the rest of the state," he emphasized. "We need to get that message out." The marketing and pricing survey recommended hiring a marketing manager so that while the system is cutting costs, it also is trying to increase revenues. There is a lot of unused capacity on ships, he noted.

Number 1012

REPRESENTATIVE OGAN asked if the Kennicott is running across the Gulf of Alaska regularly in the summer.

Number 1039

CAPTAIN CAPACCI replied, "Yes, sir, she is. In fact, we envision another trip in May this year - one more trip this year than last year. She's specifically designed for open ocean, rides very comfortably at sea with fin stabilizers, and she's a significantly solid vessel. That's where she should be running, and I'd like to move that way and operate the Kennicott more across [the] Gulf." With just incremental changes in the schedule, that would be possible, he said.

Number 1061

REPRESENTATIVE OGAN asked if the sailings were pretty full of tourists, and asked if that is being marketed.

CAPTAIN CAPACCI said that in the summer, the ship is carrying close to capacity, and that the system is "actively marketing

that now."

Number 1084

CAPTAIN CAPACCI noted that the marketing and pricing study had showed that customers had a great deal of trouble making reservations. Since then, he said, "significant improvements" have been made in the telephone reservation system, including a message system that tells customers how long they have to wait for service on the toll-free number and reducing waiting times to five or six minutes, which he characterized as "a significant reduction." In addition, use of the Internet for reservation information is growing by leaps and bounds, and they are now pursuing using credit cards to actually make reservations over the Internet. He said they hope to have that in place by the end of summer.

Number 1164

CAPTAIN CAPACCI concluded by saying that the Marine Highway System can never pay for itself: "It never has, it never will." But he considers it prudent to try to close the fiscal gap between expenditures and revenues. In addition to reducing expenses, he now is focusing on using marketing to fill the system's unused capacity. Public marine transportation is critical to the residents of Alaska, he emphasized, adding, "We need this system to get around."

Number 1234

REPRESENTATIVE OGAN asked about Captain Capacchi's earlier reference to a small road connection to Petersburg.

CAPTAIN CAPACCI explained that it involves a short connection between the existing Petersburg road system and the south end of Mitkof Island.

REPRESENTATIVE OGAN asked if the [National Forest] roadless policy declared by the outgoing President of the United States would preclude doing that.

CAPTAIN CAPACCI said it would not, because there already is a road in place.

ADJOURNMENT

Number 1246

CO-CHAIR COWDERY adjourned the joint meeting of the House Transportation Standing Committee and the Senate Transportation Standing Committee at 3:30 p.m.