

**ALASKA STATE LEGISLATURE**  
**HOUSE TRANSPORTATION STANDING COMMITTEE**

April 26, 2007

1:33 p.m.

**MEMBERS PRESENT**

Representative Kyle Johansen, Chair  
Representative Mark Neuman, Vice Chair  
Representative Anna Fairclough  
Representative Craig Johnson  
Representative Mike Doogan  
Representative Woodie Salmon

**MEMBERS ABSENT**

Representative Vic Kohring

**COMMITTEE CALENDAR**

HOUSE BILL NO. 80

"An Act expanding the Alaska marine highway system to Yukon and Kuskokwim River locations and relating to the duty of the Department of Transportation and Public Facilities to construct, purchase, or lease ferry terminal facilities."

- MOVED CSHB 80(TRA) OUT OF COMMITTEE

HOUSE BILL NO. 106

"An Act repealing fees imposed on the sale of new tires, the sale of certain studded tires, and the installation of certain metal studs on tires; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 180

"An Act relating to the information provided on a certification of registration for a vehicle and to display of a certificate of registration for a vehicle."

- BILL HEARING CANCELED

**PREVIOUS COMMITTEE ACTION**

BILL: HB 80

SHORT TITLE: FERRY SERVICE, INCL. YUKON/KUSKOKWIM

SPONSOR(s): REPRESENTATIVE(s) SALMON, CISSNA

01/16/07 (H) PREFILE RELEASED 1/5/07  
01/16/07 (H) READ THE FIRST TIME - REFERRALS  
01/16/07 (H) TRA, FIN  
04/26/07 (H) TRA AT 1:30 PM CAPITOL 17

BILL: HB 106

SHORT TITLE: REPEAL FEES FOR STUDED TIRES

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/22/07 (H) READ THE FIRST TIME - REFERRALS  
01/22/07 (H) TRA, FIN  
04/26/07 (H) TRA AT 1:30 PM CAPITOL 17

**WITNESS REGISTER**

JEFF OTTESEN, Director  
Division of Program Development  
Department of Transportation & Public Facilities  
Juneau, Alaska

**POSITION STATEMENT:** During the hearing of HB 80, provided a historical perspective of transportation in the Yukon Kuskokwim area.

DENNIS HARDY, Deputy Commissioner/Director of Marine Operations  
Marine Highway System  
Department of Transportation & Public Facilities  
Juneau, Alaska

**POSITION STATEMENT:** During hearing of HB 80, mentioned the difficulties related to the shore-based facilities.

DOUG WARD, Director  
of Business Development  
Alaska Ship and Drydock, Inc.  
Ketchikan, Alaska

**POSITION STATEMENT:** During hearing of HB 80, discussed the E-Craft.

RICHARD BURNHAM  
(No address provided)  
Kaltag, Alaska

**POSITION STATEMENT:** Testified in support of HB 80.

JACK SCHUTHLIS (PH)  
Yukon Delta Fisheries Development Association

**POSITION STATEMENT:** Testified in support of HB 80.

JAN FLORA

Homer, Alaska

**POSITION STATEMENT:** Characterized the proposed river ferries [in HB 80] as a great asset to the Interior.

GEORGE ADLOW

Huslia, Alaska

**POSITION STATEMENT:** During hearing of HB 80, expressed the need to reduce the cost of living in the Yukon Kuskokwim River area.

MARTIN B. MOORE, SR., City Manager

City of Emmonak

Emmonak, Alaska

**POSITION STATEMENT:** Testified in support of HB 80.

JERRY BURNETT, Legislative Liaison;

Director, Administrative Services Division

Department of Revenue

Juneau, Alaska

**POSITION STATEMENT:** Presented HB 106 on behalf of the governor.

MARY SIROKY, Legislative Liaison

Office of the Commissioner

Department of Transportation & Public Facilities

Juneau, Alaska

**POSITION STATEMENT:** During hearing of HB 106, answered questions.

#### **ACTION NARRATIVE**

**CHAIR KYLE JOHANSEN** called the House Transportation Standing Committee meeting to order at [1:33:47 PM](#). Representatives Johansen, Johnson, Salmon, Doogan, and Fairclough were present at the call to order. Representative Neuman arrived as the meeting was in progress.

HB 80-FERRY SERVICE, INCL. YUKON/KUSKOKWIM

[1:33:52 PM](#)

CHAIR JOHANSEN announced that the first order of business would be HOUSE BILL NO. 80, "An Act expanding the Alaska marine highway system to Yukon and Kuskokwim River locations and relating to the duty of the Department of Transportation and

Public Facilities to construct, purchase, or lease ferry terminal facilities."

[1:34:13 PM](#)

REPRESENTATIVE SALMON, Alaska State Legislature, speaking as a joint prime sponsor, explained that HB 80 directs the Department of Transportation & Public Facilities (DOT&PF) to study the feasibility of a state ferry system on the Yukon and Kuskokwim Rivers. He opined that on the Yukon and Kuskokwim Rivers there is the need and demand for more transportation. The area would benefit greatly from a seasonal ferry system. He estimated that on the Yukon River the ferry would only run from May 15 - September 15, but would run longer on the Kuskokwim River. Currently, the summer barges on the Kuskokwim River are slow and infrequent. In fact, there may be only one to two barges a year, if any. Furthermore, it's more expensive to bring fuel to the villages by barge than it is by airplane. Representative Salmon acknowledged that many people don't understand that, and added that he doesn't either. Regular ferry service will provide villages another option for the shipment of groceries and supplies, especially vehicles, he opined. He noted that the U.S. Postal Service rates are increasing as well.

REPRESENTATIVE SALMON informed the committee that there are about 12 communities in the Kuskokwim River area. From the border to the mouth of the Yukon River there are about 30 villages that the proposed ferry system could serve. Although there is a barge that operates between Eagle and Dawson, it hauls little freight as it's mostly for tourists. Representative Salmon highlighted that the proposed ferry system would provide access for resource development. Also, under the Alaska Gasline Initiative Act there are five takeoff points of which he hoped one will be on the Yukon River. Representative Salmon told the committee that this system isn't new as it was used in the late 1800s to haul passengers and freight to Whitehorse and Dawson.

[1:39:55 PM](#)

REPRESENTATIVE NEUMAN commended Representative Salmon, adding that he liked the idea. Representative Neuman asked if DOT&PF has ever given any indication that it will look to the Yukon River as a transportation route.

REPRESENTATIVE SALMON mentioned that there is a proposed committee substitute that doesn't include the five-year study

specified in the original legislation. However, there was a study performed in 1973.

[1:41:42 PM](#)

REPRESENTATIVE NEUMAN moved to adopt CSHB 80, Version LS0360\K, Kane, 4/26/07, as the working document. There being no objection, Version K was before the committee.

[1:42:10 PM](#)

CHAIR JOHANSEN explained that Version K includes language that specifies that if the Yukon Kuskokwim River feasibility study isn't included in the department's normal study process, then a separate study will be required and presented to the legislature no later than February 1, 2008. He then informed the committee that a [motor vessel] called the Susitna is being built in Ketchikan to go across the Knik Arm. He opined that it's a vessel that would work perfectly for the geographic conditions in Representative Salmon's district. Therefore, Version K, on page 1, lines 9-13, specify that the use of such a craft will be considered for the Yukon and Kuskokwim Rivers. He noted that prior to the meeting he spoke with DOT&PF, which expressed interest in pursuing the aforementioned.

[1:44:14 PM](#)

REPRESENTATIVE NEUMAN mentioned that the Navy is purchasing the Motor Vessel Susitna because it believes such a vessel could be used in the state for strategic military defense purposes. He expressed interest in whether the state could obtain funding for part of such a vessel.

[1:45:22 PM](#)

REPRESENTATIVE NEUMAN then inquired as to the economic benefit those on the Yukon River would receive from this proposed expansion of the Alaska Marine Highway System to the area.

REPRESENTATIVE SALMON highlighted that the state has a river that runs from east to west, dividing the state in half. The access points are located in Eagle, Circle, the bridge, and Manly. He then mentioned that Fairbanks could really benefit from this proposal because it could be advertised as the travel path of those during the gold rush days. On the Yukon River side, vehicles and tourism could be brought to the villages. If the fishing industry ever comes back, small amounts of fish

could be shipped via the ferry system. Furthermore, if any gas or oil is discovered in the Yukon, [the ferry] would be the first road through the area.

[1:47:46 PM](#)

REPRESENTATIVE NEUMAN highlighted that instead of building a road to Nome, there's already a river that could be utilized. He then reminded the committee that the federal government recently implemented the changes to the mail route. He related his assumption that the aforementioned would be part of this proposal.

REPRESENTATIVE SALMON opined that DOT&PF will develop a plan that will address the mail in a manner that will benefit Alaska.

[1:48:27 PM](#)

REPRESENTATIVE FAIRCLOUGH inquired as to Representative Salmon's thoughts with regard to the route of this proposed ferry.

REPRESENTATIVE SALMON acknowledged that there are many routes. However, he emphasized that the ferry would definitely have to depart from Fairbanks or Nenana. The main route of the ferry would lead to the highway system, he said.

[1:49:44 PM](#)

REPRESENTATIVE FAIRCLOUGH surmised then that Representative Salmon is interested in the study of a ferry traveling up the Kuskokwim River, back down and the loop around. She inquired as to whether Representative Salmon wants two ferries or one.

REPRESENTATIVE SALMON opined that the study would probably be for two ferries because there is no way to run the Yukon and Kuskokwim Rivers together. He suggested that the Kuskokwim River portion would depart from Bethel up towards McGrath. During high waters, the ferry could travel up to Nicolai, he noted. On the Yukon River there are five takeoff points that will need to be studied.

[1:50:43 PM](#)

REPRESENTATIVE FAIRCLOUGH surmised then that Representative Salmon wants a river ferry versus an ocean ferry.

REPRESENTATIVE SALMON responded yes.

1:51:15 PM

JEFF OTTESEN, Director, Division of Program Development, Department of Transportation & Public Facilities, informed the committee that in the 1960s an extensive river ferry study was performed. Obviously, that study is outdated as many things have changed. One of the changes is the development of the river barge system and the aviation system. He reminded the committee that a few years ago the area transportation plan for the Yukon-Kuskokwim area reviewed bettering barge access to communities. One of the shortcomings in almost every community in the Yukon-Kuskokwim area was the lack of a place to secure the barge. He noted that the Denali Commission is reviewing the construction of a standard barge landing facility at many of these villages. Mr. Ottesen then reminded the committee of the attempt to use a hovercraft in the 1970s, but it wasn't successful.

1:53:27 PM

REPRESENTATIVE FAIRCLOUGH inquired as to the cost of the following: the initial capital investment for two river ferries, additional employees and whether they would be full-time or seasonal, capital expense for docks, and maintenance of the ferries. She also inquired as to how many people would receive service and the projected ticket price for a river ferry. Representative Fairclough related her understanding that for the current ferry system, even seasonal vessels that are dry docked have year-round maintenance costs. She then inquired as to the average cost of the subsidy on the current ferry system for those vessels that are running. She specified that she's trying to determine the return the state can expect on its investment in such a system. She also inquired as to how many state airports are maintained along this route in which the state already invests capital funds for transportation. He further questioned whether those airports are subsidized or paid for in some other manner.

MR. OTTESEN said that those are all questions that would have to be answered in the feasibility study. Therefore, it's premature to answer those questions other than to say that state ferries in Alaska aren't cost neutral on the operating side. Furthermore, the capital needs add to the current ferry deficit. The current ferry system deficit is, by some estimates, approaching \$100 million if all costs per year are considered. Mr. Ottesen then related that the department is trying to build

a safe runway in every state, for which it's using federal aviation dollars. Most of the communities in the state have a good airport, that is one that meets the minimum state standard. The communities remaining without an airport are those with difficult terrain or water conditions that are costly.

[1:56:49 PM](#)

CHAIR JOHANSEN, in response to Representative Fairclough, confirmed that he was planning on forwarding HB 80 from committee today. He commented that much of Representative Fairclough's line of questioning is what the feasibility study would address.

[1:56:58 PM](#)

REPRESENTATIVE FAIRCLOUGH clarified that her concern is that it will cost approximately \$1 million to study the feasibility of expanding the Alaska Marine Highway System (AMHS) to the Yukon and Kuskokwim Rivers. She related her understanding of the hardships and isolation that occur in the villages along the rivers. However, she expressed concern with studying this when the current ferry system serves 1 percent of the state's population, but uses 99 percent of the state's maintenance dollars. Furthermore, the state is having trouble maintaining the road system. Representative Fairclough said, "I'm hard pressed to ask the department to study something that they've pretty much presented that we need to take a policy decision on whether we're going to continue to maintain the current ferry system."

[1:59:09 PM](#)

CHAIR JOHANSEN noted his agreement that there are problems with the fiscal note, but those should be addressed by the House Finance Committee. Drawing upon conversations with the governor and director of the department, he related that both are reviewing the fiscal challenges of AMHS that can dovetail into creating something that works for everyone.

[1:59:54 PM](#)

REPRESENTATIVE FAIRCLOUGH commented that she is certainly interested in looking to expand the current system to a new region of the state, if it can be done for the same resource amount.

2:00:07 PM

REPRESENTATIVE NEUMAN opined that DOT&PF should have enough staff expertise to answer many of these questions.

2:00:46 PM

MR. OTTESEN said that there are a lot of differences between a river ferry system and AMHS, which is a coastal system in marine waters for which no icing consideration is really given. Furthermore, the vessel is very different as is the mix of traffic. He said that AMHS is a true substitute for a highway and it carries vehicles as well as passengers. However, it's not clear whether the proposed river system would be that same kind of model. Although a river ferry may be able to carry vehicles, he opined that it would likely be the exception rather than the rule because many of these villages don't have a place to drive off and drop containers.

2:01:49 PM

MR. OTTESEN then turned attention to Version K. He pointed out that the money for the study will be available July 1 and if a consultant is necessary, there will be a request for proposals (RFP), which takes three months to process and negotiate. Therefore, it would be in the final quarter of the 2007 calendar year and a report would be due in four months. He characterized the aforementioned as a very accelerated undertaking that would have to be a broad brush view with little detail due to the timeframe in which the study is to be delivered to the legislature by February 1, 2008.

CHAIR JOHANSEN indicated that if the specified timeframe [is unworkable], then the department could suggest a better timeframe.

2:02:42 PM

REPRESENTATIVE NEUMAN expressed the need for at least a ballpark figure.

MR. OTTESEN related that even AMHS's smallest vessels cost about \$10-12 million. For example, the current estimate for the Ketchikan airport ferry, a small channel crossing ferry that carries about 15 vehicles, is between \$6-8 million.

2:03:37 PM

REPRESENTATIVE SALMON, regarding Representative Fairclough's first question, informed the committee that the last time this legislation was introduced the fiscal note was \$250,000. The current fiscal note from DOT&PF is at \$400,000 for the first year and \$600,000 for the second year.

CHAIR JOHANSEN reiterated that the House Finance Committee would address the fiscal note.

[2:04:20 PM](#)

REPRESENTATIVE DOOGAN highlighted, as Representative Salmon testified, that this is not the first time a ferry has run on these rivers. He opined that it doesn't seem that a \$1 million feasibility study is necessary to determine that what was done 105 years ago with lesser technology can be done now with better technology.

[2:05:31 PM](#)

DENNIS HARDY, Deputy Commissioner/Director of Marine Operations, Marine Highway System, Department of Transportation & Public Facilities, suggested that the shore-based facilities on the Yukon and Kuskokwim Rivers would be a challenge from an engineering standpoint. Along those rivers erosion is a tremendous problem and the construction and maintenance of the shore-based facilities would be very costly.

MR. HARDY, in response to Representative Doogan's earlier question, said that there would have to be some sort of a system to bring the ferries, ramp them down, and bring the materials on or off. He said he wasn't sure what type of material would be used, but noted that any surface placed on the river banks are subject to erosion. In further response to Representative Doogan, Mr. Hardy confirmed that the type of material used would be dictated by the type of vessel used.

[2:07:40 PM](#)

DOUG WARD, Director of Business Development, Alaska Ship and Drydock, Inc., explained that Alaska Ship and Drydock is the private sector operator of the state-owned shipyard in Ketchikan. He related that three years ago Alaska Ship and Drydock, Inc. began negotiations with Lockheed Martin and the Office of Naval Research to build a vessel that would be capable of very high speeds in very high sea states and able to carry

high payloads at high speeds. The purpose of such a vessel would be to transport battle tanks and marines to hostile shores from approximately 100 nautical miles offshore through the surf and land on the beach and discharge vehicles and soldiers. "They" had responded to a request for proposals (RFP) from the Mat-Bu Borough for a ferry to cross the Knik Arm. However, the Knik Arm is one of the most difficult marine navigation routes in the world. He then noted that the Ketchikan Shipyard was invested in by the state in the 1980s, with the specific purpose of reducing the cost of operating ferries and ships in Alaska.

2:09:50 PM

MR. WARD noted that the latest version of the aforementioned vessel is now under construction in Ketchikan; there are approximately 56 different modules. Just last Thursday construction of the third module began, he noted. Mr. Ward related that the Office of Naval Research is the funding arm for the vessel. This office is the science and technology arm of the Navy that brings new products to the Navy and tests them for suitability. Mr. Ward highlighted that Alaska is one of the most difficult places in the world to operate a vessel and the office is seeking real world costs for operation and maintenance of such a vessel. The thought was that the Knik Arm would be a good place to demonstrate the seaworthiness of a vessel designed to be deployed in the War on Terrorism. The overall investment philosophy of the Office of Naval Research is to look for opportunities and regions that are ready for innovation and can adapt it on a commercial basis. Therefore, the federal government can obtain a fighting vessel for military applications, and through commercialization there is the possibility of providing better marine transit links to the civilian population.

MR. WARD related his view that the river system of Alaska does represent a unique transportation system and the "Exploration Craft" (E-Craft) has an application for the [Yukon and Kuskokwim River routes]. He informed the committee that the E-Craft [M/V Susitna] will be the world's first ice-strengthened twin-hulled vessel. Furthermore, it has variable geometry that allows it variable draft, which could be very useful on such a river system. Perhaps the most useful aspect of the vessel is its ability to land passengers and vehicles on an unimproved beach or boat ramp. The features of the E-Craft that have the most direct application to Alaska are the ability to open up marine transportation routes, avoid some of the high costs of shore-side facilities, and have a vessel capable of high speeds in

high seas as well as capable of operating at a shallow draft mode. In the military application of the E-Craft, the vessel can operate in its high speed mode at 13 feet of draft and land at a reduced draft of 3 feet. The individual technologies of the vessel are proven and the hull of the vessel is known as the small water plane area twin hull (SWATH), which provides the high speed in high seas capability with a very smooth ride. The variable geometry with the center barge descending provides the shallow landing craft capability. Mr. Ward related his belief that the E-Craft has application in Alaska.

[2:15:18 PM](#)

MR. WARD noted that this particular vessel was designed by an Alaskan, a man who grew up along the Cook Inlet. He highlighted that the vessel was designed for Alaska. He related that he is looking forward to launching the ship in late 2008 and is interested in other applications for it. In fact, mining companies and other natural resource explorers have expressed interest in such a vessel as the E-Craft.

[2:16:19 PM](#)

REPRESENTATIVE FAIRCLOUGH inquired as to the capital costs for the M/V Susitna.

MR. WARD clarified that the capital costs for the M/V Susitna isn't an apples-to-apples comparison [to a vessel to be used in a river ferry system]. He specified that the cost of the M/V Susitna is approximately \$50 million. However, he noted that the aforementioned estimate includes all kinds of research and program costs. As far as trying to estimate a commercialized version of the E-Craft, Mr. Ward said he hasn't reviewed that yet. He did mention that he would be interested in participating with DOT&PF to determine those costs.

[2:17:31 PM](#)

RICHARD BURNHAM related his support for HB 80. He then noted his agreement with Representative Salmon's view. The present systems of transportation in the Yukon and Kuskokwim Rivers area are sporadic, at best, very expensive, and difficult to use.

[2:18:37 PM](#)

REPRESENTATIVE NEUMAN inquired as to how folks would react to a reduction in the expenditures to airports to help cover the costs of this proposed river ferry.

MR. BURNHAM noted that the airport in his area is facing its last upgrade, after which only minor maintenance will take place. Therefore, additional costs would be miniscule.

2:19:38 PM

JACK SCHUTHLIS (PH) characterized this as a very basic issue of transportation for an area of Alaska that is limited to air cargo transportation. He opined that every village having a 4,000 foot runway is basically a bare minimum for people to get in and out. Such a runway does nothing for industry, he further opined. Mr. Schuthlis said that what's lacking is any hope of having any type of economy. He recalled that some legislators have referred to the Yukon villages as food stamp economies, which he attributed to the lack of transportation infrastructure. These areas only have air freight, which is cost prohibitive from nurturing industry. Although DOT&PF staff claim that there are 5,000 foot runways throughout the Yukon, he said he is only aware of such runways in St. Mary's and Galena. In fact, in the Lower Yukon there is no paved runway that can handle jet aircraft. He highlighted that in the Middle Yukon fish plants are vacant mainly due to transportation issues. "There's absolutely no infrastructure that can nurture an economy; we've lost an economy due to the high cost of transportation," he opined. This legislation will permit economic growth and allow industries that could be based on cost-efficient transportation that other parts of the state enjoy. He concluded by relating support for HB 80.

2:22:21 PM

REPRESENTATIVE FAIRCLOUGH asked if any private industry is transporting freight along the river.

MR. SCHUTHLIS replied yes. He pointed out that Crowley Maritime is the only barge service that services the Lower Yukon. He related that last year he shipped a pickup truck out on Crowley Maritime and it cost \$5,000 to take it less than 1,000 miles. The same pickup truck could be placed on the ferry at Bellingham, Washington to Valdez, Alaska for \$450. Such excessive cost prevents the establishment of any industry. He stressed that there's one barge line that's unscheduled and the rates are whatever they feel like charging. At one time there

were ocean barges that were loaded in Anchorage and the freight could be sent into the Lower Yukon, however since the federal government and U.S. Coast Guard have stopped maintaining South Mouth Channel none of the ocean barges will enter the river. Although many point out that Emmonak has a 4,600-foot runway, an airplane of the size that can carry a full-size pickup truck can't land at Emmonak. He reiterated that the area is limited with regard to transportation. Furthermore, the options are extremely costly.

[2:24:25 PM](#)

JAN FLORA informed the committee that she came to Alaska to be a gold miner and has spent some time in the Upper Yukon area. She said she would be the first to sign up for a ticket to ride these proposed ferries as she would love to see the rivers. However, to fly in to see these villages just isn't practical. With regard to infrastructure, Ms. Flora pointed out that most of the Bush airports she has seen have a front-end loader and bulldozer to keep them snow free and graded for the dirt airstrips. She opined that the infrastructure doesn't have to be fancy as places like Dawson use a front-end loader and bulldozer to keep a ramp pushed out to the ferry. As mentioned earlier, the old-timers figured this out. Ms. Flora characterized the proposed river ferries as a great asset to the Interior.

[2:26:38 PM](#)

GEORGE ADLOW informed the committee that for the last four years he has been working as a pilot on the Yukon, Tanana, and Koyukuk rivers. He mentioned that he is now retired. He then opined that many in the villages are more concerned with the price of freight than anything else. For example, he recently received 100 pounds of rice parcel post. The postage cost \$34 and the rice itself cost \$33. Furthermore, the cost of fuel in Huslia is \$5/gallon and the cost of electricity continues to rise. If energy costs in the area could be reduced, he opined that the state would save money. He noted his agreement with earlier testimony that the area can't have any economy when the freight costs continue to be as high as they are. There has to be some way to reduce the cost of living in the area, he emphasized.

[2:29:23 PM](#)

REPRESENTATIVE NEUMAN inquired as to the Mr. Adlow's opinion regarding how tourism would impact village residents.

MR. ADLOW said he is all for tourism or whatever it takes to get a buck into the village. He expressed concern about the cost of living in the area and the possibility that the villages are going to die off or become food stamp economies.

[2:31:36 PM](#)

MARTIN B. MOORE, SR., City Manager, City of Emmonak, related his support for HB 80 and the statements made by the Yukon Delta Fisheries Development Association to Governor Palin on April 23, 2007. He informed the committee that communities in the area have been approached by many different government agencies and lawmakers to establish a borough government in the region. Although he said he has no opposition to such, he stressed that there is no tax base. The recommendation in HB 80 holds more backbone than [the establishment of a borough]. He opined that a marine highway is the first step and necessary to achieve the reality of economic development and infrastructure. He echoed earlier testimony regarding the need for cheaper transportation and energy and related his belief that the marine highway system in the Yukon is essential.

[2:35:31 PM](#)

CHAIR JOHANSEN, upon determining no one else wished to testify, closed public testimony.

[2:35:52 PM](#)

CHAIR JOHANSEN [moved] that the committee adopt Conceptual Amendment 1, as follows:

Page 1, line 11;  
Delete "Exploration Craft"  
Insert "M/V Susitna"

There being no objection, Conceptual Amendment 1 was adopted.

[2:36:17 PM](#)

CHAIR JOHANSEN invited Mr. Ottesen to speak regarding his comment at an earlier hearing that the February 1, 2008, due date for the study would be too soon.

MR. OTTESEN said that a deadline of August 31, 2008, would still be an aggressive schedule but could be completed in order to have a summer hearing.

[2:36:44 PM](#)

CHAIR JOHANSEN [moved] that the committee adopt Conceptual Amendment 2, as follows:

Page 2, line 4;  
Delete "February 1, 2008"  
Insert "August 31, 2008"

There being no objection, Conceptual Amendment 2 was adopted.

[2:37:07 PM](#)

REPRESENTATIVE NEUMAN commented that he is trying to weigh the economic development opportunities related to a river ferry in this area and the inevitable costs in doing so. He said that he likes the idea of the legislation.

[2:38:12 PM](#)

REPRESENTATIVE JOHNSON asked if DOT&PF is familiar with the air cushion barges that Red Fern Resources will be using out of Juneau to Skagway and up the river through to Red Fern's mine in Canada. He indicated that these barges will traverse on land and ice.

MR. OTTESEN answered that he only knows about these barges from what he has read in the newspaper. He mentioned that the department has reviewed the hover craft, which has some similarities with the air cushion barges, for use on the Cold Bay and the Kuskokwim [River]. He suggested that vessel types should be explored. He highlighted that there is talk again of a new low flight vessel for operation between Lynn Canal and Juneau. He assured the committee that all the options would be reviewed when a consultant is hired.

[2:39:15 PM](#)

REPRESENTATIVE JOHNSON clarified that his point is that there is a vessel on the drawing board now that travels from Juneau to Skagway and runs up a river and then over land year round. He mentioned that this vessel has little impact on the ice and the tundra. He encouraged the department to review the

aforementioned technology and others and a year round marine highway.

MR. OTTESEN pointed out that the area plans over the last 10 years all included [review] of new technologies. He highlighted that the department has reviewed the new dirigibles and tilt-rotor crafts, hover crafts, and fast ferries.

[2:41:36 PM](#)

REPRESENTATIVE DOOGAN noted his support of the legislation, but expressed his desire that the committee's concern with the size of the fiscal note be related to the House Finance Committee.

[2:42:08 PM](#)

REPRESENTATIVE NEUMAN moved to report CSHB 80, Version 25-LS0360\K, Kane, 4/26/07, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 80(TRA) was reported from the House Transportation Standing Committee.

The committee took an at-ease from 2:42 p.m. to 2:46 p.m.

HB 106-REPEAL FEES FOR STUDDERED TIRES

[2:46:19 PM](#)

CHAIR JOHANSEN announced that the next order of business would be HOUSE BILL NO. 106, "An Act repealing fees imposed on the sale of new tires, the sale of certain studded tires, and the installation of certain metal studs on tires; and providing for an effective date."

[2:46:37 PM](#)

JERRY BURNETT, Legislative Liaison; , Director, Administrative Services Division, Department of Revenue, explained that HB 106 repeals the \$2.50 tax for new tires and the \$5.00 tax on studded tires. The administration doesn't believe the aforementioned tax is an efficient way to raise money. He related his understanding that it's the only tax that the state imposes at the retail level. The administration believes that families who install safer tires shouldn't be penalized.

[2:48:09 PM](#)

REPRESENTATIVE FAIRCLOUGH inquired as to the governor's plan to replace the revenue generated by these taxes.

MR. BURNETT related his understanding that the revenue from these taxes amount to about \$1.6 million a year with operational costs of about \$55,000 a year. At this point, there is no plan to replace the revenue as it's a very small revenue source and the 2007 revenue projections are great enough [to cover the loss]. If the desire is to replace these taxes, one would want to do so with a tax that is more efficiently administered and one that's not a retail-level tax.

[2:49:10 PM](#)

REPRESENTATIVE FAIRCLOUGH inquired as to the maintenance costs on the roads.

MR. BURNETT said he couldn't answer that, but offered that it's clearly in the tens of millions of dollars or more. He reminded the committee that the revenue from the existing tax on tires goes to the general fund and isn't tied to any specific program.

[2:49:36 PM](#)

REPRESENTATIVE FAIRCLOUGH asked whether the administration will be recommending an increase in the fuel tax.

MR. BURNETT said that he isn't aware of any [proposal] for such an increase. He informed the committee that to replace the tax would require a .4 of a cent tax per gallon. Alaska has the second lowest fuel tax in the nation, he noted.

[2:50:18 PM](#)

REPRESENTATIVE NEUMAN, continuing on the line of comments by Representative Fairclough, opined that the state will be facing a deficit situation in the next couple of years. He mentioned his support for removing this tax, and then related his understanding that tobacco and alcohol have a retail-level tax.

MR. BURNETT clarified that tobacco and alcohol taxes as well as motor fuel taxes are collected by the distributors.

[2:51:05 PM](#)

CHAIR JOHANSEN related that he has anecdotally heard of the effects of studs on the roads.

[2:51:40 PM](#)

MARY SIROKY, Legislative Liaison, Office of the Commissioner, Department of Transportation & Public Facilities, confirmed that there are different kinds of studs, which result in different wear and tear on the pavement. She related her understanding that the metal studs are the most abrasive. She highlighted that many are using the new tires, which were developed for all seasons and provide a more significant stopping ability, rather than studs.

[2:52:26 PM](#)

REPRESENTATIVE NEUMAN inquired as to why the legislation would refer to certain metal studs as opposed to just metal studs.

MS. SIROKY said she didn't know why that language was chosen.

[2:52:50 PM](#)

REPRESENTATIVE NEUMAN asked if the governor intends to remove the tax on studded tires.

MR. BURNETT explained that current statute requires a \$5 fee for tires with a stud weight of more than 1.1 grams. Therefore, the language referring to certain studs was used because there isn't a \$5 fee for those who use the very light weight studs. Mr. Burnett recalled that passage of the tax was to encourage the use of light weight studs.

[2:53:31 PM](#)

CHAIR JOHANSEN asked if there is any data regarding the impact of the tax.

MS. SIROKY said she doesn't know if DOT&PF has any data that speaks to a differential in the wear and tear associated with the passage of the tax. She offered to see if such data exists.

MR. BURNETT said that there is no evidence in the trend that fewer studded tires are being sold. However, the law has only be in effect since 2004.

[2:54:20 PM](#)

REPRESENTATIVE NEUMAN asked if deletion of the term "certain" would be problematic.

MR. BURNETT reminded the committee that the effect of this legislation is to remove the taxes on tires, including all studded tires. The reason for the language in the title is that the existing statute taxes only certain studded tires at a differential rate. The language is consistent with what the legislation would actually do.

[2:55:12 PM](#)

REPRESENTATIVE NEUMAN surmised that if the title remains the same, the intent is to remove the tax on studs and tires and all taxes placed on tires.

MR. BURNETT replied yes.

[2:55:43 PM](#)

REPRESENTATIVE NEUMAN asked if the title of the legislation should be changed to reflect [the intent].

[2:56:01 PM](#)

REPRESENTATIVE FAIRCLOUGH opined that it has been appropriately handled. She then read the existing statute, which is specific to metal studs.

[2:56:44 PM](#)

CHAIR JOHANSEN, upon determining there were no other questions or persons wishing to testify, closed public testimony. He related his understanding that there are a few outstanding questions, and therefore he would hold over HB 106.

[2:57:21 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:57 p.m.