**ALASKA STATE LEGISLATURE**
**SENATE TRANSPORTATION STANDING COMMITTEE**
February 26, 2008
1:03 p.m.

**MEMBERS PRESENT**

Senator Albert Kookesh, Chair
Senator John Cowdery, Vice Chair - via teleconference
Senator Bill Wielechowski
Senator Gary Wilken
Senator Elton

**MEMBERS ABSENT**

Senator Donald Olson

**COMMITTEE CALENDAR**

Financial Overview of the Juneau Road Project

**PREVIOUS COMMITTEE ACTION**

No previous action to consider

**WITNESS REGISTER**

MALCOLM MENZIES, Regional Director
Southeast Region
Department of Transportation and Public Facilities (DOTPF)
Juneau, AK,
**POSITION STATEMENT:** Presented an overview of the Juneau Road Project.

JEFF OTTESEN, Director
Program Development and Statewide Planning
Department of Transportation and Public Facilities (DOTPF)
Juneau, AK
**POSITION STATEMENT:** Presented an overview of the Juneau Road Project.

BOB DUGAN, Project Manager
Lynn Canal Highway Project
Golder Associates
Anchorage, AK
**POSITION STATEMENT:** Answered questions on the Juneau Road Project.

MARK GABEL
Cost Risk Estimating and Management
Washington State Department of Transportation (WSDOT)
Olympia, WA
**POSITION STATEMENT:** Answered questions on the Juneau Road Project.

CURT MENARD, Mayor
MatSu Borough
Palmer, AK
**POSITION STATEMENT:** Expressed concern about the drain on the Alaska state highway budget of the Juneau Road Project.

AVES THOMPSON, Executive Director
Alaska Trucking Association (ATA)
Anchorage, AK
**POSITION STATEMENT:** Expressed concern about the drain on the Alaska state highway budget of the Juneau Road Project.

**ACTION NARRATIVE**

**CHAIR ALBERT KOOKESH** called the Senate Transportation Standing Committee meeting to order at 1:03:45 PM. Present at the call to order were Senators Wielechowski, Wilken, Elton, Kookesh and Cowdery via teleconference.

## FINANCIAL OVERVIEW OF THE JUNEAU ROAD PROJECT

CHAIR KOOKESH announced consideration of a financial overview of the Juneau Road project.

1:06:01 PM
MALCOLM MENZIES, Regional Director, Southeast Region, Department of Transportation and Public Facilities (DOTPF), Juneau, AK, said the Juneau Road Project begins at the end of Glacier Highway, 40 miles from Juneau. The road portion of the project ends at mile 90 with 50 miles of road construction. At that point, shuttle ferries would take passengers to Haines and Skagway.

He explained when the original Environmental Impact Statement (EIS) was begun DOTPF looked at projects going up Taku Valley and the west side of Lynn Canal as well. It also tried to connect the project with the Canadian and Alaska Highway System and Interior Alaska. From a map, he demonstrated how the project

has been divided into construction zones. The total construction cost including ferries was estimated in 2007 to be $350 million.

He said the road goes along the southern and eastern side of Berners Bay up to two major bridge crossings. Each bridge would be approximately a half-mile in length as would be the bridge across the Katzehin River.

MR. MENZIES stated that this project was conceived in 1993; its purpose and need has not changed since then. These are to provide a transportation corridor, improve opportunities for travel, to reduce travel time between communities and within the state to the capitol and to reduce state and user costs for transportation.

MR. MENZIES said the roadway would consist of two 11-foot travel lanes and two 4-foot shoulders that would act as bike lanes, all paved when completed. The initial construction would be a gravel surface. The project was first approved by Governor Knowles and was followed by Governor Murkowski. A permit from the U.S. Army Corps of Engineers is expected in March 2008 after a two-year process.

He reviewed that supportive resolutions have been adopted by the City and Borough of Juneau and the Alaska State Legislature; the project has already received $45 million from the 2006 legislature. The supplementary draft EIS received 1,600 comments with 60 percent of respondents in favor of the project. He said this type of construction has been criticized by many for being too rugged, but another tough construction project was completed in Southeast Alaska in 1975 - the building of the Klondike Highway connecting Skagway with the National Highway System.

1:12:21 PM
JEFF OTTESEN, Director, Program Development and Statewide Planning, Department of Transportation and Public Facilities (DOTPF) said he would give a planning and financial perspective on this project. He first wanted to point out a key difference – that unlike any other project substantial individual user benefits would accrue in the form of savings in reduced time, travel expenses and numbers of accidents. Because these benefits don't flow to the state directly, that fact is sometimes lost when talking about costs and savings.

He said the Lynn Canal Highway Environmental Impact Statement (EIS) shows that this project along with a couple of other small improvements leads to the ability to reduce the ferry fleet by

two mainline ferries. The two least expensive mainline ferry in Southeast Alaska cost $19 million to operate last year. Replacement cost for a ferry is about $250 million per ferry. This easily dwarfs the cost of this one highway project. “This is truly a self-financing project if you look at it in that light.”

MR. OTTESEN said he wanted to talk next about DOTPF’s purpose and why people are “so hard over” about building roads and want to know the answer to why have a land road when there is a marine highway. The answer is that the purpose of DOTPF, established in statute almost at the beginning of statehood, is to build a network of highways that link cities and communities together throughout the state that aid in the extraction and utilization of the state’s resources. This means that building a road that may benefit a mine is a positive, not a negative. He elaborated:

> It is what our founding fathers wanted us to do. And it remains on the books today. This is also consistent with our constitution which talks about - in Article 8 in Sections 1, 2 and 5 – it talks about using our natural resources, using our lands for settlement and building the public facilities necessary to make that happen.

MR. OTTESEN said this has been one of the most planned projects in the state’s history. For the past four administrations transportation plans have been identified as one of the ways to meet the demands in this corridor in a more cost-effective way. The 1994 EIS for this project began under the Hickel administration and continued through the Knowles and Murkowski administrations.

He said fiscal constraint has been a concern over the last few decades and the five-year project was adjusted to a twelve-year project in order to reduce the fiscal impact. He honestly thought that was the wrong decision because the benefits of the project can’t be achieved until it is built. Those benefits are significant and will continue in perpetuity. However, for the time being, in order to minimize impacts on the rest of the state he is proposing to slow the pace of the work to a little more than $20 million a year over 12 years. The total of $350 million includes 4 percent inflation. This proposed amount for one project in the Southeast region is well within historic norms and it represents about 7 percent of the Statewide Transportation Improvement Program (STIP).

MR. OTTESEN showed a slide comparing the cost of maintaining the ferry system and the cost of maintaining the highway system. Excluding capital, he said, the state now spends more money to operate the ferry system than to operate the highway system. Yet at the same time the highway system delivers 99.5 percent of total travel in the state, measured in vehicle miles of travel, and the entire ferry system delivers only .5 percent of vehicle miles of travel. This means it costs the state an average of 2 cents per mile to maintain roads to allow vehicles to use the system versus $4.50 per mile to transport a vehicle on a ferry. This is the fundamental cost difference between ferries and roads and it's what drives them to say that a more cost effective system can be achieved by shortening the ferry links and lengthening the road links. He also suggested that a cost effective system is best for the region because it's sustainable, not only in rich years, but in the lean years. He strongly urged them to keep those numbers in mind.

MR. OTTESEN showed another slide indicating that the ferry system has gone from about two-thirds of its costs being covered by state revenues to about one-third and this has all happened in the last three or four years. He said it's instructive that high costs have occurred just in the recent past because the Juneau access EIS was prepared before those high costs came into the picture. Any analysis they did then doesn't really reflect these new high costs. So the EIS was positive in terms of the road's economics then, but these figures suggest it would be even more positive today.

He said a hard look at the numbers over the next 12 years, which is how long it will take to build this road, indicates that the Lynn Canal Highway System will require about $350 million adjusted for inflation. The Marine Highway System (MHS) will require over $2 billion, albeit for its whole system.

1:21:19 PM
MR. OTTESEN said no other project in the state offers meaningful cost reduction to the MHS. That $2 billion over the next 12 years is equivalent to building six Juneau access projects or 66 percent of the urban highway needs in both Anchorage and Fairbanks or 33 percent of all the strategic highway needs statewide. "It's a significant number and it deserves to be brought forward, because if we can manage it, if we can reduce it, and at the same time offer people actually a better travel option, I think we've made the right choice, Mr. Chairman."

SENATOR WILKEN asked if "after revenue" is what is known as the $100 million per year subsidy.

MR. OTTESEN replied yes; the department took the annualized cost of the ferry system, subtracted revenue from that and came up with a subsidy of $2 billion over the next 12 years.

SENATOR WILKEN clarified that the $2 billion isn't only Juneau/Lynn Canal, but the total Marine Highway System.

MR. OTTESEN agreed.

SENATOR ELTON asked if he had broken out the Lynn Canal component from the whole Marine Highway System and compared it to the Lynn Canal road project.

MR. OTTESEN replied no, but that had been done in the EIS. The only thing that has changed is that the cost is rising for everything the Marine Highway System does just like the cost of construction for the highway; they are rising at about the rate. He emphasized, though, that the Juneau Access Road Project is supposed to reduce the need for two mainline ferries. Simple math indicates that those ferries will cost far more than the Lynn Canal Highway.

SENATOR ELTON said it seems unfair to compare the cost of the Lynn Canal Highway to the budget of the whole Marine Highway System. A better comparison would be what the cost is to run ferries in Lynn Canal.

MR. OTTESEN replied that number could be provided. He said he wasn't trying to suggest the Lynn Canal Highway changes that picture, but he was trying to point out that costs have risen dramatically for the MHS and only one project across the entire state can make a difference. "So if we're going to attack those costs, and I think to attain sustainability, that would be the goal. This is one project that can begin to reduce those costs." It would be affordable to the state in the lean years as well as the rich years.

1:25:01 PM
SENATOR ELTON said he'd like to see a copy of the comparison.

CHAIR KOOKESH said he agreed that comparing the cost of the whole MHS to the Juneau access project was unfair.

MR. OTTESEN elaborated that he wanted to draw attention to the fact that the state has a system that for a variety of reasons has become expensive.

> We're at the cusp. We're at that decision point in the road. Do we continue and do it again for the next 50 years or do we make a difference and we begin to go to the day boat concept that has been identified in so many of our planning products and actually achieve the day boat concept?

CHAIR KOOKESH reasoned that he wanted people to see the whole picture.

MR. OTTESEN said another question is what happens if the cost of the Lynn Canal Highway goes above the $350 million estimate. He said the department had already spent $24 million on the EIS and permitting. Construction costs have gone up dramatically, but so have the costs for the Marine Highway System – and these costs are driven by the same fundamental factors in the economy – the cost of energy and steel. But only the Lynn Canal Highway can offer a means of structurally reducing some part of the AMHS costs and only the highway can offer to finance itself because its savings actually come back to the state budget.

MR. OTTESEN said he has heard that congress is going to attach global warming mandates to the next federal highway bill. Contrary to conventional wisdom, the ferry system is more energy intensive than the highway. Conventional ferries burn more fuel and carry far less traffic. He also informed them that if construction of the Lynn Canal Highway is delayed the state may end up paying a carbon tax, as well.

1:28:57 PM
He said this project offers an opportunity for a higher level of service in terms of capacity, travel time and better frequency. It reduces, in perpetuity, state costs in this corridor and it greatly reduces the travel cost to the traveling public, makes travel affordable to low-income groups and helps connect communities, resources and economic activity – factors that are all consistent with both the department's statutory purpose and the Alaska Constitution. Also, he said, reducing the MHS costs makes it more sustainable and frees up state money to be spent elsewhere. He elaborated:

> But if you delay the Lynn Canal Highway, all the inverse of those things happen. This is like if I had

come to you and said we don't want to build the highway; we really think we ought to stick with the ferry and here's why - I think you'd almost laugh me out of the room. If we're going to perpetuate a lower level of service with less capacity, longer travel time, reduced frequency, we're going to lock in high state cost in the corridor, we're going to perpetuate high travel costs for the public and we're going to result in travel being unaffordable to the lowest income groups – leaving our communities less connected and now cementing our reliance on a high carbon footprint option. That's essentially the fork in the road we face. We can pick one of those two futures.

So, in conclusion, we think that this decision to continue will represent a reasonable commitment of federal highway funds, because it serves the express purpose and need of the corridor. It offers the only identified means of structurally reducing the rising cost of marine highways, it offers the best solution for green house gas mandates that we think are coming and coming quickly and, finally, I think by reducing Marine Highway System costs, we achieve two quick benefits. One, we make that system more sustainable and I believe sustainability is its best interest, is in the region's best interest. Secondly, any avoided costs then become available for investment elsewhere in our state. And those avoided costs would be avoided costs that are being churned off year after year after year because we're making savings in perpetuity.

1:31:05 PM
SENATOR ELTON asked him to describe Phase I and Phase II of the project and about the funding for them both.

MR. OTTESEN replied that Zone 1 is a five-mile segment of Phase 1. It is a deliberately chosen small segment because of the possibility of litigation and an injunction. If the department put out a larger construction contract, the contractor would have his bond capacity potentially tied up for months, if not years.

SENATOR ELTON asked how much money that component of the project costs.

MR. MENZIES replied the estimate is between $7 and $10 million.

SENATOR ELTON asked how much the department has on hand.

MR. OTTESEN replied the department has about $88 million.

SENATOR ELTON asked if that money is composed of X number of millions left over from the 2006 appropriation.

MR. OTTESEN replied that money also comes from federal authorization using what is known as Advanced Construction (AC). It is done with a lot of projects and it is essentially the authority to spend state dollars and get reimbursed with federal dollars at a later date. Because this project is essentially "going to hang fire" until the legal process is completed, the department is using AC because it doesn't tie up any real dollars. The federal dollars are like a promise, rather like a credit card.

SENATOR ELTON asked if federal AC funds can be used on any project.

MR. OTTESEN replied there is federal authority for the Juneau Access Project; the department processes the paperwork with its federal partners and that allows them to begin this project. The department uses AC on projects throughout the state for a wide range of reasons.

SENATOR WILKEN asked him to refresh his memory about the west and Taku River routes that would hook up the highway that is off of his map.

MR. MENZIES responded the Taku route was studied through the EIS process. It is longer than the Juneau access route on both the west and the east side; it is subjected to possible flooding in the whole Taku Valley. The state would also have to get permission from the Canadians to build it and that was not forthcoming.

MR. MENZIES said the original west Lynn Canal route was started in 1963; he knows because he was the original author of the first study. At that time, it was called the Juneau-Haines Highway for capitol access. The ferry alternative wasn't well thought out at that time except there would be a general ferry in St. James Bay, William Henry Bay or one other bay in the area. The problem with the ferry crossings they realized would be the heavy cross winds it would be running through all the time – especially in the winter. The east side had similar design and construction challenges with avalanche areas

requiring snow sheds. The engineering item that made the east side more attractive is it is the side that can “hard-link” to Skagway, the Klondike Highway and the Canadian-Alaskan Highway to the north. This could never be done on the west side because of a ferry crossing.

CHAIR KOOKESH asked him to elaborate on the hard-link. He said his understanding was that the highway would end a long ways south of a hard-link.

MR. MENZIES replied that was true. He explained that the EIS included many different options, one of which was going all the way to Skagway and connecting to the Klondike Highway. That was and is a long term Alaska planning goal of this project. It was one of the options when Skagway and the National Park Service thought there might be an invasion of their view shed of the Klondike National Park in Skagway.

1:38:12 PM
He said Skagway and the National Park Service objected to the project under a section of the Transportation Act; so the project was shortened at this time to the Katzehin River, which always was going to have a ferry terminal in the many different options since this project was always going to have access to Haines. As a result, the department stepped back almost two years ago and picked a second option in the EIS which would end this project at the Katzehin River requiring two shuttle ferries to Haines and Skagway. A long term goal more than 12 years from now would be a second project that would go all the way to Skagway and connect to the National Highway System.

CHAIR KOOKESH asked if the $350 million includes the hard-link.

MR. MENZIES replied no.

CHAIR KOOKESH asked if the $350 estimate includes the shuttle ferries.

MR. MENZIES replied yes.

CHAIR KOOKESH asked how good the estimates are and reflected that the Whittier Tunnel might be the only comparable project. He asked how close the estimates were on that project.

MR. OTTESEN replied he would get that information, but the Whittier Tunnel was very different.

CHAIR KOOKESH responded he was just interested in learning how close the department's estimates are in general.

MR. MENZIES stated that the department doesn't currently have a project that large. Other projects in the neighborhood of $30 million to $50 million have been within 5 percent of their estimates. These projects have included large rock and heavy hauling projects like the Ketchikan International Airport.

SENATOR WILKEN asked if the University of Alaska is doing a study for the state regarding this project or any state transportation priorities.

MR. MENZIES replied yes and said about nine months ago the department constructed a submerged reef in Lynn Canal south of Berners Bay because of a request from environmental groups. The department has also conducted other studies with federal agencies on goats, wolves, and moose in the project area to determine what the population standard is for these animals now and what it would be after construction.

1:41:59 PM
SENATOR ELTON asked how much the Golder geotechnical investigations informed the department's cost estimates.

MR. MENZIES replied that Golder was not retained by the department to do any part of the cost estimates. They were retained by DOTPF as a consulting firm to study the geology of the project. The department used its own geologists in Zones 1, 2 and 3. Golder was used in Zone 4. Its initial geological review recommended several alignment changes in areas of stability studies. The department's designers have looked at these areas and made adjustments to the plan. The department's pre-construction engineer conducted the estimate for the 2007 financial plan based on recent work throughout the state. The estimate went from $270 million up to $350 million between 2004 and 2007.

SENATOR ELTON asked about the Golder report and quoted:

> Based on the observed fragment size of the talus, there does not appear to be practical methods of retaining the talus without resorting to structural methods such as retaining walls. Therefore cut heights in talus must be minimized by either putting the road in prism or removing the talus from the cut slope.

SENATOR ELTON said retaining walls are additional costs. Removing talus above the road is an additional cost. He asked if those costs and reports were internalized as DOTPF made cost estimates on construction.

1:46:22 PM
MR. MENZIES replied yes. He said about $15 million had been added for retaining walls as a result of the Golder report. The department has also moved the road upwards and outwards in some areas away from talused areas. He said Golder's next step will be some subsurface exploration in a year or two. Because the project has been changed to a 12-year plan the department chose not to spend the money now.

SENATOR ELTON asked for confirmation that there was a Phase I study by Golder and asked if there will be a Phase II study in the future.

MR. MENZIES replied yes, but it had not yet been authorized.

1:47:28 PM
BOB DUGAN, Project Manager, Lynn Canal Highway Project, Golder Associates, Anchorage, AK, said the Golder study was strictly to map the geology and identify the geologic hazards along Zone 4 which is a 22-mile section from Independence Creek to the Katzehin River.

MR. DUGAN said Golder worked with DOTPF after the issuance of that report to optimize the alignment, but Golder's participation was terminated a year ago and they have not worked on it since.

SENATOR ELTON asked if Golder had completed its work when its services were terminated.

MR. DUGAN replied yes, it had completed the preliminary authorized work.

SENATOR ELTON asked if it was Golder's expectation to begin Phase II.

MR. DUGAN replied yes.

SENATOR ELTON asked if Golder was given a reason why the second step didn't follow the first.

MR. DUGAN replied it was understood that it was no longer a priority, presumably because it was no longer the priority of the governor. He said it's a very difficult terrain with unusual alignment and some of the conditions will require special measures. He said he thought the cost was still a work-in-progress because there are segments of the alignment that have not been finalized as far as he knew, having been gone from the project for a year.

CHAIR KOOKESH asked for confirmation that Golder only worked on one segment.

MR. DUGAN replied that is not quite true. He said Golder also conducted investigations at the bridge sites in Zones 1, 2 and 3 drilling bore holes. They also carried out liquefaction studies. He said he had briefly seen all the bridge crossings on a reconnaissance level.

1:51:48 PM
SENATOR ELTON asked if Golder was optimistic about the cost of the project or, since the budget is a work in progress, did Mr. Dugan expect it to change.

MR. DUGAN replied it will depend on how the alignment gets through the most difficult places which may require tunnels. There are places that have large cuts, large talus and the pre-design alignments Golder worked with weren't feasible. The situation may also vary when the sites are actually investigated. To say that the $350 million is a hard number is difficult because not enough work has been done on the alignment.

SENATOR ELTON asked if the state should begin spending money on a road to Katzhin given the questions regarding the alignment issues.

MR. DUGAN replied it is out of his area of expertise to answer that. He said more money would have to be spent on engineering before cost could be determined. Golder was not charged with that task.

1:55:03 PM
SENATOR WIELECHOWSKI joined the meeting.

SENATOR ELTON said, using the analogy of building a house, it seemed to him that not enough may be known about the foundation to commit to the project.

MR. DUGAN said he did not think there was enough known at this point.

SENATOR WILKEN asked Mr. Dugan what other projects he had worked on that would be akin to this project.

MR. DUGAN replied he has spent his whole career working in Alaska beginning in 1974 on the Trans Alaska Pipeline(TAPS). He has worked on several linear projects throughout the state including transmission lines between Tyee Lake and Petersburg and a 90-mile transmission line from Healy to Fairbanks. He has worked on highway upgrades in Sitka and Haines and bridges in Unalaska.

SENATOR WILKEN asked if this is his first job on rough steep terrain.

MR. DUGAN replied that this project is his most extensive section of new highway on virgin ground since he began working in Alaska.

SENATOR WILKEN, following up with Senator Elton's analogy, compared the current circumstance to an unworkable situation in need of improvements with the choice of either repairing or building anew. He said the state is in the position of having to improve transportation to and from Juneau and all of Southeast Alaska. This is not an access issue or a rough terrain issue. This is a financial decision. Whether it's $350 million or twice that over time, he's not sure it makes much difference.

1:59:20 PM
MARK GABEL, Cost Risk Estimating and Management, Washington State Department of Transportation (WSDOT), said he currently leads the department's cost risk estimating management unit and has spoken about risk-based estimating to many project teams in the Lower 48. He said that the committee aide had sent him four questions to address before the committee.

The first question was, "Given that Alaska DOT has in several instances greatly underestimated road building costs, what are the benefits in Washington and other states to coming up with cost ranges?" He said a lot of states are struggling with this challenge right now. The short answer is it's better to be approximately right versus precisely wrong. In other words, an early estimate, in particular, is more accurately expressed as a range rather than a single number. It's false precision to say a

project is going to cost an exact amount. People in this industry know that two questions are always going to be asked - how long the project will take and how much it will cost. And the obvious follow-up question is, “Why?” He said the risk-based estimating process makes it possible to respond to those questions in terms of ranges and provides explanations as well.

MR. GABEL said he documents and identifies the risks in terms of probability. Early in the design more things might happen than actually will happen and it is best to identify the uncertainties. When the term “risk” is used in his risk estimating practice, it can be viewed as either negative or positive. A positive consequence presents an opportunity while a negative consequence poses a threat to a project’s objective. Any project will have both, especially early-on. Risk opens new avenues of thinking and this can be a benefit.

Question 2 was, “How has our cost estimation validation process for our state’s more expensive projects helped Washington determine its transportation priorities or has it?” The answer is yes, he said. Although he does quantitative analysis, the use of the results by the decision-makers is more of a qualitative use of that information. Decision makers need to know how much risk they are willing to tolerate.

MR. GABEL said the third question was, “To the extent you have reviewed information of Juneau road projects, can you give us some guidance on how numerous hazards on road alignment might affect costs?” He said his knowledge of the project came from skimming through the Golder report and viewing a DVD about the project and he concluded that he couldn’t really add any value and that Alaska’s experts would be much more familiar with the project. He offered, however, that to properly ascertain the risks and hazards, a risk workshop would be appropriate and should include experts in risk, cost, and subject matter experts who are external to the project. That is the hallmark of WSDOT’s validation process. The need is for a few people who have no dog in the fight.

That team should work collaboratively with the project team in a workshop setting to identify and characterize the risks. A quantitative analysis could be performed that would reveal a range and probability of cost and schedule for that project. He emphasized, again, the further out the project is, the more uncertainties it is exposed to simply because of so many unknowns. Those unknowns become revealed over time through engineering, investigation and project development.

The final question was, "How does Washington State incorporate cost ranges into the STIP process?" He realized that people building budgets have to plug in a number and WSDOT uses this cost estimate validation process workshop for all projects over $100 million. They have done a couple of dozen different projects ranging from $100 million to several billion. The default figure they have established for the development of a probability range is the 90th percentile. However, they realized this figure can be too conservative; so project managers are allowed to propose a different percentile if they think it is more appropriate for budgeting.

He explained when a risk-based workshop for any project is conducted, the first range of figures coming out of the workshop will be an unmitigated estimate range or a risk register of identified risks characterized in terms of probabilities and impacts. Those would be put through a statistical model and ranked in terms of significance. He likes project managers to identify the top 7-10 risks and create an aggressive risk mitigation response plan and he again reminded them that these risks can be turned into opportunities to be taken advantage of. The analysis could then be run again to see quantitatively what the effect the mitigation response plan provides.

2:10:43 PM
SENATOR ELTON asked if he looked ahead 12 years at a major project (like this one), what kind of inflation factor he would use. The Alaska DOT has used 4 percent.

MR. GABEL replied when WSDOT first began the [indisc.] process in 2002, it used a flat rate of around 3 - 3.5 percent that reflected the construction cost index table that they purchased from Global Insights, an economic forecasting company. The program managers still use this program. They allowed some uncertainty to be assigned around that inflation rate of minus 1 percent or plus 4 percent, but the analysis of that model found inconsistent applications. It was difficult to explain why one inflation rate was used for one project and not for another. So, Washington now uses the standard construction cost index tables which were purchased from Global Insights. However, he said, Washington allowed two mega-projects to do something very different and they used an inflation range of 4 percent plus or minus 2 percent. For Alaska's specific situation, he recommended turning to local economic forecasters, the University perhaps. He suggested identifying whatever standard inflation rate the state uses for transportation projects and run the model again

using that same rate plus 1 percent. That would reveal the sensitivity of inflation to the projected-year expenditure costs.

2:14:34 PM
CURT MENARD, Mayor, MatSu Borough, said MatSu is one of the fastest growing areas in the state and has a lot of road projects. Another fatality had just happened on the Palmer/Wasilla Highway, which happens to be listed as one of the three most dangerous roads in the state. He said he's not opposed to this project, but he is concerned about how many dollars will come out of the capital budget to fund it and what will be left over for the rest of the state. Also, since its spread over a 12-year period, the costs could go up. He supported the project because of the projected savings over the ferry system.

2:17:10 PM
AVES THOMPSON, Executive Director, Alaska Trucking Association (ATA), Anchorage, AK, said freight movement represents a large chunk of the state's economy and impacts everyone every day. "The simple truth is if you got it, a truck brought it." Referring to the "Overview of the Alaska Trucking Industry" in the bill packet, he said the association's main priority is the gas line.

He said the slide of the National Highway System shows it as the backbone of the freight network and that infrastructure needs to continue being improved. One of the improvements needed is the elimination of the weight restrictions on the Parks Highway that were put in place by the DOTPF during the spring freeze and thaw period when the highways are most susceptible to damage. Weight limits are reduced by approximately 15 percent and since it's not possible to reduce the weight of the truck, the weight of the payload is reduced. This is a cost to everyone - consumers and shippers. He said some years ago, about 90 miles of road needed to be repaired and that has been whittled down to 50 miles. A project in the General Obligation (GO) Bond package would cover another 20 miles. The association supports funding the remaining 30 miles which would eliminate the weight restriction.

MR. THOMPSON said fixing the road would also create safer driving conditions and maintenance is the key to safe and productive highways. A low level of maintenance can mean the difference between life and death. The association advocates expanding the DOTPF state general capital projects program

especially in the wake of the decreases in federal highway dollars. It supports SB 189 providing for bridge repair and replacement, but he said it's not enough to address the needs of the state. Other issues the association is concerned about are congestion like that in MatSu, mentioned by Mayor Menard, in Denali Park and on the Seward Highway, especially Windy Corner.

2:24:10 PM
MR. THOMPSON said the association is also concerned about truck route access in the cities, highway safety, fuel prices and availability, and clean air. It supports a highway system that encourages development.

Regarding the Juneau road project, Mr. Thompson said, the ATA supports new roads. In this historic time of Alaska's extreme wealth, some of that wealth could be used to fund the Juneau road project and still leave funds to support highway projects in other parts of the state. However, it is not among the highest priorities for ATA.

CHAIR KOOKESH said he was receptive to another hearing on the Juneau road project. There being no further business to come before the committee, he adjourned the meeting at 2:26:52 PM.