

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL**  
**TRADE AND TOURISM**  
February 24, 2009  
5:19 p.m.

**MEMBERS PRESENT**

Representative Jay Ramras, Chair  
Representative Nancy Dahlstrom  
Representative Kyle Johansen  
Representative Mike Doogan  
Representative Chris Tuck

**MEMBERS ABSENT**

Representative Mike Chenault  
Representative Mark Neuman

**COMMITTEE CALENDAR**

Alaska Ship & Dry Dock Presentation by Doug Ward, Shipyard Development, discussion to follow about future public/private partnerships and workforce development to further build Alaska's economy.

**PREVIOUS COMMITTEE ACTION**

No previous action to report

**WITNESS REGISTER**

JIM LYNCH, Chair  
Alaska Workforce Investment Board (AWIB)  
Department of Labor & Workforce Development (DLWD)  
Anchorage, Alaska; Chief Financial Officer  
Fairbanks Memorial Hospital  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified during the hearing on workforce development.

CORINNE OGLE, State Reporter  
Alaska Future Farmers of America (FFA)  
Homer, Alaska

**POSITION STATEMENT:** Participated in a presentation by the FFA.

TAYLOR BERBERICH, Secretary

Alaska Future Farmers of America (FFA)  
Palmer, Alaska

**POSITION STATEMENT:** Participated in a presentation by the FFA.

RACHEL KENLEY, President  
Alaska Future Farmers of America (FFA)  
Palmer, Alaska

**POSITION STATEMENT:** Gave a presentation on Alaska Future Farmers of America activities.

DOUG WARD, Director  
Shipyard Development  
Alaska Ship & DryDock  
Ketchikan, Alaska

**POSITION STATEMENT:** Gave a presentation on Alaska Ship & Drydock.

#### **ACTION NARRATIVE**

[5:19:31 PM](#)

**CHAIR JAY RAMRAS** called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 5:19 p.m. Present at the call to order were Representatives Doogan, Tuck, and Ramras. Representatives Dahlstrom and Johansen arrived as the meeting was in progress.

Alaska Ship & Dry Dock Presentation by Doug Ward with discussion to follow about future public/private partnerships and workforce development to further build Alaska's economy.

CHAIR RAMRAS announced that the first order of business would be a report on workforce development by Jim Lynch, followed by a presentation from Doug Ward of Alaska Ship & Drydock.

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JIM LYNCH, Chair, Alaska Workforce Investment Board (AWIB), Department of Labor & Workforce Development (DLWD); Chief Financial Officer, Fairbanks Memorial Hospital, informed the committee he was speaking from his personal perspective and insights. Mr. Lynch said the structure of the Alaska Workforce Investment Board is in statute, as primarily a private sector advisory board to the Department of Labor & Workforce Development (DLWD). The 26 member board is a combination of private sector members and designated seats for the commissioners of DLWD and the Department of Education and Early

Development (EED). The Alaska Workforce Investment Board, with the cooperation of the commissioner and deputy commissioner of DLWD, is making unprecedented strides during this administration. Mr. Lynch relayed AWIB now has considerable discretion over the State Training & Employment Program (STEP) that is funded with Unemployment Insurance funds from the Employment Security Division of the U.S. Department of Labor. This is a potent training program within the state. He focused his comments on how to improve workforce development and opined it is a supply - develop jobs and the workforce will come - or, demand - develop the workforce for jobs that are anticipated - question and the answer is in the middle. Now is the time for the state to anticipate short- and long-term training for the workers needed to build a gas pipeline; in fact, the highly skilled labor required for the gas pipeline will take years to prepare. Mr. Lynch said that the private sector board partners with DLWD to try to set priorities. From his nine years of experience, he advised that the complicated challenge of workforce development has no flow-chart or diagram to clarify the mix of money, programs, and employment needs. He stressed how important it is to take advantage of opportunities and to invest in effective programs. Mr. Lynch offered the committee any assistance the board could provide.

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REPRESENTATIVE DOOGAN expressed his concern that it is very difficult to tell if the right steps are being taken to promote workforce development.

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MR. LYNCH agreed. He described workshops and employer forums that have been held in the Interior and some successful measures that have been identified. However, there can be unnecessary duplication and he encouraged looking for efficient programs.

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CHAIR RAMRAS listed training difficulties; for example, highly trained workers that migrate out of the state. He asked Mr. Lynch to address training issues.

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MR. LYNCH recommended that the state take a comprehensive look at the related field of "workforce readiness." His personal

viewpoint is to look at the "layers" of training needed for expertise in a given field, such as advanced degrees, the bachelor [degree] plus on-the-job training, and associate degrees with various levels of on-the-job or certificate training. Mr. Lynch said the key to workforce development is to focus on [workers] with associate degrees and below, because these workers can be employed in a shorter period of time. However, the state can not ignore the importance of those with higher degrees who may be beyond the influence of the board and DLWD. He recalled past programs, such as "student loan forgiveness," that slowed the significant economic impact of "brain drain" and encouraged Alaskans to return home after college. Regarding workers who are leaving the state, he advised DLWD has data on the cost of training individuals and whether they are still working in the state. He then spoke of the successful programs at the University of Alaska (UA), such as UA Anchorage (UAA) school of nursing and UA Fairbanks (UAF) school of nursing. Alaska Ship & Drydock in Ketchikan is also in partnership with UA and is a great example of training programs that teach people transferrable skills. Mr. Lynch referred the committee to the apprenticeship coordinator at DLWD for further information.

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REPRESENTATIVE TUCK said he appreciates the complexity of the workforce training problem. He cited his personal experience with an apprenticeship program and listed the benefits thereof. Representative Tuck expressed his concern that Alaska is not capitalizing on its investment in students educated in Alaska. He also stated the benefit of a student loan forgiveness program as a mechanism to encourage Alaskans to return after college. He opined there is less cost to preparing high school students for college than to prepare them for technical careers; in fact, perhaps DLWD funds should go to education at the [middle] and high school level. The Anchorage School Board opened the King Career Center for summer school and after school classes in response to a high demand; career and technical education keeps kids in school and the state should continue to promote and provide technical training to Alaskan students.

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MR. LYNCH agreed and emphasized that the state must identify effective programs and make the system more efficient. He noted that proposed legislation is under consideration; furthermore,

it is widely accepted that technical and traditional education and labor are intertwined, but the system is not.

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CHAIR RAMRAS introduced three officers of the Alaska Chapter of the Future Farmers of America.

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CHAIR RAMRAS asked Mr. Lynch to submit an outline of Alaska Workforce Investment Board goals and activities. He opined the cornerstone for a robust economy in Alaska may be the cost of energy; in fact, the cost of energy is the obvious "driver" in areas of the state that are in decline and areas that continue to thrive.

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MR. LYNCH concurred.

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CHAIR RAMRAS opined the expectation of the return of high energy costs suppresses investment and the hiring of a workforce; in fact, he asked whether the state could keep a trained workforce active if energy costs stop growth.

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CHAIR RAMRAS invited the FFA officers to make a brief presentation.

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Corinne Ogle, State Reporter, Alaska Future Farmers of America, informed the committee her FFA team from Homer High School placed first in the state and second nationally at the National Environmental Science and Natural Resource competition. The team solved a problem involving an appropriate housing development for an identified parcel of land.

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RACHEL KENLEY, President, \*Alaska Future Farmers of America\*, said the state officers were in Juneau to celebrate FFA week. The mission of the FFA is to make a positive difference in the

lives of students by developing their potential for leadership, personal growth, and career success. She expressed her belief that it is important for Alaska schools to have agricultural, mining, and fisheries education to develop leaders for the future of the state. Ms. Kenley said the officers have presented leadership conferences throughout the state and have facilitated events such as farm tours. There are seven active FFA chapters in Alaska with about 150 members. She invited committee members to the state convention scheduled for April 22-24, 2009, in Palmer.

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TAYLOR BERBERICH, Secretary, Alaska Future Farmers of America (FFA), opined FFA is the best leadership opportunity and she listed some of her experiences with the program.

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DOUG WARD, Director, Shipyard Development, Alaska Ship & DryDock, informed the committee his company is the private sector operator of the state-owned Ketchikan shipyard and is engaged in a public-private partnership supported by the concurrent development of the infrastructure, the market, and the workforce of the shipyard in Ketchikan. The shipyard is creating the capacity and the regional competitive advantage to attract new private investment and the resulting jobs. Planning for the shipyard began in the late 1970s following the expansion of the Alaska Marine Highway System (AMHS) in the 1960s. Previously, all activities of the AMHS were based in Seattle at Pier 54. The facility in Ketchikan was built to bring those activities and jobs back to Alaska. The AMHS has now grown to include the Ketchikan International Airport ferry, the [Craig] Inter-Island Ferry Authority, and the new Cook Inlet Ferry.

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MR. WARD continued with a history of the shipyard and said the Department of Transportation & Public Facilities (DOTPF) bought the shipyard site in 1985; in fact, shipbuilding has been sited there since 1922. He displayed slide 2 of the shipyard as it exists today with the M/V Matanuska in floating dry dock and the M/V Columbia and a "fast ferry" dockside. Slides 3 and 4 displayed the current development plan and recent expansions and improvements to the shipyard. Mr. Ward explained how the floating dry dock works. He emphasized that all the work done at

the shipyard is based on globally competitive standards, including the infrastructure of the yard. Workforce training at the shipyard requires repeatable and enduring standards to guide the lay-out of the work, development of the workforce, and the completion of the product. This is because shipbuilding is complex and must be competitive. In 1999, ASD developed its plan to expand the shipyard by building the infrastructure, the market, and the workforce concurrently to ensure success and guarantee full employment. He also noted the intent to reduce the cost of the operation of the AMHS. Mr. Ward discussed the damage to the M/V Lituya that was blown away from its moorings at Metlakatla on January 30 [2009]. There was considerable damage done by the pounding on the rocky island where the ship came to rest. He pointed out the savings in time and expense by having a regionally available maintenance facility; in fact, just towing the ship to Seattle would take one week, and would have been dangerous to life and the environment. Furthermore, Seattle shipyards have no relationship to the AMHS, but Alaska Ship & Drydock has a commitment to maintain and reduce the cost of operation AMHS ferries, and does what is needed to return ships to service. Mr. Ward predicted in three to five years employment at ASD will increase from 139 to about 350 full-time jobs in advanced manufacturing.

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MR. WARD spoke of the manufacturing of the M/V Susitna, the world's first twin hulled icebreaking ship. He said, "People that know [said it is] one of the most complicated ships to be designed in the last 100 years." The ship is an Office of Naval Research Demonstrator Project to be used by the U.S. Marine Corps to ferry marines and battle tanks 100 nautical miles from forward-located sea bases at 30 knots in 15-foot seas. Upon approach to land, the ship converts to a barge landing craft. Its demonstration use will be as a ferry crossing the Knik Arm from Anchorage to the Mat-Su Borough; in fact, the Navy was interested in a partnership with the borough to build the ship because the Knik Arm, with winter weather, currents, and extreme tides, is one of most difficult transits in the world.

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CHAIR RAMRAS asked how the contract was obtained.

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MR. WARD explained that this ship was designed by Lockheed Martin for the U. S. Navy Sea Base Initiative. This is a science and technology project as indicated by the transformability of the vessel. A Lockheed Martin engineer suggested the waters of Knik Arm for testing at the same time the Mat-Su Borough was exploring the purchase of a ferry to Anchorage. John Duffy, representing the Mat-Su Borough, stipulated that construction of the ship must be in Alaska. The Office of Naval Research inspected the shipyard and determined that ASD could build the \$60 million ship. Subsequent commercial use for the ship is high because of its stability in high seas and the design of the hull. In addition, the ship is well suited for multiple use with four 27,000 horsepower, fuel efficient, engines; in fact, for ferry operations, two engines operating at 15 knots will use 7.5 gallons of fuel per hour. Mr. Ward concluded that as the U.S. looks forward to the opening of the northern sea routes, this ship is the global standard for polar transportation and research.

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MR. WARD continued the presentation and spoke of the Chevron Coal Harbor Marine Fueling Station ASD is building for the Port of Vancouver. Alaska Ship & Drydock is also the low bidder on the Ketchikan replacement ferry. This is significant in that the fueling station will be a manufactured export from Alaska. Furthermore, the shipyard needs to grow beyond service only to AMHS because the AMHS maintenance budget is not large enough to support a shipyard with the capabilities required to perform the necessary maintenance. The shipyard is primarily equipped to service ships 250 feet in length or less, and this length includes nearly all ships for the U.S. Coast Guard, the National Oceanic and Atmospheric Administration (NOAA), and approximately 2,000 private vessels.

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REPRESENTATIVE DOOGAN asked whether the shipyard is too small to build the new Alaska class ferry.

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MR. WARD said no. With its dry dock, his company can build a ship 450 feet long using modular sections. He said ASD is very interested in building new ferries for AMHS; however, ships are the most complicated structures in the world and a shipyard is a floating city, similar to the public works department of a city.

The shipyard is also highly regulated and, during the design of a ship, a marine architect must consult with the shipyard and "design for producability." During this process the shipyard may reject a certain proposed design. He said that ASD wants to work with AMHS as a team member and begin with procurement in order to keep costs down. This is a departure from the standard "design, bid, build," process that adds costs for contractor's risk and damages. A more effective process with a public private partnership is to identify the classes of risk that exist, and have the risk managed by the appropriate partner.

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MR. LYNCH displayed a slide showing advanced manufacturing ship's hull modules for the M/V Susitna and explained that the stiffened hull panels have compound curves and 40 miles of welds. In addition, the accuracy standards are no more than a 1/16th inch tolerance on a 38 foot module.

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REPRESENTATIVE DAHLSTROM questioned the wisdom of the government always granting a project to the lowest bidder.

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MR. LYNCH observed that the federal highway system is learning that its procurement practice is breaking the back of the nation and the states; in fact, federal agencies have found guidance from global best practices that are successful in six European nations. This system is called "effective public private partnering for innovative and alternative procurement." For example, contractors can now file for "special experimental project 15 status" and, if granted, can demonstrate a faster, better, and cheaper program. He further described time-saving technology in use at the shipyard that was inspired by railroad manufacturing techniques.

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REPRESENTATIVE TUCK asked whether ASD has the rights to the design of the ship for future mass production.

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MR. LYNCH said that his company has exclusive license on the original Lockheed intellectual property. He then described some

of the history of the conversion of the company from the pulp mill maintenance plant to a shipyard.

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REPRESENTATIVE TUCK asked for the period of time from the design of the ship to completion.

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MR. LYNCH responded that the design process has taken years and the ship is 50 percent completed. He then turned to the subject of workforce development. Mr. Lynch has been on the Alaska Workforce Investment Board for five years and noted that the governor directed the commissioner of DLWD to reorganize the board and put it to work. He stated that the board now has fiduciary control of the funds directed for career training in the state, including career and technical education in the schools that is supported by the commissioner of Education and Early Development. In 1999, while attending a shipyard conference in Washington D. C., Mr. Lynch learned that U. S. commercial shipbuilding production was less than one-half of one percent of world production. Northern Europe is now building the large cruise line ships, and Japan makes "big box" ships. The military launched an investigation that led to the re-discovery of a historical training program developed in the U.S. during World War II. This training program successfully trained a novice, and female, workforce in the U.S. during the war, and then was used to re-build Europe and Japan after the war. The document, "Training Within Industry," was lost over time in the U.S. until April 2006, when the document was re-published. In 2000, ASD adopted another partnership with the University of Alaska and began developing a model training plan for structured on-the-job training: apprenticeship. Alaska Ship & Drydock also adopted the country's first catalog of skill standards for shipbuilding and a program for leading multi-skilled, self-organizing work teams. This guiding document will be North America's first multi-skilled shipyard production worker apprenticeship program.

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MR. LYNCH advised that the workforce needed in Alaska must be prepared for whatever task presents itself; a workforce that can self-organize and that is multi-skilled. He stressed that Training Within Industry (TWI) teaches workers how to think critically about the job, how to improve the work process, and

how experienced workers can train learners by "telling, showing, doing." He described some of the recent high school graduate trainees at ASD and their successes. Mr. Lynch displayed a slide of shipyard career paths and major processes, and noted that apprentices are not productive for the first two years of training. Then, they can enter the multi-skilled, "shipbuilder" apprentice program. The career path then leads the worker to specialties that may need further education. He stressed that ASD's successful apprenticeship program can be adapted to any industry. Moreover, students can begin learning on-line for credit in high school, or through the UA community college system.

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CHAIR RAMRAS asked whether ASD is a for-profit entity and whether it is profitable. He also asked for the company's owners and whether it is subsidized by the Alaska Industrial Development and Export Authority (AIDEA).

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MR. LYNCH informed the committee that AIDEA owns the shipyard property. Alaska Ship & Drydock has not borrowed money from AIDEA, but has secured \$77 million in public funding to build the shipyard. The company makes a profit and pays a dividend to AIDEA; however, in order to have a sufficient volume of work, the shipyard must build its infrastructure and increase its workforce to 350 employees. He stressed the need for a knowledgeable and skilled workforce to grow the company and increase profitability. Mr. Lynch pointed out that ASD is required by AIDEA to pay into a dedicated repair and replacement fund.

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REPRESENTATIVE TUCK asked for the source and handling details of the steel used at the shipyard.

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MR. LYNCH said building the M/V Susitna outside is a challenge due to inclement weather. The source of the steel depends on the job. For example, using the standard "design, bid, build" bidding practices for the construction of the new dry dock, North American sources failed to win the bid for the procurement of steel. Thus, the authorization was given to buy on the

global market and U. S. Department of Commerce, Economic Development Administration dollars went to China for the steel. Once again, Mr. Lynch encouraged the use of the innovative and alternative procurement process.

REPRESENTATIVE JOHANSEN expressed his enthusiasm about the shipyard.

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REPRESENTATIVE DOOGAN recalled taking a tour of the shipyard.

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CHAIR RAMRAS asked what the state can do to support ASD.

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MR. LYNCH pointed out that the workforce plan is not cheap. For example, training and design modules and contract specifications need to be part of a handheld and wireless network in the yard. He stated that shipyard occupations overlap with those of pipeline workers and cautioned that the shipyard may lose trained employees to the proposed gas pipeline project. Alaska Ship & Drydock, and other incumbent businesses throughout the state, must be protected from the loss of their trained workforce.

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CHAIR RAMRAS assumed the state has exclusivity with ASD.

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MR. LYNCH reported that ASD competes for jobs such as repairs for British Columbia Ferry Services, Inc. He returned to the subject of state assistance and said that the state can fund, streamline, and improve the State Training and Employment Program (STEP) through proposed legislation.

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CHAIR RAMRAS recommended that ASD contact World Trade Center Alaska for marketing assistance in the Pacific Rim and West Coast markets.

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REPRESENTATIVE TUCK reiterated his vision of new manufacturing in Alaska and further investment in the University of Alaska and technology education.

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CHAIR RAMRAS thanked the presenter.

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 6:59 p.m.