

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

April 6, 2010

1:04 p.m.

MEMBERS PRESENT

Representative Peggy Wilson, Chair
Representative Kyle Johansen
Representative Cathy Engstrom Munoz
Representative Tammie Wilson
Representative Max Gruenberg
Representative Pete Petersen

MEMBERS ABSENT

Representative Craig Johnson, Vice Chair

COMMITTEE CALENDAR

ALASKA CLASS FERRY DISCUSSION BY JIM BEEDLE~ DEPUTY COMMISSIONER
OF MARINE OPERATIONS~ DOT&PF

STATUS OF FEDERAL AUTHORIZATIONS BY JEFF OTTESEN~ DIRECTOR~
DIVISION OF PROGRAM DEVELOPMENT~ DEPARTMENT OF TRANSPORTATION &
PUBLIC FACILITIES

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JIM BEEDLE, Deputy Commissioner of Marine Operations
Marine Highway System (AMHS)
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint on the Alaska Class
Ferry.

JEFF OTTESEN, Director
Division of Program Development
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Testified and answered questions during the
discussion of the status update on Federal Authorizations
Package.

ACTION NARRATIVE

[1:04:21 PM](#)

CHAIR PEGGY WILSON called the House Transportation Standing Committee meeting to order at 1:04 p.m. Representatives P. Wilson, Munoz, Petersen, and T. Wilson were present at the call to order. Representatives Gruenberg and Johansen arrived as the meeting was in progress.

Alaska Class Ferry Discussion by Jim Beedle, Deputy Commissioner of Marine Operations, DOT&PF

[1:04:25 PM](#)

JIM BEEDLE, Deputy Commissioner of Marine Operations, Marine Highway System (AMHS), Department of Transportation & Public Facilities (DOT&PF), stated the Alaska Class Ferry (ACF) project started in 2006, and the AMHS has held many hearings statewide.

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MR. BEEDLE read the Project Mission Statement for the Alaska Class Ferry [slide 1]. The AMHS's mission is to design and construct the next generation of ferries to begin replacement of the aging AMHS fleet. He noted that the new ferries will be environmentally responsible, fuel efficient, and versatile. The new ferries should enhance the AMHS operations on current and future routes within inside waters and enable the AMHS to continue its tradition of providing safe, reliable service. He envisioned that most of the future transportation needs will be provided by a day boat such as the Alaska Class Ferry (ACF). The largest numbers of vehicles currently transported are between the communities of Juneau to Haines and Skagway.

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MR. BEEDLE outlined the importance of replacing ferries [slide 3]. The replacement process needs to begin immediately since all four ferries will need to be replaced. He noted that modern

safety features will be incorporated into the vessels. He pointed out the vessels the M/V Taku, the M/V Kennicott, and the M/V Malaspina are the ferries currently authorized for international travel. Thus, these vessels can travel to Prince Rupert. The remaining vessels in the fleet are not equipped to meet the international requirements. He explained the ease in incorporating new rules and technologies on vessels when building a new ship rather than retrofitting an older vessel.

MR. BEEDLE discussed the DOT&PF's approach used for replacement of the AMHS ferries [slide 4]. He explained that the process included conducting a feasibility study, developing the concept, and executing the preliminary design. He noted that this year's Governor's budget request includes funding for the first vessel. The DOT&PF is currently in the process of developing the request for proposal (RFP), which must also be approved by the Department of Law. Numerous shipyards have expressed interest in the project and are following the Alaska Class Ferry (ACF) process.

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CHAIR P. WILSON asked whether any Alaskan shipyard is capable of building the Alaska Class Ferry (ACF).

MR. BEEDLE responded that Alaska Ship and Drydock, Inc. (ASD) located in Ketchikan can do so and has expressed interest in the project. He pointed out the bid process will be a competitive bid process so the ASD must compete with other shipyards.

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REPRESENTATIVE MUNOZ asked what advantages an Alaskan firm would have in the competitive bid process.

MR. BEEDLE answered that Alaska firms will not have any advantage. The bid process is a federal process so any Alaska preference will not apply.

REPRESENTATIVE T. WILSON asked whether the funding for the Alaska Class Ferry is all federal funding.

MR. BEEDLE explained the ACF project is a combination of state and federal funding. The legislature appropriated \$60 million to the AMHS Vessel Replacement Fund. The AMHS is currently requesting authority to spend \$60 million in general fund (GF) dollars. Additionally, the state anticipates receiving \$60 million in federal funds from the Federal Highway Administration (FHWA).

REPRESENTATIVE T. WILSON acknowledged the state is using some GF funds for the ACF project. She asked whether the restriction on the bidder preference is because some federal funds will also be used for the project.

MR. BEEDLE agreed the restrictions apply due to the federal funds.

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REPRESENTATIVE GRUENBERG recalled the state previously purchased a vessel with a foreign hull and ended up having problems with the [Merchant Marine Act of 1920] Jones Act. He further recalled the state is currently involved in a lawsuit since some things were not considered in the vessel design which resulted in issues. He asked whether the AMHS is considering anything that could go wrong with the new vessel to avoid a similar "glitch" in this process. He would like to prevent similar problems from occurring, he stated.

MR. BEEDLE related that he would cover the design details during his presentation. He offered some assurances, such that the engine is a U.S. built engine and the bow thruster and other equipment selected are "tried and true" products currently in use by the AMHS. He reiterated that the AMHS has picked and specified "tried and true" equipment for the ACF project.

REPRESENTATIVE GRUENBERG maintained he would like this project "vetted five ways from Sunday" to be as certain as possible that the experts have reviewed the ACF project. He asked for assurances from the AMHS that the project is being vetted.

MR. BEEDLE related that the ACF process is a design review process, which is a process the AMHS has previously undergone. He related that he "sat in" on the process to bring in experts. "There's what's called a Black Ball Shipping Company that actually was the basic design that our Alaska Marine Highway System was built after. We brought one of their lead masters up to look at our design and advise us." He offered the value to have a for profit expert to examine and provide comments on the design. He anticipated one or more design reviews will occur. He characterized this process as a "very, very important step to the AMHS." The AMHS is beginning to replace the vessels that have worked very well. He said, "We've got to get it right. You are correct." He offered the AMHS is using people in the private sector, with a for profit perspective to review the proposed vessel design.

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CHAIR P. WILSON asked whether any changes were made as a result of participation by expert consultations from the private sector.

MR. BEEDLE stated the feedback helped, but not all of the suggestions applied to Alaska since Lower 48 vessels may have 20- 30 minute runs while Alaska ferries typically have much long runs. Some Lower 48 companies save money by reducing amenities such as providing comfortable seats. The AMHS must also consider inclement weather conditions that can affect passenger safety and comfort, which require additional amenities. For example, the consultant recommended the new vessels have limited outside deck space due to the high maintenance costs to main decks that are subject to weather.

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REPRESENTATIVE PETERSEN recalled that Tier III Environmental Protection Agency (EPA) emission standards must apply.

MR. BEEDLE agreed, relating that Tier III standards are the Environmental Protection Agency (EPA) emission standards. He pointed out that currently the proposed ACF vessels meet the

standards. In response to Chair P. Wilson, he offered that it is difficult to predict what requirements will be adopted by the EPA after the Tier III standards. Additionally, as new standards are developed, the AMHS has a lag time for compliance since it must often wait until the engine manufacturer builds the parts for compliance.

REPRESENTATIVE MUNOZ asked whether fast ferry service is planned for Lynn Canal once the ACF vessel is operational.

MR. BEEDLE related when the ACF is on-line that it will be the dedicated vessel in Lynn Canal. The fast ferry will serve Sitka and Petersburg during the summer. He added it is not likely that the mainline ferry will offload Bellingham passengers and shift them to the ACF to continue on to Haines and Skagway. Thus, the Bellingham boat will still "run up the channel" since 40 percent of passengers will want to continue on to Haines. He reported that the ACF will allow the M/V LeConte to serve the outposts and the FVF Fairweather will serve Sitka.

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REPRESENTATIVE GRUENBERG asked whether the ACF will be able to fill in when vessels are laid up since the ACF will not have the capacity to overnight.

MR. BEEDLE offered his belief that the biggest challenge facing the AMHS is the M/V Columbia since it only operates during the summer. The M/V Columbia is tied up for eight months of the year due to high operating costs. The addition of the ACF will allow for better use of the M/V Columbia. He noted the need for additional ferry service since the M/V Matanuska is booked for next two months. The first step is to build the ACF, retire one of the "24/7" vessels and fully utilize the remaining vessels. In further response to Representative Gruenberg, he stated the AMHS is working on the "two ends of the system" that work well, which are the Juneau to Haines day ferry run and the Ketchikan to Prince Rupert ferry run. The Ketchikan to Prince Rupert run lacks sufficient traffic demand for the larger vessel, but must contend with "nasty weather" so the AMHS must use the larger, more costly vessel on the run. He offered his belief that

several of the "24/7" vessels will be able to "work in the middle" and "do the long haul" as the ACF comes on-line.

MR. BEEDLE, in response to Chair Wilson, explained that the M/V Columbia will operate for a longer period. Instead of using the M/V Malaspina on the Bellingham run and having the M/V Columbia tied up at the dock, the M/V Columbia will be placed on the Bellingham run. In further response to Chair Wilson, he stated the AMHS plans to retire one of the ferries: the M/V Malaspina, M/V Matanuska, or the M/V Taku. The AMHS will retain the vessel that it determines is the least expensive and safest vessel to run. Once the timeline for the Alaska Class Ferry (ACF) is decided then the AMHS will assess the other vessels and make a determination of which ferry to retire.

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MR. BEEDLE discussed the design status of the ACF [slide 5]. He explained the rescue boats on the ACF will be placed closer to the water for easier deployment. He stated the preliminary ACF design documents are located on the AMHS website, including the detailed preliminary arrangements, mid-ship sectional drawings, and the propulsion validation study. He reviewed the vessel profile [slide 6]. The ACF will retain the classic AMHS system lines, including a modern wheelhouse and hull design, twin "screws", a U.S. electromotive diesel engine with 5,000 horsepower engine. As previously mentioned, the vessel components are also Tier III EPA compliant. The bow thruster can shift the vessel in any direction up to six knots. Thus, the bow thruster also can act like a "kicker."

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MR. BEEDLE outlined the current galley and food service arrangement [slide 7]. The topside will be used for food and drinks that do not require preparation while the inside area will provide for hot food preparation. All of the chairs and seating remain available for use after the food service is closed. He described the forward observation lounge arrangement [slide 8]. This vessel will also be compliant with the Americans with Disabilities Act (ADA), he stated.

MR. BEEDLE explained the convenient location of elevators, which will go right to the solarium. This ACF vessel will have four quiet rooms, equipped with sofas to accommodate passengers with special needs, such as those who are convalescing and must lie down. Additionally, the quiet rooms could be used by parents whose baby or toddler is crying, which will make travel more comfortable for them and for other passengers. He hopes to place sample seating at the Auke Bay Ferry Terminal for testing, but relating the seating is comfortable. The AMHS is working with the manufacturer on durability issues. Family washrooms will allow families to help small children. He remarked that people love the solariums on the current AMHS vessels so the ACF will have a solarium equipped with restrooms [slide 9].

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CHAIR P. WILSON recalled that tents could be used in the solarium.

MR. BEEDLE agreed. He commented that the AMHS is also working to find a way to incorporate tent tie-downs for use on the vessel for the Bellingham run. The ACF is built to transport 60 vehicles on the vehicle deck [slide 10]. The far right side of the vessel deck will accommodate a row of cars with wheelchair access.

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MR. BEEDLE explained the necessity for restrictions that apply on the vehicle deck. People often bring birds or animals on the ferry, many of whom are enroute to see a veterinarian. Thus, the mezzanine deck is configured with a pet room that passengers can access while the vessel is underway. Although pets must stay in kennels, this access will allow people to visit their animals. The Lead Master and Port Stewart provided significant input in the design and public comments were also considered when adding this feature.

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MR. BEEDLE discussed the procurement and design completion phase [slide 11]. He explained the shipyard will assist the AMHS during the design and construction phases to help the AMHS reduce design risks and ultimately obtain a better vessel.

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MR. BEEDLE referred to the ACF website, which can provide more information on the project [slide 12]. The website can be accessed via the main AMHS website. It was developed to provide shipyards and the public who have expressed interest in accessing the details of the ACF project.

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CHAIR P. WILSON asked whether the ACF ferries will cost less to operate so over time the state will save GF funds.

MR. BEEDLE replied that the ACF ferry operating costs will be \$100,000 per week less than the current costs to run the M/V Malaspina. Thus, for the 100 days that the M/V Malaspina operates each week in Lynn Canal the state will save \$100,000. This ACF vessel will provide more service but the overall financial picture improves since the ACF vessels will allow the other ferries to be better used. The general fund (GF) requirement will not immediately diminish, but the ACF will provide significantly more service for the same cost. In further response to Chair P. Wilson, he explained while it is possible that the overall operating costs will be reduced predicting the future is difficult. The current AMHS vessel assets are 45-years old and many factors, such as the outcome for the Juneau Access Road Project have not yet been determined.

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CHAIR P. WILSON recalled that the plan included shorter runs and connections to roads.

MR. BEEDLE agreed the plan she referenced is definitely one option. He explained much will depend on the roads that are built, noting that it takes three or four years to build a

vessel. Thus, it is difficult to predict the future since many factors can affect the overall AMHS system, he stated.

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REPRESENTATIVE MUNOZ recalled a University of Alaska Fairbanks (UAF) study that considers the future use of the AMHS and asked whether shorter routes were listed in the document.

MR. BEEDLE explained the UAF study is an independent study that reviewed the AMHS system but the study was not designed to tell the AMHS how to operate. One issue that arose is the study assumed the Juneau Access Road would happen. It has not yet been built. He recalled that the UAF study removed it from its assumptions. In further response to Representative Munoz, he reiterated that the study assumed the road would happen and it did not, which meant the proposed road did not fit the UAF timeline.

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REPRESENTATIVE MUNOZ asked whether the draft study will address the timeline.

MR. BEEDLE said he thought the UAF study will need to address why it did not consider the Juneau Access Road since the project was included in the study's initial scope.

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CHAIR P. WILSON asked whether the AMHS terminal would switch to the "end of the road" if the Juneau Access road does get built.

MR. BEEDLE explained that currently passengers have difficulty with transportation to and from the ferry terminal. Thus, he thought that buses would have to serve Berner's Bay before the site could accommodate any "walk-ons." He recalled a similar issue in Metlakatla that arose when the U.S. Army Corps of Engineers built a road. While the AMHS is building a terminal at the site, the community of Metlakatla actually prefers the

current route, he stated. He explained that issues such as these can arise and must be addressed.

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MR. BEEDLE, in response to Chair P. Wilson, related that the Metlakatla ferry runs five days a week. The route change will reduce operating costs by a third. In further response to Chair P. Wilson, he explained that the ACF vessel would run for 300 days in Lynn Canal. The LeConte is often sold out and similar traffic congestion also occurs in Prince William Sound. He related that it is important to ensure more vehicle space is available and to do so will help the economic viability of communities.

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REPRESENTATIVE MUNOZ asked about Bellingham lease and AHMS's intention for the southern terminus of the AMHS system.

MR. BEEDLE answered recalled that an increase in funding for the lease passed the legislature. He explained that the facility lease in Bellingham is a 15-year lease, but contains a provision for a 90-day "opt out" clause without any penalty. The opt-out clause is necessary due to a timing issue. Since the AMHS relies on the state's budget, which is approved by the legislature, the AMHS cannot rely on guaranteed funding.

CHAIR P. WILSON asked whether Prince Rupert is being considered as the southern terminus of the AMHS.

MR. BEEDLE explained that it is attempting to buy the property at Prince Rupert, but it is difficult to finalize since it is owned by "the Crown." He provided a brief history. In 1963, the Prince Rupert dock was built, which has deteriorated over the years. Although emergency repairs were performed a year ago, a new dock will need to be built. Clearly, the AMHS cannot "pull out" of Bellingham until the Prince Rupert dock is rebuilt. He did not envision any other facility that is available could be used for just one day of use per week needed by the AMHS. He pointed out that the City of Bellingham gave

the AMHS an excellent rate on its 20-year lease, but the fees will now increase. He remarked that the Bellingham facility is only used 52 days a year so the costs are absorbed by the City of Bellingham.

CHAIR P. WILSON asked for the cost for dock replacement at Prince Rupert.

MR. BEEDLE said he was unsure of the total cost for dock replacement. He recalled Metlakatla's small facility will cost \$8 million to serve a 20-car vessel and provide a shelter. Prince Rupert will require a dock, resurfacing of the lot, customs infrastructure, and roughly \$6 to \$8 million in funding to provide shore side facilities. In further response to Chair P. Wilson, he offered his belief that \$20 million would be a conservative figure.

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REPRESENTATIVE MUNOZ recalled the some tribal organizations are receiving federal funds for ferry service and asked whether the AMHS worked with tribal officials.

MR. BEEDLE recalled a presentation by tribal officials on proposed ferry service. He explained that the AMHS uses its passenger fare receipts to provide one-third of its operating expenses. He predicted that if a tribal organization runs a system it will be a competing system and would reduce the AMHS's overall revenue. He offered his belief that if any proposed system does not connect to a main community such as Juneau or Sitka, the ferry's costs will exceed its revenues. However, if a new ferry system does connect to any of the major Southeast communities, the AMHS system will be adversely affected. He remarked that Allen Marine, Inc. currently provides good service to some communities during the summer. He expressed concern over future funding of a new ferry system since the federal funding for tribal organizations will eventually disappear. He further predicted that a tribal organization would likely need to request future state funding since operating the ferry will be a "losing proposition."

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CHAIR P. WILSON recalled that the International-Island ferry initially "penciled out" when fuel costs were low.

MR. BEEDLE recalled that initially the M/V Chilkat was able to fund its operation, but it did not receive sufficient passenger revenue to pay for vessel or dock maintenance and the Territory of Alaska had to take eventually take it over.

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**Status of Federal Authorizations by Jeff Ottesen, Director,
Division of Program Development, Department of Transportation &
Public Facilities**

CHAIR P. WILSON announced that the final order of business would be the Status of Federal Authorizations by Jeff Ottesen, Department of Transportation & Public Facilities.

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JEFF OTTESEN, Director, Division of Program Development, Department of Transportation & Public Facilities (DOT&PF), explained that the DOT&PF has successfully obligated all of the 2009 Stimulus Funds in the three DOT&PF categories: Highway and Bridge, Aviation, and Transit. Alaska obligated the funds on time, despite the tight timeframe, and was the sixth state for the Highway and Bridge category to meet the deadline. He remarked that all fifty states made the deadline. A DOT&PF webpage shows the projects in the three categories. The \$260 million federal funding that spanned 50 projects was accomplished in addition to the regular DOT&PF projects. He characterized meeting the federal stimulus requirements as an incredible amount of work.

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MR. OTTESEN moved to update members on the 2010 Stimulus Transportation Funding. In December 2009, the U.S. House of Representatives passed a new "Jobs for Main Street" bill, which

was a "redo" of the 2009 bill. The bill passed with one change which required states to award the projects within 90 days. Thus, the timeframe was shortened while the number of things that must be accomplished increased, he stated. The DOT&PF identified projects that were nearly ready. The DOT&PF published a State Transportation Improvement Program (STIP) amendment and began work on the list of projects. The U.S. Senate did not take up the bill. The Senate version of the bill was a smaller bill and did not contain stimulus projects. He said he heard rumors of a second jobs bill being considered but the prospect is "dimming" as time passes.

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CHAIR P. WILSON asked whether Alaska contractors were able to keep up with the projects or if the state needed to use Lower 48 contractors.

MR. OTTESEN replied that only a handful of contractors from the Lower 48 were able to successfully compete, largely on projects for maritime work such as the building the Gustavus Dock. The Lower 48 firms that perform this work are specialists who have previously performed in Alaska. Almost all of the other work was performed by in state contractors. He mentioned that the process included a pattern of underbids, or bids which came in below the estimate. This required the DOT&PF to request additional legislative authority from the Legislative Budget and Audit Committee during the legislative interim. He related that the DOT&PF is still not finished with the process. In instances of underbids, the DOT&PF must release the money and has 60 days to find an eligible project that meets the federal requirements, has legislative authority, is contained in the STIP, and then obligate the funds. He explained the DOT&PF will probably end up with "blended projects" consisting of stimulus funds and other federal funds.

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MR. OTTESEN explained that 2009 was a remarkably unusual year due to the American Recovery and Reinvestment Act of 2009 (ARRA) and since it was the last federal fiscal year of the Safety-Lu

legislation. In 2005, the Congress wrote in a rescission, which is complicated process but essentially represented a way to "balance the books." Basically the Congress said that it would provide funding, but in five years would "take some of the money back." Thus, the federal government planned to rescind some of the funding. There were two legal interpretations of how that would work. Alaska did not know whether it would receive \$50 million or \$80 million, depending on which legal interpretation prevailed. In September 2009, the court settled. Additionally, the FHWA did not issue the rules until September 2009 so the state did not have "the tools to proceed." In September 2009, the matter was settled. As it happened, the state had about 10 days to return \$80 million to the federal government. He provided background on federal funding process, explaining the obligation and apportionment limit. By removing \$80 million in apportionment, it would not leave the state with enough to use its obligation limit. The net result meant the state would lose \$60 million in its overall spending. However, the DOT&PF's staff reviewed the rules and discovered an obscure rule that applied. This reduced the loss to \$15 million. Thus, the state ultimately saved \$45 million in federal funding. The Congress ultimately passed four separate resolutions to extend the FHWA highway funding. In March, the Congress passed the Senate Jobs Bill, which fully funded the regular 2010 FHWA program. The state will receive approximately \$100 million more than the DOT&PF estimated in the STIP. He speculated that overall the state would receive \$400 million in FHWA funds. However, he cautioned that the DOT&PF must award the funding within five months.

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MR. OTTESEN related that the DOT&PF is taking the projects identified in December, the "Stimulus Round II projects," and will shift them to regular STIP projects since they are "ready to go." The CIB amendment will reflect the projects, he said. He explained that "getting ready for stimulus" funding ultimately helped the state receive additional funding. He reported that this information is a tentative interpretation of the funding since the federal government's table of notices will be issued in another ten days. He offered his belief that his

estimate is fairly accurate and will be within a percent or two of the actual federal funding. The end result is that Alaska will have a "pretty healthy 2010" which is almost equal to the 2009 federal funds, including the 2009 stimulus funds. He pointed out the possibility of additional stimulus funds, but he thought that is unlikely.

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MR. OTTESEN, in response to Chair P. Wilson, offered a list of 2010 projects. He related that the list is contained in an amendment to the proposed state Capital Budget. He named some projects that are included in the bill, including Victor Road in Anchorage, the Fairbanks FMATS, resurfacing outside Palmer towards Glennallen, signage on the Glenn Highway, a small boat float at Gustavus, North Douglas re-pavement, and King Cove road work. He related that the projects were selected since they are "ready to go" and must be obligated or the state will lose the funds.

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ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:17 p.m.