

**ALASKA STATE LEGISLATURE  
JOINT MEETING  
HOUSE TRANSPORTATION STANDING COMMITTEE  
SENATE TRANSPORTATION STANDING COMMITTEE**

February 7, 2012

1:30 p.m.

**MEMBERS PRESENT**

HOUSE TRANSPORTATION

Representative Peggy Wilson, Chair  
Representative Lance Pruitt, Vice Chair  
Representative Eric Feige  
Representative Cathy Engstrom Munoz  
Representative Max Gruenberg  
Representative Pete Petersen

SENATE TRANSPORTATION

Senator Albert Kookesh, Chair  
Senator Joe Thomas, Vice Chair  
Senator Charlie Huggins

**MEMBERS ABSENT**

HOUSE TRANSPORTATION

Representative Craig Johnson

SENATE TRANSPORTATION

Senator Dennis Egan  
Senator Linda Menard

**COMMITTEE CALENDAR**

UPDATE BY MARC LUIKEN, COMMISSIONER, DEPARTMENT OF  
TRANSPORTATION & PUBLIC FACILITIES (DOT&PF)

- HEARD

SURFACE TRANSPORTATION UPDATE BY PAT KEMP, DEPUTY COMMISSIONER  
(DOT&PF)

- HEARD

ALASKA MARINE HIGHWAY SYSTEM (AMHS) STATUS UPDATE BY MIKE NEUSSL, DEPUTY COMMISSIONER (DOT&PF)

- HEARD

ALASKA MOBILITY COALITION, DAVID LEVY, EXECUTIVE DIRECTOR.

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

MARC A. LUIKEN, Commissioner  
Department of Transportation & Public Facilities (DOT&PF)  
Juneau, Alaska

**POSITION STATEMENT:** Presented an overview on the Department of Transportation & Public Facilities (DOT&PF).

PATRICK KEMP

Deputy Commissioner for Highways & Public Facilities  
Office of the Commissioner  
Department of Transportation & Public Facilities (DOT/PPF)  
Juneau, Alaska

**POSITION STATEMENT:** Presented a PowerPoint update on surface transportation.

MICHAEL NEUSSL, Captain

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

**POSITION STATEMENT:** Presented a PowerPoint update on the AMHS.

**ACTION NARRATIVE**

[1:30:03 PM](#)

**CHAIR ALBERT KOOKESH** called the joint meeting of the Senate and Senate Transportation Standing Committees to order at 1:30 p.m. Senators Huggins, Thomas, and Kookesh and Representatives Petersen and P. Wilson were present at the call to order. Representatives Pruitt, Gruenberg, and Munoz arrived as the meeting was in progress.

**UPDATE BY MARC LUIKEN, COMMISSIONER, DEPARTMENT OF  
TRANSPORTATION & PUBLIC FACILITIES (DOT&PF)**

[1:30:36 PM](#)

SENATOR KOOKESH announced that the first only order of business would be an Update by Marc Luiken, Commissioner, Department of Transportation & Public Facilities (DOT&PF).

[1:31:05 PM](#)

MARC A. LUIKEN, Commissioner, Department of Transportation & Public Facilities (DOT&PF), thanked the Chair for combining both House and Senate Transportation Committees so he could provide an update on the Department of Transportation and Public Facilities (DOT&PF). He commended the Governor for his vision and the legislative leadership for providing a healthy capital funding for infrastructure growth, which he said is ultimately the underpinning of our economy. He reported one of the statistics the American Association of Highway Transportation Officers cites is that 84 percent of the economy is dependent upon transportation infrastructure. He offered that Alaska is not any different from other states with respect to this statistic. He offered his belief that it is one of the smartest investments for the state's future economic health.

COMMISSIONER LUIKEN offered to present highlights and then to allow the DOT&PF's deputy commissioners to provide details on roads and the highway system. He reported that \$1 billion has been awarded statewide to projects this year that are in some stage of planning or construction. He identified the amount of projects by region. The Central Region has \$524 million in 62 projects in various phases; the Alaska Marine Highway System (AMHS) has about \$29 million in projects along its route; the Northern Region has almost \$361 million on 70 projects in various phases; and Southeast Region has 48 projects valued at \$141 million in progress. He reported that these projects are either underway or will begin construction this spring.

COMMISSIONER LUIKEN characterized these jobs as real jobs and not just high-paying construction jobs, but also includes suppliers and support services. Additionally, a multiplier spins off from the spending and most important from infrastructure that is in place to facilitate commerce.

[1:33:45 PM](#)

COMMISSIONER LUIKEN referred to written comments, and read.

Transportation is what allows us freedom of movement - that is how we get back and forth to work. It is how products get to market. It is how we access health care and visit with our families. Transportation allows us to get out to a park or bike along a smooth path; it provides transit and delivers our fuel. Whether we travel by air or sea or ground, we can't do much without airports, docks and harbors, or roads.

COMMISSIONER LUIKEN turned to the map, pointed out that the blue is indicative of the projects awarded in 2011. He said that the red identifies projects the DOT&PF hopes to award in 2012. He explained that these statewide projects span the spectrum from urban to rural and in each region. He stated that these projects include airport improvements; resurfacing of highways, retrofitting buildings for energy efficiency, shoring up docks, adding safety features like pullouts and new lighting along some of the safety corridors. The diverse DOT&PF projects consist of trails, airport relocations, rehabilitation of ferries, and the building of chemical storage buildings. He also said the DOT&PF has some of the finest engineers and planners in the state working to create an Alaska everyone can use and appreciate. He concluded that the department is working to build efficiently and make Alaska safer.

[1:35:02 PM](#)

COMMISSIONER LUIKEN detailed the work in safety corridors. He said that Alaska's safety corridors have seen a marked improvement in saving lives. He explained that the safety corridors are largely centered near Anchorage due to its large population center and the significant safety issues. He provided statistics. He related that according to the latest figures, the percentage of passengers in Alaska who died because they were not wearing their seatbelts dropped from 53 percent in 2008 to 32 percent in 2010. Alcohol-related fatalities decreased from 44 percent in 2008 to 34 percent in 2010, and the number of people killed in speeding crashes declined from 29 in 2009 to 23 in 2010. The increase in the number of traffic officers focused on catching drunk drivers more than doubled from eleven in 2008 to twenty-six in 2010. He credited the increase in traffic officers with the decline in Alaska's alcohol-related deaths, along with the willingness by drivers to follow safe practices. Additionally, Alaskans have been willing to wear their seatbelts and refrain from drinking and driving,

which is what makes it all work. He said, "We wouldn't have seen results like this without the help of the compliance of Alaska's drivers."

1:36:46 PM

COMMISSIONER LUIKEN pointed out that the Alaska Highway Safety Office has spent almost \$27 million from 2008-2010 to enhance highway safety programs to address the 4Es of safety: education, enforcement, engineering and emergency services. He referred to the unsung heroes in the DOT&PF as the measurements and standards' staff. He explained this small staff is responsible for any scale used to weigh anything in commerce, ranging from fuel pumps to scales used to weigh vegetables or fish in markets. He explained that this division first traveled to rural Alaska, to the communities of King Salmon, Naknek and Dillingham. He outlined the division's goal is to protect consumers, and in doing so, the DOT&PF discovered that in one instance consumers had been shorted about 11.7 gallons of gas for every 100 gallons of gas delivered. He emphasized the significance of this, noting this shortage resulted in an average cost of \$210 per every 300 gallons of gas delivered. He contrasted this savings to another instance in which a company had been delivering 104.7 gallons of fuel, but had been paid for 100 gallons. He summarized that this program extends to rural Alaska and is one which benefits all Alaskans.

1:39:12 PM

COMMISSIONER LUIKEN turned to what he referred to as policy synchronization in the department. He reported that the DOT&PF has worked to create efficiencies and to achieve a statewide approach, rather than having what felt like a four-department approach. He explained that he and his team have worked towards creating a cohesive single entity. He offered that the DOT&PF has been working to become more efficient and effective with our customers developing a statewide implementation of policies. He provided several examples, including instituting an anti-idling policy for one type of vehicle. He described the anti-idling process, which places a regulator on the truck that limits idling to 10 minutes with an automatic shut off. He estimated the DOT&PF will save up to \$1 million in fuel costs by installing the anti-idling regulators on its trucks. He predicted this will allow the department to leave a smaller carbon footprint and use those funds to update the vehicle fleet.

COMMISSIONER LUIKEN highlighted the changes in the maintenance and operations' policies. He provided an example of the DOT&PF's strategies to move its assets around to help out during winter storms, such as a month ago in Cordova and again during the recent snow storm in Anchorage. Since snowstorms rarely hit all areas of the state simultaneously, the DOT&PF was able to move staff from Ketchikan, the Kenai Peninsula, and the Interior to help with the Cordova and Anchorage storms. This allowed the department to run equipment 24/7 to keep roads open the entire time.

COMMISSIONER LUIKEN said he wanted members to know that the DOT&PF is transparent, accountable, and becoming more innovative in order to provide superior service statewide. He introduced two of his deputy commissioners, Pat Kemp, Deputy Commissioner for Highways and Facilities and Mike Neussl, Deputy Commissioner for Marine Operations.

**SURFACE TRANSPORTATION UPDATE BY PAT KEMP, DEPUTY COMMISSIONER  
(DOT&PF)**

[1:42:17 PM](#)

SENATOR KOOKESH announced next order of business would be the Surface Transportation Update by Pat Kemp, Deputy Commissioner (DOT&PF).

[1:43:24 PM](#)

REPRESENTATIVE GRUENBERG recognized Close-Up students in the room.

SENATOR KOOKESH welcomed students to the joint hearing of the House and Senate Transportation Committees. He said he appreciated having them here.

[1:44:31 PM](#)

PATRICK KEMP, Deputy Commissioner for Highways & Public Facilities, Office of the Commissioner, Department of Transportation & Public Facilities (DOT/PF), asked to begin with the DOT&PF facilities. He pointed out the department maintains 726 buildings that are insured, but also have other out buildings. The DOT&PF also has over 125 projects in design and construction, such as the Nome State Office Building and hatcheries and other buildings statewide.

[1:45:47 PM](#)

MR. KEMP turned to Roads to Resources [slide 2]. He provided the status on the projects beginning with the Road to Umiat. This \$10 million funding request would provide for continued EIS work and evaluation of routes from Umiat to existing industry roads on the North Slope. The project is currently in the EIS process and the department is writing a scoping report, which will develop a range of alternatives for the department to study in depth. The department is proceeding slowly, but has been meeting with the communities to address issues.

[1:46:27 PM](#)

SENATOR KOOKESH pointed out that he has received about five letters in opposition to the road to Umiat. He asked the deputy commissioner to explain the department's process in handling opposition. He inquired as to whether the department holds public meetings or if it meets with organizations.

MR. KEMP answered that the department typically has extensive involvement with communities to hear the concerns. He outlined since little information is available on this specific project, that a reasonable range of options is not yet available. He described one tactic that some groups use to immediately oppose a project in order to shut down the project. He explained that until the draft Environmental Impact Statement (EIS) is released that the science is not known. He described the typical process used, including the scoping process, in which the department compiles information by meeting with the communities and the agencies as part of the EIS. The department then develops a range of reasonable alternatives, including issuing a draft EIS for agencies, followed by publishing a draft EIS, a final EIS, and a record of decision. He reiterated that in this instance, the department is still in the preliminary stages of the process; however, early opposition is one tactic used by some to oppose a project prior to the EIS process being completed. He anticipated the draft EIS will be available to the public late this year or early next year.

[1:48:47 PM](#)

SENATOR KOOKESH said while he appreciated the deputy commissioner's point of view, it has been his experience some villages express opposition early to avoid a situation in which the DOT&PF's project has moved so far forward that it is impossible to stop the process. He characterized voicing

opposition as a means of raising valid concerns of people living in these areas.

MR. KEMP assured him that many places exist in the process in which a project could be halted. He said, "There's the no-build alternatives carried all the way through." He suggested that this is part of the process, and the reason for such a defined process. He pointed out that frequently the department finds opposition early in the process, but will work to address the issues and move forward.

[1:49:40 PM](#)

REPRESENTATIVE FEIGE asked whether opposition is being expressed from the communities or if it is coming from outside the communities.

[1:50:00 PM](#)

MR. KEMP answered both inside and outside the communities. He described the process as a fair process that should yield rational decisions. He understood the issues about caribou and road access. He offered his belief that once the science is brought forth the decisions will be made.

SENATOR KOOKESH stressed the importance of the public sentiment.

[1:50:54 PM](#)

REPRESENTATIVE P. WILSON recalled instances in which roads have been built and caribou populations have increased.

MR. KEMP answered that he is an engineer and not a biologist. He suggested the ADF&G staff running the studies are top-notch staff and will take that type of information into account. In response to a further question, Mr. Kemp noted he would cover the Klondike IUH later in the presentation.

[1:52:12 PM](#)

SENATOR THOMAS suggested some confusion exists in terms of the mineral resources in the Umiat area. He expressed concern about the evaluation of the mineral resources and hoped the DOT&PF was working with the DNR, based on realistic information. He understood gas and oil have seeped out of the ground; however, when the state pioneers roads into places, it's important not to have missteps. He emphasized the importance of generating

response from industry, even if the revenue is not derived from the resource itself, but from exploration and development of the resource area.

MR. KEMP shared his concerns. He pointed out that his first questions on this project surrounded the purpose and need to get to Umiat. Initially, his discussions with DNR and oil industry discussions, including Anadarko Petroleum Corporation and Renaissance Oil and Gas had mixed reviews. The DOT&PF believes the resources are present. He related that the DOT&PF has worked in conjunction with the U.S. Army Corps of Engineers (USACE), who has had enough justification to move forward with the purpose and need to access the resource rich area and not definitively quantify the oil or gas. He reiterated this area is known as a resource-rich area. He pointed out other parts of the purpose and need. He pointed out the 85,000 barrels of old oil left behind, which is a huge Superfund cleanup [Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)] site. He reiterated that the DOT&PF has a strong purpose and need, and once it has a good range of alternatives, the department should be able to make good, rational decisions.

[1:55:30 PM](#)

SENATOR THOMAS cautioned and expressed further concern about the purpose and to quantify the resources. He said it concerns him without having a preponderance of evidence on resources. He urged him to conduct these evaluations. He agreed that holding discussions with Anadarko Petroleum Corporation and Renaissance Oil and Gas is great. He said he thought their data should be turned over to the state to further evaluate and assess viability of the project. He also said he was surprised at the lack of information on the resource.

[1:56:30 PM](#)

MR. KEMP added that part of the purpose and need of the Umiat project is to look at the entire area as a road is constructed. He pointed out that the area is a resource rich area, with resources along the proposed roadway. According to the DNR, a preferred alternative for the Galbraith route would make a diagonal cut across the area and would access the greatest number of resources. He said he believed if the USACE is happy with the DOT&PF's purpose and need, and if the DOT&PF gets a reasonable range of alternatives, that the process will "play itself out." He offered the department would have had more

information, but LINC Energy's plan to drill this winter fell through due to an absence of available drill rigs.

[1:57:36 PM](#)

REPRESENTATIVE P. WILSON asked whether any funding has been set aside for permitting.

MR. KEMP answered no, that the permitting comes later on in the process.

[1:58:08 PM](#)

REPRESENTATIVE P. WILSON asked whether other alternatives have been decided.

MR. KEMP answered no. He said the DOT&PF is current working to develop a reasonable range of alternatives. He envisioned the outcome would result in a list of criteria and impacts. He gave an example, such as listing the number of wetlands affected, or the road mileage for each proposed route. He stated the goal is to winnow down the alternatives studied. He related a scoping scenario in which someone might propose a road from Western Alaska to follow the entire coastline to Anchorage. He concluded that through the winnowing process the project would fall out. Thus a reasonable range of alternatives need to be considered, he stated.

[1:59:27 PM](#)

REPRESENTATIVE P. WILSON asked whether approximate costs have been determined.

MR. KEMP answered yes. He highlighted that the DOT&PF is considering an 18-foot-wide single lane road with inner-visible turnouts. He explained that means one truck with its headlights on will be able to see an oncoming truck and have plenty of opportunity to pull out. He suggested that the footprint might develop beyond this depending on need, but generally the project would be estimated as a \$300-\$400 million project.

[2:00:39 PM](#)

REPRESENTATIVE P. WILSON referred to Roads to Resource projects, and asked whether these projects would result in a public road or a private road only for resource development.

MR. KEMP answered that the DOT&PF's Commissioner has the authority to make the determination on whether a road will result in a public road or private road.

[2:01:29 PM](#)

MR. KEMP referred to the next Roads to Resources project, the Ambler Road. He stated that the \$4 million request in this year's budget for the Ambler Mining District Road is a kickoff of the EIS. The DOT&PF has performed preliminary engineering and recon work and has worked with the developer, NovaGold Resources, Inc. He anticipated the department would go through the procurement process to perform field work this summer. He explained that the Tanana Route is again, a mineral rich area, and other resources such as rare earth resources are on site. Additionally, this project would connect a community. He offered that the community seems pretty excited about the project. He offered his belief that the community sees the value of road access and will directly affect their revenue. He explained the intent of the \$10 million for this project would be to get a road to Tanana. He described the potential road as a rustic road without any bridge crossing. Thus, the DOT&PF would plan a rustic winter access project and use of a ferry during summer months. The DOT&PF suggested the community review AS 29.35 to consider developing a port authority. He characterized the project as a very exciting one. He anticipated that the DOT&PF would encounter some anti-development opposition at some point during the project.

[2:03:40 PM](#)

SENATOR KOOKESH asked whether this project also had benefits for the military.

MR. KEMP said he had not heard of benefits for the military, but those types of comments may come in with the project scoping.

SENATOR HUGGINS said he thought that was a different bridge.

[2:04:07 PM](#)

REPRESENTATIVE GRUENBERG inquired as to whether someone would control access to the river crossing and if this project would involve a toll.

MR. KEMP answered no. He said he was referring to an access onto the roadway. He offered there are many ways to control access.

REPRESENTATIVE GRUENBERG asked whether this road would be a private road.

MR. KEMP answered that would be one option. He offered that the department cannot predict how this would play out. He acknowledged that the developer would need access to get the product out. He suggested the villages could take control of the road and control access, or the state or developer could do so. He characterized those items as the types of items as ones typically worked out during the EIS process. He did not recall how the comments were leaning at this point.

[2:05:33 PM](#)

REPRESENTATIVE GRUENBERG inquired as to whether other roads are state paid but closed to public.

MR. KEMP answered yes, including the road to Red Dog Mine and the Pogo Mine located in the Goodpaster River Valley. He said about 20 miles will become open to public when the mine closes, but he remaining 30 miles will always remain closed.

[2:06:20 PM](#)

REPRESENTATIVE GRUENBERG inquired as to whether this road will go to Tanana.

MR. KEMP said he was initially discussing Umiat. He did not think restrictions on Tanana since the community is interested in access.

REPRESENTATIVE GRUENBERG thought it would be important for people to have access to Ambler.

MR. KEMP responded that the road would go into the general area.

[2:07:17 PM](#)

REPRESENTATIVE PETERSEN inquired as to whether Alaska Railroad Corporation serves the community of Tanana.

MR. KEMP answered no.

[2:07:46 PM](#)

REPRESENTATIVE FEIGE related when the governor announced Tanana Road as a project that it caught him by surprise. He inquired as to whether this road would be a stand-alone road as a transportation highway, or if it would be a stepping stone to the mining district.

MR. KEMP answered that this road is a road to Tanana to access a resource-rich area and it happens to connect the community. He acknowledged that it is a derivative of the western access study. This project brings instant results and commerce. He was unsure of the river portion, noting the barge landings currently are at Nenana. He said this is the type of information that would be looked at in the EIS.

[2:09:04 PM](#)

REPRESENTATIVE FEIGE asked whether the water depth would be suitable for barges.

MR. KEMP responded he has heard that it could be, but he did not think any engineering has yet been done to confirm the water depth is suitable for barges. He elaborated that he heard the little island on the south side of the river would be a good port facility, but he was unsure if the engineering has been done to confirm it.

[2:09:36 PM](#)

MR. KEMP turned to the Industrial Use Highways (IUH). He provided a brief description of the purpose of the IUH. He explained that the Klondike road did not have the equipment to haul heavy loads [[slide 3]. He explained that in 1985 the department developed IUH regulations. The IUH roadways are taken to a higher standard than normal highways, including thicker pavement and stronger bridges. He characterized this as a very good use for a toll facility, which has been in place for 25 years. He also informed members that the rates are out of date. He related that Skagway is the port of egress for the ore and ingress for supplies.

[2:11:43 PM](#)

MR. KEMP advised members that the DOT&PF will replace the bridge by filling in the gully and make the road more accommodating to 200,000 vehicles. These vehicles will drive 700 miles from the

Selwyn Mine to Skagway, where the ore will be shipped to China. He anticipated a big increase in traffic. The DOT&PF can revisit the regulations on the 15 mile stretch. He highlighted that the Yukon anticipates spending \$500 million to bring their highways up to standards with little return. He characterized this as a great opportunity. He related his understanding that the Federal Highway Administration would not participate in the funding to raise the standard so the DOT&PF has requested \$2.5 million to do so. He identified the IUH process as a tool for some roads, such as the road to Ambler, which may be a good candidate for IUH. He further identified NovaGold Resources, Inc. as a good partner to participate in the cost of the road. He concluded that an IUH scheme may be the way to go.

[2:14:11 PM](#)

REPRESENTATIVE FEIGE observed that if a road is built, such as the one through partnership with NovaGold Resources, it would also make other more projects economically feasible. He inquired as to whether some provisions in the IUH allow for buy in of new operators or new industrial users.

MR. KEMP said he has identified the types of problems the DOT&PF must sort through. He related a scenario in which a developer puts up cash up front. He pointed out one advantage of using an IUH is the use of a sliding scale for the first developer. He recalled that Lynden Transport actually participated up front to upgrade Skagway and enjoyed free passage on the Klondike Highway. He further recalled the agreement is in place for the useful life, which is where the DOT&PF currently is with the road. He understood the concern and opportunities. He agreed everyone must pay their fair share, but it may be a diminishing amount for the first person investing in the project.

[2:16:15 PM](#)

MR. KEMP turned to the highway program [slide 4]. He outlined some of the things that have enhanced project development. He explained that Alaska has received \$450 million in federal aid from the Highway Trust Fund, which is funded from federal gasoline taxes. He noted the tax is \$.18 for gas, \$.24 for diesel. He advised members that Alaska is a donee state since it receives \$5-6 of federal aid versus what the state deposits into the trust fund and about \$220 million is directed to the commerce roads. He referred to the commerce corridor as the Seward Highway, the Glenn Highway, the Parks Highway, and Dalton Highway as good examples of the national highway system (NHS).

Thus the state has focused on these roads to raise the safety and commerce standards.

[2:17:52 PM](#)

MR. KEMP provided a brief overview of the next slide, titled, "Federal Requirements Affecting Transportation" [slide 5]. He explained that the federal funding imposes restrictions, laws, and regulations which the state must adhere to on the federal highway funding. He explained that since Alaska became a state, it has endured regulatory oversight most other states have not had to comply with. He described Alaska as a resource-rich, access-poor state. He pointed out natural disasters, including the 1964 earthquake, and Fairbanks flooding has used resources.

[2:19:23 PM](#)

MR. KEMP pointed out that in 1968 the emphasis switched to an urban one over rural. Finally, in 1969, the NEPA processes were adopted by agencies for EIS development and permitting. He concluded that it has been tough for Alaska to follow. He highlighted that the new highway bill is before the Congress. The Senate version of funding has remained the same nationwide, but the allocation for states is not yet known. He explained that in the House version Alaska will be reduced by approximately \$150 million. He related that this represents about one-third of Alaska's program. He predicted that Alaska has \$20 billion in transportation needs, with 25 percent of the national highway roads in Alaska resting on permafrost. He estimated repairs would cost \$2 billion. He also pointed out that about 27 percent of the NHS road widths are inadequate, and the bridge programs cost \$60 million per year. He estimated that these issues combined with potential megaprojects will be affected by the reduction in federal funds.

[2:21:18 PM](#)

MR. KEMP estimated that the FHWA distributes \$42 billion to the nationwide highway program, with approximately \$28 billion in revenue derived from gas tax receipts. The DOT&PF anticipated the cuts and considered using state funds intermingled with federal funds to address the issue. The DOT&PF found that about 70 percent of the overall funding is derived from federal funds, whereas other states use 20 percent federal funds. Many of these states have dedicated funds from gas taxes and other funding sources. He related that Alaska uses the general fund. He offered his belief that no one is taking the reductions in

the House version of the highway funding bill except Alaska. He said, "We stand out like a sore thumb on this...."

[2:22:48 PM](#)

MR. KEMP pointed to the history of using general funds instead of federal funds. He provided an example, such as Elmore Road in Anchorage, which would have been difficult to perform with federal funds. He estimated that the DOT&PF saved about \$15 million on the project and delivered it more timely with general funds. He pointed out that Sunny Point in Juneau was built with federal funds [slide 6]. He described the tall walls, which added a large cost, necessary to avoid the Mendenhall Refuge. He outlined that the state process does not have a 4F process, noting the department estimates it could have saved \$3.4 million if the DOT&PF had used state general funds, which could have been used for a four to five mile paving project in some other part of the state. He described the federal process, which uses an authority-to-proceed (ATP) process [slide 9] such that the department cannot design a bridge prior to the EIS. The DOT&PF may know the bridge is necessary, and may know the scope of the bridge, but the DOT&PF is prevented from beginning the work. The DOT&PF has proposed a project acceleration account in the amount of \$2.5 million to allow the DOT&PF to work outside the federal process to design a bridge or perform right-of-way during the design phase. He estimated that the department will save \$5 to \$10 million per year using the state funding process alone. He characterized this estimate as a conservative estimate [slide 10].

[2:25:52 PM](#)

MR. KEMP reviewed the non-federal appropriations [slide 11]. He pointed out that the DOT&PF funds \$250 million per year for its highways. He said about \$180 million goes through the DOT&PF and another \$70 million goes through the Department of Commerce. He described the problems the DOT&PF has with fluctuating funding. The legislature has not coordinated leveraging of state funds for federal aid. He suggested the department work more closely with the legislature to assess the best way to construct and fund projects.

[2:27:41 PM](#)

MR. KEMP suggested that generally, Alaska allocates its hardest to use funds on the projects which are the hardest to develop [slide 12]. Then, Alaska takes the easiest to develop money,

state funds, to the easiest projects. He also suggested that the department could reverse this allocation of funding as a common sense measure, which he predicted would save a significant amount of money. He took this process one step forward and asked the regions to identify the most difficult projects and estimate the project based solely on funding source. He estimated the DOT&PF would save about 15 percent if it were to use state funding. He said this would avoid studies and capital costs such as the walls at Sunny Point. He offered his belief that the DOT&PF could stretch its dollars by leveraging federal aid. He said he did not put in times or societal costs by making safety improvements. He emphasized that this could help mitigate the loss of federal aid [slide 13].

2:30:18 PM

REPRESENTATIVE P. WILSON related her understanding that it could result in savings in communities.

MR. KEMP agreed. He noted that the DOT&PF did not look at the community transportation program but he was certain projects could go further by leveraging federal funds.

2:30:55 PM

SENATOR THOMAS expressed concern Fairbanks has about the length of time that projects take. He understood the federal requirements. He pointed out that some projects have been in the planning phase for so long the costs have tripled or quadrupled since the projects must then be redesigned. He has generally heard that the costs are due to the high cost of right-of-way acquisition, but this excuse has worn thin with him. He pointed out Fairbanks has a brand new engineering building and still the projects languish. He said it seemed that projects the department has prioritized are the ones which move forward. He referred to a bike path with the same design cost for one mile as a 12-mile road. He related it is beyond him. He has taken engineers from construction companies who find the length of time and design costs are ridiculous. He understood federal constraints. He noted the potential loss of federal funds and encouraged the DOT&PF to support a Transportation Fund and to encourage the governor to also do so. He predicted that this could spin off money annually to offset federal funding. He would like to see something in place to help develop roads.

[2:34:31 PM](#)

SENATOR KOOKESH said he appreciated Senator Thomas's comments.

**AMHS STATUS UPDATE BY MIKE NEUSSL, DEPUTY COMMISSIONER (DOT&PF)**

[2:34:44 PM](#)

SENATOR KOOKESH announced that the next order of business would be the Alaska Marine Highway System (AMHS) Status Update by Mike Neussl, Deputy Commissioner (DOT&PF)

[2:35:03 PM](#)

MICHAEL NEUSSL, Captain, Deputy Commissioner for Marine Operations, Marine Highway System, Department of Transportation & Public Facilities (DOT&PF), introduced himself.

CAPTAIN NEUSSL turned to the Alaska Class Ferry (ACF) Procurement. He explained two \$60 million general fund appropriations were placed in the Vessel Replacement Fund. He explained the department has requested the second \$60 million from the fund to DOT&PF for a total of \$120 million, less the ten percent design thus far. He pointed out that the anticipated cost of \$120 million is based on an estimate that is several years old. He did not believe \$120 million would be the total amount, noting the process will define the ultimate cost. He said the legislature intent was very clear, that the vessel should be built in Alaska unless the DOT&PF's commissioner determined it was not in state's best interest to do so. He said the commissioner determined it was in the state's best interest. He reported that the best interest's finding memo was written after the attorney general reviewed the procurement proposal put forth by the department.

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SENATOR HUGGINS congratulated the DOT&PF for that finding. He stated that investing Alaska's money in Alaska is an important concept.

CAPTAIN NEUSSL provided brief remarks on the construction manager/general contractor overview [slide 3]. He explained he has been with DOT&PF for one year. He said the focus has been on how to procure the vessel. He briefly explained three types of methods for bidding: low bid, design bid, and design build or construction manager/general contractor (CMGC). He explained

that once the award is made with the lowest bidder, the contractor needs to make a profit and an adversarial relationship ensues. He explained that the design-build process used for the Kennecott. He described one inherent weakness in the design build process surfaced at the commissioning of the Kennecott when someone stepped off the gangway into a puddle of water. The builder did not camber the decks, which is necessary for a ship that must operate in a rainy environment. However, it is difficult to anticipate every requirement. He outlined the construction design build method of construction management that will be used with the ACF. He said the DOT&PF will identify a general contractor, in this instance Alaska Ship & Drydock (ASD), to work with the state and the designer, the Elliott Bay Design Group (EBDG) to jointly design and construct the ferry in a cooperative manner. He emphasized the model has advantages and has been used at least 14 times in the state. He highlighted that the state crime lab was built using the process, which came in on time under budget. Although the process has been used for building roads, building the ACF is the first time that the CMGC process will be used for a ship construction type of project.

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CAPTAIN NEUSSL reported that Phase 1 will form the partnership through a professional services agreement contract between the DOT&PF, EBDG, and ASD. He explained that the process should lead to a guaranteed price proposal, and if the parties agree on the price, Phase 2 happens and the state will award the construction to ASD to build the ship. In the event that an agreement cannot be reached, several escape clauses exist for ASD and the state. One option would be to go to design bid process. He stated the professional services agreement has just been reviewed by the Department of Law (DOL) and will be presented to the ASD soon.

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CAPTAIN NEUSSL turned to the website vessel tracking system [slide 4]. He reported that this website will provide the public with 24/7 access. It has previously been difficult to determine when the ferry would arrive since the terminal is generally closed and the ferries often arrive after hours. He highlighted that the website won third place from the Public Relations Society of America for its website design. He noted that the design was done in-house by AMHS's Ketchikan staff. He briefly described how it works.

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CAPTAIN NEUSSL explained two other methods travelers can use to obtain information, including the 511 system typically used for road travel. He characterized the last method as a "push" system, in which the public can subscribe to GovDelivery, and sign up. The subscriber would receive an e-mail in the event of any delay.

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CAPTAIN NEUSSL turned to the next slide, titled, "Request for New Service" and explained the department has received two requests for new service [slides 7-8]. The first is from a community near Kodiak, Ouzinkie on Spruce Island. The M/V Tustemena frequently sails by the island. The community completed a new dock capable of handling the M/V Tustemena and has requested service. He anticipated service would begin once the final touches, such as fender installation is completed. He related details, such that service would begin this spring with service every other Friday, with 6.5 hours in Kodiak and returning to Ouzinkie in the afternoon. He reported overwhelming support in the community, with little cost to the system. The AMHS was concerned the service may be in competition with air carriers, but both air carriers that serve the community were overwhelmingly supportive. He offered their responses as recognition that what is good for the community would also be good for them.

[2:48:10 PM](#)

REPRESENTATIVE P. WILSON asked whether the ferry goes through the strait.

CAPTAIN NEUSSL answered yes.

[2:48:42 PM](#)

REPRESENTATIVE GRUENBERG asked whether there are any other communities similar to Ouzinkie on other AMHS routes.

CAPTAIN NEUSSL answered no, that other communities do not currently have a dock sufficient to accommodate the AMHS.

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CAPTAIN NEUSSL turned to the second request for new service is Old Harbor south of Kodiak [slide 8]. He explained that the AMHS does not currently use any route near Old Harbor. He detailed that the community has just completed a dock which will be able to accommodate the M/V Kennecott and M/V Tustemena [slide 9]. The AMHS has been exploring options but thinks it can provide this service. The community believes it will be economically viable for the community to have ferry service. The DOT&PF believes it can provide service at a cost. The cost is in terms of service to other communities since the M/V Tustemena is fully utilized. Thus it means another community will lose some service and the decision is whether the loss of service is untenable or the service will be reduced but not eliminated. He pointed out that the AMHS's mandate is to provide basic transportation services to as many communities as it can. He offered his belief that this is not an exclusive club. He summarized that the AMHS is considering options with minor adjustments to the Aleutian chain runs and believes it will be able to provide some service satisfactory and beneficial to Old Harbor.

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REPRESENTATIVE P. WILSON asked for the round trip running time from Kodiak to Old Harbor, since that would translate into additional fuel costs.

CAPTAIN NEUSSL answered that the fuel cost will be slight since it would amount to 15-20 nautical miles; however, the AMHS vessels must go down and around from the south. He said it is not impossible and if coming from Aleutian Islands, would mean coming in from the same directions. In further response to Representative Wilson, he agreed it was similar to the Sitka access.

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REPRESENTATIVE GRUENBERG recalled that the weather is pretty tough in Shelikof Straits and if it would be easier to take the southern route.

CAPTAIN NEUSSL agreed. He acknowledged that some weather disruptions are anticipated, which would be similar to the disruption of service to the Aleutian Islands.

[2:53:46 PM](#)

CAPTAIN NEUSSL turned to the next slide, titled "Dock Issues" [slide 10]. He acknowledged that docks are a big issue for the AMHS. He wanted to make members aware of some of the challenges. He reported that the dock structure in Angoon has been completely rebuilt and due to non-standardized ships the dock must be able to handle stern ramp as well as standard hull docking. He characterized the facility as a highly functional one. He thanked the legislature for its funding and support.

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CAPTAIN NEUSSL turned to the dock at Hoonah. He highlighted this dock as a success. The dock in Hoonah, like Angoon, has the ability to handle stern ramp as well as standard hulls. He pointed out the absence of catwalks adjacent to the mooring dolphins, since the facility is self-mooring. The crew would pull in the cable from the dolphin, which results in labor savings since line handlers are not needed. He added that the crew demonstrates good ship handling to tie up properly, too.

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CAPTAIN NEUSSL moved to challenges. He explained that the M/V Tustemena moors at Chignik across the end of two docks. A private company owned by Trident Seafoods has cautioned against unauthorized docking of vessels at Chignik. He advised members that the AMHS is currently engaged with Trident Seafoods to reach a use agreement, which previously has been unsuccessful. He stated that the AMHS is working on a lease agreement for ferry service to Chignik. No other dock is available for the AMHS to use for ferry service to Chignik.

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REPRESENTATIVE P. WILSON asked him to outline costs.

CAPTAIN NEUSSL answered that the DOT&PF is proposing to lease a dock which is in currently in fairly sad shape. He explained that Trident Seafoods has offered to sell the facility, but the state has thus far declined to purchase it. He characterized this as a conundrum since the state needs a dock. He stated some liability issues exist. The AMHS hopes to continue to provide service to Chignik, but will report back to the legislature if they are unsuccessful. In response to a request, he agreed to keep the committees informed.

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CAPTAIN NEUSSL stated that the AMHS has a \$1.2 million supplemental request in the budget this year for repairs to the Cordova dock. He described the flexible dock material that due to exposure has experienced some cracking and sinking. The AMHS instituted emergency repair, but a major storm hit and damaged the superstructure. He pointed out the repairs. He said the AMHS has resumed normal use of the dock, although the funding for the repairs is needed.

[3:00:59 PM](#)

SENATOR HUGGINS thanked Mr. Neussl. He commented that Tim Doggett was recognized as the Southeast employee of year. He asked about the new ownership of the ASD.

CAPTAIN NEUSSL answered that Vigor Shipyards has a pending proposal to acquire ASD. He explained that Vigor Shipyards owns most of the shipyards in the Pacific Northwest. He said it is the predominant shipyard in the Pacific Northwest, but he was not sure of details or any implications.

[3:02:21 PM](#)

SENATOR KOOKESH advised members that Mr. Levy, Mobility Coalition is not available and will be rescheduled at a later date.

[3:02:43 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the joint House and Senate Transportation Standing Committee meeting was adjourned at 3:02 p.m.