

ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE

February 13, 2014

1:08 p.m.

MEMBERS PRESENT

Representative Peggy Wilson, Chair
Representative Doug Isaacson, Vice Chair
Representative Eric Feige
Representative Lynn Gattis
Representative Bob Lynn
Representative Jonathan Kreiss-Tomkins

MEMBERS ABSENT

Representative Craig Johnson

COMMITTEE CALENDAR

HOUSE BILL NO. 260

"An Act relating to transportation of commercial motor vehicles."

- HEARD & HELD

HOUSE BILL NO. 271

"An Act making a special appropriation to the University of Alaska Fairbanks for a study of the feasibility of constructing a railroad between Fairbanks and Deadhorse; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 260

SHORT TITLE: COMMERCIAL MOTOR VEHICLE EXCEPTION

SPONSOR(S): REPRESENTATIVE(S) ISAACSON, KELLER

01/21/14	(H)	PREFILE RELEASED 1/17/14
01/21/14	(H)	READ THE FIRST TIME - REFERRALS
01/21/14	(H)	TRA
02/06/14	(H)	TRA AT 1:00 PM BARNES 124
02/06/14	(H)	Heard & Held
02/06/14	(H)	MINUTE(TRA)
02/13/14	(H)	TRA AT 1:00 PM BARNES 124

BILL: HB 271

SHORT TITLE: APPROP: RAILROAD FEASIBILITY STUDY

SPONSOR(S): REPRESENTATIVE(S) ISAACSON

01/22/14	(H)	READ THE FIRST TIME - REFERRALS
01/22/14	(H)	TRA, FIN
02/06/14	(H)	TRA AT 1:00 PM BARNES 124
02/06/14	(H)	Heard & Held
02/06/14	(H)	MINUTE(TRA)
02/13/14	(H)	TRA AT 1:00 PM BARNES 124

WITNESS REGISTER

ANMEI GOLDSMITH, Assistant Attorney General
Transportation Section
Department of Law (DOL)
Anchorage, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of HB 260.

DAN SMITH, Director
Anchorage Office
Division of Measurement Standards & Commercial Vehicle Enforcement
Department of Transportation & Public Facilities (DOT&PF)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 260.

AVES THOMPSON, Executive Director
Alaska Trucking Association, Inc. (ATA)
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 260.

BARBARA HUFF TUCKNESS, Director
Governmental and Legislative Affairs
Teamsters Local 959
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to Version R.

PAUL METZ, Professor, Ph.D., P.G.
Geological Engineering
University of Alaska Fairbanks
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 271.

ACTION NARRATIVE

[1:08:05 PM](#)

CHAIR PEGGY WILSON called the House Transportation Standing Committee meeting to order at 1:08 p.m. Representatives Gattis, Kreiss-Tomkins, Isaacson, and P. Wilson were present at the call to order. Representatives Feige and Lynn arrived as the meeting was in progress.

HB 260-COMMERCIAL MOTOR VEHICLE EXCEPTION

[1:08:56 PM](#)

CHAIR P. WILSON announced that the first order of business would be HOUSE BILL NO. 260, "An Act relating to transportation of commercial motor vehicles."

[1:09:37 PM](#)

REPRESENTATIVE GATTIS moved to adopt the proposed committee substitute (CS) for HB 260 labeled 28-LS1155\R, Martin, 2/12/14 as the working document. There being no objection, Version R was before the committee.

[1:10:44 PM](#)

REPRESENTATIVE ISAACSON, speaking as one of the joint prime sponsors of HB 260, stated that this bill was introduced to solve a specific issue, which is to allow dealers [or their employees] to drive smaller intrastate commercial vehicles from Anchorage to point of sales elsewhere in the state. Issues were raised during the initial hearing on HB 260, including that under the bill Alaska dealers may have an unfair competitive advantage for in-state upfitters. He said he "went back to the drawing board" to find an easier way to address this issue. Additionally, questions were raised with respect to the DOT&PF inspection that commercial drivers' license do not apply until the vehicle is 26,000 pounds in weight. He suggested that the proposed committee substitute (CS) resolves the inspection issues and avoids the application of interstate commerce regulations. The proposed CS would exempt vehicles up to 19,500 pounds from the commercial vehicle requirements. He described

the applicable vehicles as being typical pickup trucks, with modified beds, but not ones equipped with air brakes.

[1:12:52 PM](#)

CHAIR P. WILSON asked for clarification that the specific weight of vehicles up to 19,500 was selected since commercial vehicles over 19,500 pounds typically are equipped with air brakes.

REPRESENTATIVE ISAACSON agreed. He understood that using this limit addressed the issues dealers were having as well as some other user groups, such as agricultural.

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ANMEI GOLDSMITH, Assistant Attorney General, Transportation Section, Department of Law (DOL), stated that interstate and intrastate is defined in the federal regulations. She related the definition of interstate commerce as being defined as the "trade, traffic, or transportation between a state and a place outside the state, or between two places in state through another state or place outside the United States, or between two places in a state as part of trade, traffic, or transportation originating or terminating outside the state." Thus, the definition of interstate commerce is fairly clear. The U.S. regulations define intrastate commerce as being "any trade, traffic or transportation in a state that is not included in interstate commerce." She stated that the federal regulations leave the distinction between the interstate and intrastate commerce a little bit "fuzzy." She did not believe [Version R] poses any legal issue since the federal regulations very specifically allow states to deregulate intrastate commercial motor vehicles up to 26,000 pounds. Thus, the 19,500 limit falls within the federal regulations allowances.

CHAIR P. WILSON recalled this was an issue that Representative Johnson was concerned about so she was glad that was taken care of [in Version R].

[1:16:19 PM](#)

DAN SMITH, Director, Anchorage Office, Division of Measurement Standards & Commercial Vehicle Enforcement, Department of Transportation & Public Facilities (DOT&PF), introduced himself.

[1:16:41 PM](#)

CHAIR P. WILSON asked whether he could comment on Version R, in terms of the 19,500 pound limit.

MR. SMITH answered that the DOT&PF uses the Federal Highway Administration's (FHWA) vehicle classification when it considers classification of vehicles. Last year the legislature passed HB 15 which exempted vehicles up to 14,000 - typically pickups, vans, and trailers consisting of one or two axles. The next FHWA class, class 4, includes buses. By changing the weight to [19,500] HB 260 will affect class 5 vehicles, which are two-axle single units that are generally used in commerce and typically encounter a much harder use. He explained that the enforcement challenge to identify the larger class 5 vehicles as ones used in intrastate commerce. While it is easy to clearly identify a pickup truck as being outside the DOT&PF's authority for commercial vehicle enforcement regulations, it is much more difficult for enforcement officers to identify box trucks and flatbed trucks used in intrastate commerce from those used in interstate commerce, which are subject to vehicle enforcement. The changes made last year with passage of HB 15 did not affect the vehicle enforcement officer's ability to easily identify the exclusion; however, it is more difficult to identify the class of vehicle affected by HB 260 - the two-axle single-unit trucks - as being limited solely to intrastate commerce regulations.

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CHAIR P. WILSON asked whether he could comment on Version R. She wondered if the DOT&PF's preference is to leave the commercial weight at 14,000.

MR. SMITH answered that the definition in statute is at the legislature's discretion, but the weight limit increase will be considerably more difficult for commercial enforcement to monitor. For example, the DOT&PF currently receives complaints

when a vehicle is stopped for intrastate commerce, and they're not over the threshold, even though it is much easier to identify those vehicles. He suggested it would be helpful to clearly identify the vehicles by markings requirements that indicate whether the vehicles are subject to inspections.

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REPRESENTATIVE ISAACSON related his understanding from discussions with the DOT&PF that the department viewed Version R more favorably as a simplified inspection process. He explained that the goal of HB 260 is to help deliver vehicles with the pickup chassis from the point of origin to the purchaser. He asked whether it would be clearer to identify interstate commercial vehicles based on the gross vehicle weight (GVW) decal that identifies ownership - and provides other details, noting [class 5 trucks used for intrastate commerce] will not be required to have the decals.

MR. SMITH agreed that is correct. Certainly the division can use the U.S. Department of Transportation (US DOT) number - markings that establish the operating authority -to identify the vehicles. He said his earlier favorable comments were specifically made with respect to the earlier committee substitute, Version O.

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REPRESENTATIVE ISAACSON related his understanding that Version R was considered a much more universal way to address the problem and the language would make it easier for vehicle enforcement. Again, the proposed language change is designed to help dealers and fabricators [such as those upfitting vehicles]. He recalled that one committee member had expressed concern about potential lawsuits if preferential treatment was given to Alaskan fabricators over Lower 48 fabricators. He commented that the chassis has been used for other applications, not necessarily commercial applications. He pointed out 16-plus passenger vehicles would still considered under commercial vehicle activities. Again, he reiterated his understanding from conversations with the Department of Law and the DOT&PF that

Version R was a more simplified method to exempt [the modified chassis vehicles] from the necessity to stop at weigh stations for inspections. Further, the exemption would also help the DOT&PF in the Northern Region since their vehicle inspection staff is limited.

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MR. SMITH responded that the department is still considering the pros and cons of Version R. He acknowledged that certainly the staffing issues are challenging in the DOT&PF's Northern Region. He said that the division can focus on the commercial motor vehicles (CMV) that require a commercial driver's license (CDL) over 26,001 pounds. However, he strongly believes in the federal motor carrier safety regulations and as vehicles "creep up" to the higher weights these vehicles should probably have additional scrutiny. For example, he recalled [Version O] required fire extinguishers for the aforementioned trucks, although they were not required to be mounted. In terms of vehicle enforcement, when a 19,500 vehicle collides with a smaller 5,000 pound vehicle, the "big vehicle always wins." Therefore, not securing a fire extinguisher becomes more of an issue since the fire extinguisher would be "coming from a larger, much heavier vehicle." His perspective has been to frame this issue in terms of safety; however, he also believes in the effectiveness of the motor carrier safety regulations. He hoped to find a solution that makes sense without being overly burdensome on industry.

REPRESENTATIVE ISAACSON understood the department is still on track with the bill.

[1:25:23 PM](#)

AVES THOMPSON, Executive Director, Alaska Trucking Association, Inc. (ATA) stated that the ATA is a statewide organization, representing the interests of more than 200 members from Barrow to Ketchikan. Freight movement represents a large chunk of the state's economy and impacts all of us each and every day. He said, "The simple truth is that if you got it, a truck brought it." He stated that last year, the ATA testified in favor of HB

15, which increased the weight threshold for intrastate commercial vehicles for purpose of commercial vehicle regulation and inspections from 10,000 to 14,000 pounds. The ATA's reasoning at the time was that these smaller vehicles of 14,000 pounds or less fell into the definition of commercial vehicles greater than 10,000 pounds that historically were not considered commercial vehicles, such as pickup trucks, small step vans, and small trailers. However, [Version R) proposes to change the definition of what have traditionally been considered medium duty commercial vehicles to medium duty non-commercial vehicles. He explained that these vehicles are the local pickup and delivery trucks, some household goods moving company vehicles, some larger equipment trucks, mechanic trucks, boom trucks, some tow truck, and other vehicles larger than the class 3 vehicles that were addressed in HB 15 last legislative session.

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MR. THOMPSON reminded members that he testified last year that class 3 vehicles do not require the level of scrutiny that the larger class 4 and 5 vehicles require. He stated that class 4 and 5 trucks between 14,001 and 19,500 require a higher level of maintenance and inspection due to their heavier use. And as mentioned last year, safety is the ATA's very first concern. The streets and highways of Alaska are where ATA's drivers go to work each day and the organization wants to do its best to provide a safe workplace for their employees and contractors. While he agreed an argument could be made that there isn't any statistical basis for drawing the conclusion that intrastate operators are less safe than interstate carriers, the DOT&PF simply doesn't have that data to draw conclusions about these carriers.

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MR. THOMPSON related that he has been provided a list of interstate and intrastate carriers that operate in Alaska. He provided statistics, such that 874 interstate motor carriers operate in Alaska, 124 operated 10 or more trucks, and 372 operate only one truck. Of the more than 4,570 intrastate motor carriers, 285 have 10 trucks or more, and 2,176 operate only one

truck. He cautioned that these statistics are about two years old and the figures do not consider vehicles eliminated by passage of HB 15. It seems fair that interstate and intrastate vehicles of similar size and use should be held to the same standard to the greatest extent possible. It also seems that this bill is trying to fix a problem that does not require deregulation of safety requirements for a large portion of the truck population in Alaska. He urged members to oppose this bill. In response to a question, he repeated these interstate and intrastate motor vehicles operate in Alaska.

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CHAIR P. WILSON asked whether any of the vehicles are government vehicles operated by the state.

MR. THOMPSON answered that the figures refer only to commercial vehicles that have been issued U.S. DOT numbers. He added that these vehicles are privately-owned vehicles and not government vehicles.

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REPRESENTATIVE GATTIS asked whether it would be possible to get a brief summary of the bill. She related her understanding that vehicles are transported from the Lower 48, upfitted in Anchorage, and delivered to their final destination. She apologized but admitted she has forgotten the advantages of HB 260.

CHAIR P. WILSON asked for clarification on Version R.

REPRESENTATIVE ISAACSON responded that Version R would allow intrastate movement of vehicles up to 19,500 pounds without the vehicles being classified as commercial vehicles. This means these vehicles will not be subject to a DOT&PF inspection that requires identification of the end user, the gross vehicle weight - which may change with application and ownership. These vehicles and drivers would also not be required to have safety equipment permanently mounted, maintain log books, or be subject to medical certifications. Under the bill, dealers could move

vehicles from the Port of Anchorage to other points in Alaska without running the risk of giving preferential treatment to Alaska fabricators upfitting the vehicles over those upfitted outside Alaska.

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CHAIR P. WILSON asked whether he was aware of any unintended consequences to the bill.

REPRESENTATIVE ISAACSON acknowledged that the original version of HB 260 was written to solve the issue. It was his understanding that an unintended consequence arose, with respect to the potential problems with upfitters in Alaska and those outside Alaska being treated differently. Thus, he changed HB 260 [Version R] to reflect a more global application. However, the points Mr. Thompson and Mr. Smith have raised may present problems. He was he was inclined to think Version R's benefits outweigh the drawbacks since these vehicles are primarily used by handymen or for agriculture. He said, "This is the type of user we're trying to protect. There's nobody who's going to go up against one of the big moving companies with a '550' frame and successfully compete against them. So I don't think this would be the business model that's going to conflict, in large part with the safety issues mentioned by the Alaska Trucking Association." He offered his belief the vehicles in question are ones used on the road by people who know how to drive them. He said other states allow intrastate application and in fact, many allow vehicles up to 26,000 pounds although he chose not to raise the limit beyond 19,500 pounds. Again, he reiterated that he is working to address the issues raised since HB 15 passed when some folks didn't realize the increase in weight limit was happening or they would have "jumped on the band wagon" last year.

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REPRESENTATIVE FEIGE related his understanding the original purpose of HB 260 was to enable dealers to ferry vehicles from Anchorage to Fairbanks and points beyond. He asked whether the

vehicles being "ferried" would also be taking on cargo or transporting passengers.

REPRESENTATIVE ISAACSON answered no; that the vehicles in question would not be carrying commercial equipment or passengers, other than perhaps immediate family or employees.

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REPRESENTATIVE FEIGE referred to page 1, line 7 of Version R, which read, "(A) used to transport passengers or property for commercial purposes." He said it appears the very operation he is trying to help is already excluded under existing statute. Thus, the only effect of Version R would be to eliminate inspections on vehicles being used for commercially transporting passengers or cargo up to vehicle weights of 19,500 pounds.

REPRESENTATIVE ISAACSON agreed; however, the DOT&PF regulations require that the department must review and ensure regulatory compliance and HB 260 will simplify these requirements. He recalled that DOT&PF might not be able to easily see the required markings on commercial vehicles listing the owner, the gross vehicle weight, and U.S. DOT number painted on the side of the vehicle.

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REPRESENTATIVE FEIGE related his understanding that vehicles used specifically for intrastate commerce up to 19,500 would be affected by Version R. He asked whether the bill would reduce the safety of vehicles below 19,500 used for intrastate commerce or if other regulations will supercede [Section 1 of Version R.]

REPRESENTATIVE ISAACSON answered that unintended consequences may affect certain safety equipment that will not be required.

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REPRESENTATIVE FEIGE understood [Version R] will remove requirements for vehicles under 19,501 pounds, which includes

safety equipment. He asked whether ferrying vehicles falls outside this requirement, too.

REPRESENTATIVE ISAACSON understood the question is whether certain safety equipment will not be required on the vehicles being ferried unless they are considered commercial vehicles.

REPRESENTATIVE FEIGE stated that existing law is being amended to remove requirements for vehicles between 14,000 pounds to 19,500 pounds.

REPRESENTATIVE ISAACSON agreed.

REPRESENTATIVE FEIGE further understood the requirements included certain safety equipment, not just for vehicles being ferried, since ferrying operations already fall outside this [sub-subparagraph].

REPRESENTATIVE ISAACSON acknowledged that this might be one of those unintended consequences. He said if it is the will of the body not to pass Version R and revert back to the original version of HB 260, "then we could go that route." However, he asked whether it is better to have a benefit that will affect the most people and still allow for the greatest level of safety. He offered his belief that from discussions with various parties and the Department of Law that [Version R] would still allow quantifiable public safety. It is when vehicles are over 19,500 pounds that the vehicles have equipment such as air brakes plus more maintenance is necessary. Further, recreational drivers would not be able to operate such vehicles. He indicated that the majority of users driving a "Ford 550 or equivalent" would not have that many safety issues, depending on modifications to the vehicle bed. He related that the bill started out trying to fix a particular problem, but he discovered other problems arose and [Version R] seemed to be the most global fix to help regulatory issues.

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CHAIR P. WILSON recalled testimony that it may be difficult to track commercial vehicles. She asked whether [provisions in

Version R] will jeopardize highway safety since the bill will increase the gross vehicle weight to 19,500 pounds.

MR. SMITH said he would look to the commercial vehicle enforcement operations which hinge on infrastructure protection and safety. He said that as the definition changes commercial motor vehicles [from 10,000 pounds to 19,500 pounds] the department needs to consider whether it is the will of legislature to define intrastate commerce vehicles as being up to 19,500 pounds. If so, this means much larger vehicles are not required to stop at a local weigh station or have any of the safety requirements. Certainly, every one of the motor carrier safety regulations was written because "bad things" happened. He said the DOT&PF must examine a significant number of unintended consequences that might occur if this segment of motor vehicles is unregulated. For instance, load securement is specifically addressed by [U.S. regulation]. For example, commercial vehicles are required to have a certain number of straps to secure loads depending on the load size and weight. Once this [14001-19,500 weight vehicle class] is unregulated, it will be up to the vehicle operator to decide how to secure the load. The person may or may not have the knowledge or expertise to determine appropriate safety equipment and load securement. He offered his belief that there would be many unintended consequences if larger vehicles were unregulated, particularly since the same vehicles being used for interstate commerce are required to comply with safety equipment provisions and adhere to load securement regulations.

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BARBARA HUFF TUCKNESS, Director, Governmental and Legislative Affairs, Teamsters Local 959, stated when HB 260 was initially introduced it impacted a small segment of vehicles; however, the proposed Version R raises substantial concern since thousands of unregulated trucks will be on Alaska's roadways. She said that the safety of the motoring public is huge, particularly since Alaska's roads have icy conditions. She reported that the trucks in question are class 5 trucks, which are "good-sized" pieces of equipment that potentially would be unregulated. She

stated that Teamsters Local 959 would go on record as being opposed to Version R.

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CHAIR P. WILSON asked whether the changes incorporated in Version R would be less expensive for businesses to implement.

MS. HUFF TUCKNESS answered that her answer may not be applicable to all companies, but part of the cost of doing business is making sure that the drivers have safe equipment. In instances in which vehicles are not regulated, businesses may believe they don't need to follow the same rules and legally that would be true. However, from a cost perspective companies could save money by not following the important safety rules and regulations.

[1:48:15 PM](#)

REPRESENTATIVE ISAACSON asked whether original version of HB 260 is fine due to the specific application.

MS. HUFF TUCKNESS agreed.

REPRESENTATIVE ISAACSON asked whether there would be a risk of lawsuits if a fabricator in Anchorage had an unfair advantage over a fabricator in Seattle.

MS. HUFF TUCKNESS answered that she wasn't able to answer the question. She recalled Representative Feige's comments with respect to commerce. She understood that under HB 260 the process of moving vehicles did not involve commercial commerce, so the activity would be exempt; however, she acknowledged that she is not an attorney.

CHAIR P. WILSON remarked that some questions need to be considered and more closely examined. She asked to the sponsor to work with the DOT&PF and the enforcement to [address the issues raised today.] She clarified that Version R is before the committee.

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REPRESENTATIVE ISAACSON commented on Representative Feige's remarks. He referred to proposed Section 1, which read:

(1) "commercial motor vehicle" means a self-propelled or towed vehicle

(A) used to transport passengers or property for commercial purposes;

(B) used on [UPON] a highway or vehicular way; and"

REPRESENTATIVE ISAACSON focused on "and" as the important word, noting that the vehicles also have specific weight restrictions. He said that is what Version R attempted to address. He agreed to take the language back to the parties and make sure the changes will address the concerns.

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CHAIR P. WILSON, after first determining no one else wished to testify, closed testimony on HB 260.
[HB 260 was held over].

[1:51:46 PM](#)

HB 271-APPROP: RAILROAD FEASIBILITY STUDY

CHAIR P. WILSON announced that the final order of business would be HOUSE BILL NO. 271, "An Act making a special appropriation to the University of Alaska Fairbanks for a study of the feasibility of constructing a railroad between Fairbanks and Deadhorse; and providing for an effective date."

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REPRESENTATIVE ISAACSON, speaking as sponsor of HB 271, offered to keep his remarks brief. He referred to information in members' packets, including a copy of a PowerPoint and academic paper by Dr. Paul Metz [entitled, "Economic Impact of a North Slope Rail Extension on Northern Energy and Mineral

Development."] He stated this paper highlights a number of natural resources that could be accessed if the rail between Fairbanks and Deadhorse is built. He predicted that if 10 percent of the available natural resources were put into place it would generate \$18 billion in revenue to Alaska's treasury without changing any tax structures. He indicated that DNR confirmed that "we're not far off the mark." He also highlighted an e-mail [in members' packets] from Great Bear Petroleum LLC [Great Bear] which indicates that the proposed rail project between Fairbanks and Deadhorse could provide significant transportation cost savings for delivering materials and another option for North Slope product delivery to in-state locations or tidewaters. He asked members for their support for HB 271.

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PAUL METZ, Professor, Ph.D., P.G., Geological Engineering, University of Alaska Fairbanks, stated that he provided a report and PowerPoint presentation to the committee to outline the benefits of extending the Alaska railroad to the North Slope, which is in members' packets. He offered to answer any questions members may have.

CHAIR P. WILSON, after first determining no one else wished to testify, closed public testimony on HB 271.

[1:56:22 PM](#)

REPRESENTATIVE KREISS-TOMKINS stated that the proposed rail extension project would be a huge infrastructure investment to the North Slope. While he finds the idea intriguing and compelling, the price tag for the feasibility study is substantial. He asked why the private sector hasn't made any initial investment in the feasibility of extending the railroad to enhance North Slope mineral development.

CHAIR P. WILSON remarked that since Alaska does not have a transportation plan it leaves private industry in limbo. She emphasized the focus of this committee is to consider the policy and decide what is best for the state and to pass on any

financial considerations to the House Finance Committee. She acknowledged the importance of verbalizing the financial concerns.

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REPRESENTATIVE KREISS-TOMKINS said he has difficulties subscribing to the philosophy that this committee can't consider the financial implications of investments since that seems to be the fundamental policy of transportation. He commented that the difficulty is that if the state spends \$2 million for a feasibility of a railroad to Deadhorse, it means the state will not have \$2 million to spend on the Northern Rail Extension or the Port MacKenzie Rail Extension since state funds are limited. He acknowledged the importance of considering investing substantial sums of money to ensure the best return.

CHAIR P. WILSON agreed that it is important to consider the financial realities.

[1:59:48 PM](#)

REPRESENTATIVE FEIGE said he agreed with the representative from Sitka. He pointed out \$2 million is a lot of money and thus far there hasn't been a lot of interest in this project other than one e-mail from Great Bear. He surmised that Great Bear will need to travel a significant distance before providing assurances that it will develop those areas. He suggested alternate shipping, such as barging in any sand and steel Great Bear might suffice. He stated that railroads are designed to carry lots of heavy material cheaply. In order to make a \$5 billion investment to build a railroad without capitalization will require a significant economic driver that results in heavy loads moving from point A to point B. He acknowledged that someday oil production might be so low that transporting by rail will be more economical; however, he offered his belief that transporting oil by rail is a long way down the road. He commented that mines in the Ambler and Livengood represent potential customers, but these projects are not at that stage either. In concept, perhaps the state should consider a shorter line since the committee has essentially only heard from one

potential customer. He acknowledged the [1972] vintage study previously mentioned, but noted that the mountains haven't moved a whole lot since then. While that particular route through Atigun Pass - including a tunnel - certainly could be an adequate route, he questioned the legislature funding the university for this study without a reasonable expectation that the project is going to go forward. He said that it's also not the legislature's job to "come up with welfare-type projects to keep university researchers engaged." He viewed the decision [on HB 271] from the perspective of whether to fund \$2 million to the university to study [the Fairbanks to Deadhorse rail extension project] when the university could focus its research and intellect on other efforts that would provide a much more immediate return.

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REPRESENTATIVE GATTIS echoed Representative Feige's comments. She related her constituents complain that the state funds feasibility studies but does not further it with an actual project. She emphasized that given declining revenues she is reluctant to fund yet another study that may not result in any project. Instead, she would prefer to fund projects that have not yet been finished. She said, "I won't be voting for this."

The committee took an at-ease from 2:03 p.m. to 2:04 p.m.

[2:04:58 PM](#)

REPRESENTATIVE ISAACSON asked to first address this bill and then hold the bill over to get some of the points fine-tuned. He acknowledged the importance of frugality during declining revenues; however, he urged the state to take the necessary steps to diversify its economy. He said, "Folks, we are so addicted to oil that is all we can see and oil is declining in its revenue stream so we need to diversify." He offered his belief that the proposed rail extension could help open new mines, oil development, and expand other economic opportunities for the state. He characterized [the feasibility study in HB 271] as being a very good use of money. He argued that the project doesn't represent "university welfare." He pointed out

that frequently when the state makes an investment it is also sending a signal to the resource development industry that the state is serious about diversifying its economy and providing access and transportation. He lamented that he didn't ask Dr. Metz to provide more details and outline the benefits of this project. He referred to a four-page brief on this [study] in members' packets. He lauded Dr. Metz's knowledge and project experience. He emphasized the aforementioned study indicates that the state could realize a 30 percent return on investment from just one application this railroad would serve.

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REPRESENTATIVE ISAACSON offered his belief that the rail investment is worthwhile, particularly since the railroad has been suffering staggering revenue losses due to Flint Hills Resources' refinery and Usibelli Coal Mine, Inc.'s decisions. For example, Flint Hills Resources refinery has not elected to ship any fuel in April. He predicted that the legislature will be asked to "help prop up" the Alaska Railroad Corporation (ARRC) with far more than \$2 million based on the drastic revenue reductions the ARRC is experiencing. He supports HB 271 as an investment to assist the ARRC, to provide economic diversity, and to take advantage of a great opportunity. He vowed to "crank out" a simplified bullet sheet to outline the importance of this bill including any benefits to the state. Further, he stressed that ultimately private funds will build the railroad if it proves viable so it won't be necessary to spend general fund or capital fund monies to do so. He emphasized that the state must begin by proving the concept and send signals to the parties and the bond markets that the rail extension project from Fairbanks to Deadhorse is viable. He characterized this project as an important one for the general welfare of the state.

[2:10:32 PM](#)

REPRESENTATIVE LYNN echoed Representative Isaacson's comments. He offered his belief that no one will fund a railroad extension project unless a study verifies that the project is feasible. He asked which will come first, the chicken or the egg. He

recognized the tremendous potential of North Slope development and eventually a rail link could spur a connection to Lower 48. He hoped the bill would come back before the committee. He pointed out that the state has studied the gasline countless times, yet the state is currently closer than ever before in making the gasline a reality. He asked members to evaluate the bill and take action.

[2:12:24 PM](#)

REPRESENTATIVE GATTIS emphasized that she isn't suggesting that a study isn't important. She understands that sometimes "we have to spend money to make money." She acknowledged the importance of building infrastructure. She said she did not hear the compelling reason to move forward. She agreed with Representative Lynn that it is important, but not at this time. [HB 271 was held over].

[2:13:43 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:13 p.m.