

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

January 24, 2013

1:02 p.m.

MEMBERS PRESENT

HOUSE TRANSPORTATION

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

SENATE TRANSPORTATION

Senator Dennis Egan, Chair
Senator Fred Dyson, Vice Chair
Senator Anna Fairclough
Senator Click Bishop
Senator Hollis French

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES (DOT&PF)
AVIATION OVERVIEW

- HEARD

CHANGES TO THE ALASKA CLASS FERRY - PUBLIC TESTIMONY

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

STEVEN HATTER, Deputy Commissioner; Executive Director,
Alaska International Airport (AIAS)
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

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

JESSE VANDERZANDEN, Manager
Fairbanks International Airport (FIA)
Department of Transportation & Public Facilities (DOT&PF)
Fairbanks, Alaska

POSITION STATEMENT: Testified during the Department of Transportation & Public Facilities' (DOT&PF) overview on Aviation - Fairbanks International Airport (FIA).

JOHN PARROTT, Manager
Ted Stevens Anchorage International Airport (TSAIA)
Anchorage, Alaska

POSITION STATEMENT: Testified during the overview on the Department of Transportation & Public Facilities' (DOT&PF) Aviation - Anchorage International airport.

WIN GRUENING
Juneau, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

CATHIE ROEMMICH, Chief Executive Officer (CEO)
Juneau Chamber of Commerce
Juneau, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

SANDY WILLIAMS
Douglas, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

MIKE KORSMO, Retired Marine Captain/Engineer
Skagway, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

RANDY WANAMAKER
Juneau, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

GINGER JOHNSON
Juneau, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

PAULETTE SIMPSON
Juneau, Alaska

POSITION STATEMENT: Testified in support of changes to the Alaska Class Ferry (ACF).

JIM BECKER
Juneau, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

DIXIE HOOD, Business Owner
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to the changes to the Alaska Class Ferry (ACF).

STEPHANIE SCOTT, Mayor
Haines Borough
Haines, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

ROB GOLDBERG, Chair
Planning Commission
Haines Borough
Haines, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

MIKE DENKER
Haines, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

DEBORAH VOGT
Haines, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

ED PHILLIPS

Hoonah, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

PAUL DAVIS, Business Owner

Sitka, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

STAN SELMER, Mayor

City of Skagway

Skagway, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

GARY HANSON

Skagway, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

JAN WRENTMORE

Skagway, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

KEN RUSSO

Skagway, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

HEINRICH KADAKE, Mayor

City of Kake

Kake, Alaska

POSITION STATEMENT: Testified in opposition changes to the Alaska Class Ferry (ACF).

KEVIN SHIPLEY, Superintendent of Schools

Kake City School District

Kake, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

VICKY WOLF, President; Chief Executive Officer

Kake Tribal Corporation

Kake, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

BERN SAVIKKO

Douglas, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

DONALD WESTLUND

Ketchikan, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

GINGER FORTIN

Homer, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

ED MARKSHEFFEL

Ketchikan, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

MIM MCCONNELL, Mayor

City and Borough of Sitka

Sitka, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

FRANK MCQUEARY

Anchorage, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

DAVE WHEELER

Ketchikan, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

STAN JORDAN

Petersburg, Alaska

POSITION STATEMENT: Testified on changes to the Alaska Class Ferry (ACF).

ACTION NARRATIVE

[1:02:49 PM](#)

CHAIR DENNIS EGAN called the joint meeting of the Senate and Senate Transportation Standing Committees to order at 1:02 p.m. Senators Dyson, Bishop, French, Fairclough, and Egan; and Representatives Isaacson, Kreiss-Tomkins, and P. Wilson were present at the call to order. Representatives Lynn, Feige, and Johnson arrived as the meeting was in progress.

Department of Transportation & Public Facilities (DOT&PF)
Aviation Overview

[1:04:12 PM](#)

CHAIR EGAN announced that the first order of business would be an overview on Aviation by the Department of Transportation & Public Facilities (DOT&PF).

[1:04:45 PM](#)

STEVEN HATTER, Deputy Commissioner; Executive Director, Alaska International Airport (AIAS), Department of Transportation & Public Facilities (DOT&PF), said his primary oversight is for the Aviation function in the department.

CHAIR EGAN recognized Pat Kemp, Commissioner, [appointed but not yet confirmed], Department of Transportation & Public Facilities (DOT&PF).

[1:05:57 PM](#)

MR. HATTER said besides serving as deputy commissioner of DOT&PF, he also serves as executive director of the Alaska International Airport System (AIAS) and oversees the rural airport system. He read the mission statement of the DOT&PF, "Get Alaska moving through service and infrastructure" [slide 3].

MR. HATTER explained the Alaska International Airport System (AIAS) has a motto, "Keep Alaska flying and thriving." The legislature recognized the importance of the two airports working together as the AIAS Structure [slides 5-6]. He said significant advantages occur with the international airports as a system. He stated the AIAS are marketed globally, which is important to cargo carriers coming over from Asia. He reported the AIAS acts as a system and does not compete against one another, but operate in synergy. He related the AIAS is completely self-sustaining [slide 7]. The enterprise fund is funded by user fees and not the state general fund. It is not legal or possible to divert funds from the system, he said. The

fundamental reality of this is the airports must be responsive and accountable to its partners. The airports must also be high value, business focused, agile, and able to show carriers that the AIAS runs a good operation and demonstrate global competitiveness to its global partners.

1:09:28 PM

MR. HATTER reviewed the organization and leadership [slide 8]. As deputy commissioner, he sits as the executive director, as well as the airport managers, the AIAS controller, and the AIAS planning fall directly under his authority. The AIAS has nearly 500 staff, which is organized into five components: administration, operations, facilities, field & equipment maintenance, and police and fire. He characterized the AIAS as a big operation that runs 24/7. He concluded that despite the record snowfall last year, the airport has not been closed.

MR. HATTER next reviewed the state economic engine [slide 9]. He advised members the airport has a significant impact on Alaska's economy in terms of jobs. He related the figures, noting 15,577 jobs totaling nearly \$724 million in direct annual payroll for the Ted Stevens Anchorage International Airport (TSAIA). Additionally, the Fairbanks International Airport (FIA) has 1,900 jobs and \$225 million in economic output, with the FIA ranked 85th in the nation in terms of weight of total mail and freight. These figures, derived from a 2011 study, demonstrate the economic engine to the state. He reiterated that the AIAS is very pleased to be an important economic engine to the state. In response to a question, Mr. Hatter said he would provide more details on the TSAIA later on.

MR. HATTER also reviewed the division's annual revenues and operations, maintenance, and debt costs [slide 10]. He underscored the 2012 AIAS's operating revenues of \$115 million, which is derived solely from user fees. He said the operating costs are broken out by components, noting the debt service as part of bonding to build the terminals. He reported the terminals are fully built at both airports, thus, the AIAS is in good shape in terms of its infrastructure.

MR. HATTER explained the method of calculating rates and fees is charged to customers via the AIAS's passenger terminal lease and operating agreement, which is essentially a contract between the AIAS and each air carrier [slide 11]. He said the industry term is the residual cost operating agreement. He related the department has a sophisticated rate model it negotiates with

carriers. He noted over the past five years have contracted with 31 signatory carriers, which will expire next July. He reported the department has been negotiating over the past nine months on new lease agreements. He offered his belief the last contract was strong, but the division has continued to strengthen it and hoped a 10-year agreement would be possible. The result would be significant since it shows carriers have confidence in the management team and it demonstrates the economic viability of the system.

1:13:13 PM

REPRESENTATIVE ISAACSON asked whether the 10-year contract would impact the department's abilities to collect additional revenue if the economy were to improve. He further asked for the department's rationale in seeking a 10-year contract.

MR. HATTER explained that the longer agreement helps provide stability. He explained when traffic is down the international airports must raise air carrier's rates and fees. He related the division works regularly with signatory air carriers on the reality of air traffic. He concluded the 10-year contract works well for the carriers and it works for the department, too, since it provides stability over the long haul. In response to a question, he agreed the department has certainty with 10-year contracts, but the airport can adjust rates, if necessary.

1:14:39 PM

MR. HATTER related the signatory carriers organize themselves through the Airline Airport Affairs Committee (AAAC) [slide 11]. He emphasized this as an important body since the division meets regularly with the carriers and uses a highly-transparent process to develop the operating and capital budgets. He concluded the stakeholders underwrite the system's health through the lease agreements. Thus, the department feels committed to provide transparency with respect to its financial information, he said.

MR. HATTER turned to its new operating agreement [slide 12]. He said, "The division has been "hard at work for about nine months negotiating this agreement. We're through the hard part of it." He related the lawyers are reviewing the lease and should meet the July 1, 2013 target completion date. He characterized the relationship between the airports and the carriers as being at a high mark, which is a good thing [slide 13]. He reported

landing fees have gone up; however, the air carriers understand the drivers and work in a collaborative way with the airports.

1:16:46 PM

JESSE VANDERZANDEN, Manager, Fairbanks International Airport (FIA), Department of Transportation & Public Facilities (DOT&PF), referred to the location and the two airports [slide 15]. He related the AIAS is 9.5 hours from 90 percent of the industrialized world, which is an enviable position. He said Fairbanks and Anchorage have two separate weather patterns, with one an inland desert and the other a coastal climate. This can be advantageous if one airport experiences poor weather since the other airport can provide certainty to carriers that fly across the Pacific Ocean. He said, "We're fond of saying in marketing that we've never had a same day closure due to weather in our 50-year history and that's a good marketing tool. The only time that wasn't true, of course, was 9/11.

1:18:05 PM

JOHN PARROTT, Manager, Ted Stevens Anchorage International Airport (TSAIA), referred to the location and certainty of the two airports previously mentioned. He said those two factors combined allow the AIAS to provide business opportunities for the carriers and the reason they keep landing at the airports. He pointed out aircraft can fly from the U.S. to Asia without stopping in Alaska; however, if these air carriers want to fly "full of cargo" they must stop in Alaska. He turned to payload versus range and explained the advantages. He stated that one plane can fly an additional \$125,000 worth of cargo by stopping in Alaska for fuel and not flying direct. He calculated that \$125,000 per airplane per day can amount to tens or hundreds of millions of dollars to an air carrier's revenue bottom line [slide 11]. He reported Anchorage ranks second in North America, behind Memphis - which is the home of FedEx - for total cargo [slide 12]. He further reported Anchorage is fourth globally, behind Hong Kong, Memphis, and Shanghai. He concluded that Alaska is a small state by population but is a global presence in the air cargo market.

1:20:01 PM

MR. PARROTT related that approximately 30 passenger and 40 cargo airlines operate through AIAS [slide 18]. He said several years ago the AIAS asked Boeing how many dedicated 747 freighters were on the planet and they responded 256. In one week, 217 of the

256 airplanes landed in Alaska. He reported both FedEx Corporation (FedEx) and United Parcel Service, Inc. (UPS) have invested in infrastructure at the Anchorage Airport. He related these carriers have training facilities, pilot bases, and simulators that help anchor them as primary cargo tenants, along with the Alaska Airlines - the airport's primary air carrier. Additionally, these carriers continue to promote and infuse the local and state economies, he stated.

[1:21:08 PM](#)

MR. VANDERZANDEN turned to the Asia centric cargo market [slide 20]. He noted 99 percent of cargo is Asia-based and all of the Asian to North America cargo carriers have flights through the AIAS. He emphasized the importance of this since approximately 80 percent of AIAS carrier-generated revenue is cargo.

[1:22:02 PM](#)

MR. PARROTT discussed competition [slide 21]. He said Portland, Seattle, Vancouver, and Prince George have all visited Asia in an effort to recruit cargo. He related a few years ago Portland enticed Asiana Air to land in Portland and offered \$800,000 in incentives to obtain three flights per week. He compared this to the current approximate 500 flights per week landing in Alaska. He emphasized the importance of the AIAS to constantly market its airports to maintain and grow the market.

[1:23:24 PM](#)

MR. VANDERZANDEN discussed passenger activity [slide 22]. He reported each line of n the graph represents the number of enplanements or the number of people who step onto an airplane. This graph clearly shows that despite the economic recession in 2009 and even to 9/11 most airports experienced precipitous drops in enplanements, Alaska remained steady. He emphasized that air travel in Alaska is essential, which is demonstrated by this graph.

[1:24:04 PM](#)

MR. PARROTT discussed cargo activity, which is more susceptible to market trends [slide 23]. He noted the airport is more susceptible to the airport overflying if the aircraft only plan to make a technical stop in Alaska. He suggested it is possible to encourage cargo transfer or sort operations, such as FedEx or UPS, which decreases the risk an air cargo flight will over fly

Alaska during the "down" economic times since they would have additional reasons to stop in Alaska.

[1:25:13 PM](#)

MR. VANDERZANDEN reiterated reasons that cause decreased activity [slide 24]. He stated speculation exists that advanced design and longer range aircraft, such as the 777 passenger airline pose a threat to cargo in Alaska. However, the AIAS has found is that the cargo 777s, which generally comprises less than ten percent of any cargo line - most notably FedEx - routinely land in Alaska based on sorting and routing decisions, as well as payload advantages Mr. Parrott just mentioned. He reported the AIAS tracks the large aircraft's activities and has found the aircraft are landing in Alaska. He said the AIAS proactively markets the international airports and must educate its potential customers and counter beliefs with respect to the cold, dark, snowy weather. He said both airports have 95 percent visual, metrological, conditions or VMC, which means pilots are able to visually land and not need instruments. Additionally, the international airports have excellent infrastructure, including state of the art instrument landing systems, runways, and 24/7, 365 days a year, international facilities. He emphasized this gives pilots an image of certainty that the airport they will be arriving at will be a good airport.

[1:27:31 PM](#)

MR. HATTER suggested he had a couple slides about the future. He concluded by highlighting: two airports, one system, self-sustaining, business centric, with a good management team that can complete globally. He said the AIAS is a critical enabler for the state and the division works cooperatively with the airlines. He suggested that members reach out to the airlines and ask Alaska Airlines, FedEx, and UPS how the state is doing since it is a fair question to ask. He offered his belief that the division is doing good things for Alaskans. He concluded by saying that the division is pleased to "keep Alaska flying and thriving."

[1:28:47 PM](#)

SENATOR FAIRCLOUGH asked for a definition of a "core airport" the next time the DOT&PF speaks to the committee, which she understood is based on passenger landings. She said she would

like to know if the state has any exposure due to reductions in federal expenditures in sequestration.

[1:29:15 PM](#)

CHAIR EGAN urged members to tour the AIA.

Changes to the Alaska Class Ferry - Public testimony

[1:29:58 PM](#)

CHAIR EGAN announced that the final order of business would be public testimony on changes to the Alaska Class Ferry (ACF).

[1:30:33 PM](#)

WIN GRUENING said he grew up in Alaska and the ferries are as important today as they were then to the transportation infrastructure. He stated if the state is to maintain a sustainable Alaska Marine Highway System (AMHS) in declining budgets that the state must look at models to lower subsidies and maintain increased services. He offered his belief that is what the current change in direction is about. He suggested the state ended up with something entirely different during the public process than the original concept for the Alaska Class Ferry (ACF) project. He noted the concept was much larger and did not meet the original mission statement. He commended the Department of Transportation & Public Facilities (DOT&PF) for recognizing this and changing direction. He observed that most of the written comments in opposition seem to be on the seaworthiness of the new vessel. He related his understanding that the new vessel or vessels would be larger than the Aurora class vessels and still have the seaworthiness of the large mainline ferries. He encouraged people to allow the DOT&PF time to formulate an action plan. He noted some of the criticisms have not been well-founded since not everything is known at this point and everyone's goal is to obtain low-cost, efficient transportation in Southeast Alaska and this change in direction will meet this goal.

[1:33:37 PM](#)

CATHIE ROEMMICH, Chief Executive Officer (CEO), Juneau Chamber of Commerce, stated she has served on Marine Transportation Advisory Board (MTAB) for six years and also chaired the MTAB for two years. She offered her belief the governor is taking the right direction by changing the design of the ACF. She

recalled in 2006, the plan called for several changes: a new shuttle ferry, lengthening roads, and shortening the overall ferry system since the state cannot continue to keep subsidizing the entire ferry system. None of the routes make money, but the Lynn Canal route is the largest revenue maker, she reported. She has held discussions with Commissioner Kemp, made observations during her service on the MTAB, and believes that the two proposed vessels would be smaller vessels, but would better serve the residents of Lynn Canal. She stated that residents don't always need mainline vessel service. The shuttle ferries would allow the M/V Malaspina, a mainline vessel, to actually service other areas that need the service. She said, "I think it's a great idea and the idea that our Department of Transportation wouldn't oversee the construction of safe vessels is ridiculous. Those vessels will be built safe - the technology today - and engineering today, there's no reason that they wouldn't be made safe. We are proponents of smaller boats...." She continued by stating that smaller boats would reduce crew labor costs. She further said, "We support it and hope you will support DOT&PF and the concept of a smaller boat with less amenities. We don't need it. We're trying to cut the budget down a little bit." In response to Representative Johnson, Ms. Roemmich answered she is representing the Juneau Chamber of Commerce today. She added the Chamber of Commerce's Transportation Committee has supported this [project] for the past six years; however, she clarified has served on the MTAB during the same timeframe.

[1:36:40 PM](#)

SANDY WILLIAMS stated he worked for 30 years at the DOT&PF, including as chief design engineer, state maintenance engineer, and regional engineer - for eight years - in Southeast Alaska. He said he is quite pleased with the recent appointments at the DOT&PF since it brings a wealth of experience into the DOT&PF, which has been needed. The current Southeast Transportation Plan published in August 2004. He read:

The objective is to shift from the limitations of long distance ferry service to a robust network of surface transportation connections, which would consist of road links and connecting ferries, supplemented by long-distance ferries. Highways are more efficient and provide much greater mobility to the user, reducing the reliance of ferries and it will reduce state transportation operating costs and increase user capacity to travel more frequently at less cost.

MR. WILLIAMS continued by saying the original design criteria fit that purpose and need, i.e., roll-on roll-off, overall length 255 feet to 305 feet, and operated as a day boat. What happened is anyone's guess and those who would know are no longer at the department, he said. The proposed boats would meet the needs at a much less operating cost. He offered his belief that the DOT&PF was right in stopping the direction it was headed. He suggested that members must consider budgets so it is imperative members consider the future of the system, particularly given the message the legislature has recently received on Alaska's financial future. He reported from 2007 to 2012, the AMHS increased its operating revenues by 5.3 million; however, at the same time the AMHS also increased its operating costs by \$30 million. In FY 2012, the AMHS spent \$117.3 million over its revenue. He cautioned that decisions have to be made to reverse this trend. He concluded his testimony by stating, "The day boat as now envisioned will do that."

MIKE KORSMO, Retired Marine Captain/Engineer, stated he was a tugboat captain for 30 years in Alaska and currently serves on the Marine Transportation Advisory Board (MTAB). Mr. Korsmo said he has traveled up and down Lynn Canal, operated the M/V Fairweather for Holland America's Westours between Juneau and Skagway. He said he also serves on the MTAB, former Chair or MTAB, former president, Southeast Conference, as well as serving on their transportation committee. He described his service as being heavily involved in the ferry system for a number of years. He characterized the AMHS, seven years ago, as being in disarray, but a number of groups helped change that and it seems in the past four to five years the system has worked well. He complimented the management team. He commended Captain Falvey's work. He described Captain Falvey's job performance as phenomenal.

[1:41:01 PM](#)

MR. KORSMO noted under the former AMHS's director, Jim Beedle, the AMHS stabilized. He said the current schedule is great and people can depend on the system. He also said he was as surprised as anyone else about the changes to the ACF. He initially was pleased about the proposed change to the two ferries since the system needs ferries, but the changes have prompted numerous concerns. He wondered what had happened. He questioned how two ferries can be built for the price of one. He raised the issue that modification of the ferry terminals would also need to be included in the cost. He wondered how the

need for multiple crews and numerous trips on Lynn Canal would result in cost savings. He said he currently serves on the Skagway assembly and many people in Skagway have concerns about the bow ramps and open car decks. He also said residents will continue to have concerns until the detailed design is reviewed. He reported he serves as an "at-large member" on the MTAB. He related although he is only speaking for himself, he has concerns about building specific vessels for a route since the original plan called for building a ship that could be used in different parts of the system. He pointed out the M/V Tustemena and mainliner ferries will need replacing due to aging. He was unsure what the proposed change of plans would do the future of the "build program" of replacement vessels for the AMHS. He concluded by stating he is looking forward to the new design of the proposed shuttle ferries.

1:43:50 PM

RANDY WANAMAKER, speaking on behalf of himself, [not as assembly member for the City and Borough of Juneau] read prepared testimony, as follows [original punctuation provided]:

Good Afternoon. My name is Randy Wanamaker. I live at 3814 Killewich Drive, Juneau, Alaska. Thank you for this opportunity to provide comment on the roll on roll off Alaska Class Ferry Option.

I appreciate the efforts of the Alaska Marine Highway System staff to stay within the allotted budget for this ferry class. I also appreciate the fact that this option can provide significant employment benefits for Alaska by allowing the ships to be built in Alaska as well as providing for efficient service and lower operating costs.

I encourage the Department to continue with the development of this option.

My encouragement is based on several things. First, I was employed as a young man by a company in Seattle that provided support services to the Washington State Ferry System as well as ferry systems in the Atlantic, Gulf and Pacific Coast regions. In those years I saw many examples of shuttle ferry services. This type of service is decades old, cost effective and very efficient.

Second, I was born here and grew up in the days before the Ferry System existed and I have watched its growth and evolution. I am familiar with the needs of the communities and the costs and challenges the state faces in trying to meet those needs.

Finally, I have served as transportation planning consultant to a number of Southeast Alaska organizations, private developers and the Alaska Department of Transportation and Public Facilities.

All of my experience and training points to the wisdom of developing the Alaska Class Ferry as per the original 2006 shuttle ferry concept.

It can operate successfully for the communities at a lower cost for both the passengers and the state.

Thank you again for this opportunity to share my thoughts on this matter.

[1:46:01 PM](#)

GINGER JOHNSON commended Commissioner Kemp for putting the project back on course. She said she thinks it's really important. She indicated she would like to ditto Wyn Gruening and Sandy William's comments.

[1:46:39 PM](#)

PAULETTE SIMPSON stated she has been riding on the ferries in Southeast Alaska every summer since 1976. She said she fully supports Governor Parnell's decision to change direction from the ACF to two shuttle ferries. She noted the DOT&PF's homepage lists the department's mission and the words "efficient and efficiency" is used several times. She supported everyone else's comments in support of the proposed changes. She thinks it comes down to three things: cost, frequency, and flexibility of service, and employment. She pointed out the two smaller shuttle ferries would cost less to construct and operate since the vessels could likely be built in Ketchikan. She related one of the ferries will be based in Haines or Skagway, which will also be good for employment in these communities. She said no one questions the AMHS needs new vessels in the system, but the smaller-purpose built vessels better fill that need. She concluded by commending the governor and the department and

hoped members would support these DOT&PF's changes to the ACF project.

1:48:02 PM

JIM BECKER stated he is a lifelong resident, having worked as a commercial fisherman for over 40 years. He noted he worked on the ferries in the early 1960s. He recalled the AMHS initially had three mainline ferries but it now has a variety of ferries. He related his understanding that a day boat or shuttle ferry was initially planned, but the plan expanded as it went through the process. He applauded the governor's decision and the DOT&PF for putting this project on track to save money and get back to what it was intended to be. He cautioned the [ACF] might not have been built in Ketchikan due to overrun costs. He concluded his testimony with his hope that the new ferries will be built in Ketchikan.

1:49:35 PM

DIXIE HOOD, Business Owner, said she has been a resident since 1975. She detailed her community involvement, noting she is a small business owner, a public member of the Mendenhall State Game Refuge Citizen's Advisory Group, a member of the City and Borough of Juneau's Parks and Recreation Advisory Committee, the CBJ's Commission on Aging, and the League of Women Voters. She stated she is representing herself today. She expressed concern about the DOT&PF's actions and procedures. She identified three problems with the DOT&PF. First, the DOT&PF often does not seek information in advance on projects or has been dismissive. Second, the DOT&PF often moves forward with a project that significantly impacts Juneau without sufficient notice for the CBJ to be involved in the process. For example, she pointed to the Auke Bay Roundabout project. Third, the DOT&PF prioritizes by supporting corporate interests or cuts costs despite the public interest. She stated that the sudden change and lack of transparency regarding the governor's decision to "scrap the Alaska Class Ferry" and replace it with two less satisfactory substitute ferries is an example of all three problems she outlined. She related the DOT&PF also eliminated the hugely successful and popular twice a week ferry service to Bellingham. She detailed several other AMHS decisions she disagreed with that she did not think serves the public's interest. According to news reports the ACF was due to go out for bid in July and this change would result in considerable delay, she said. She remarked that 300-foot vessels don't seem to be much smaller than the 350-foot ACF. She indicated the amenities on the ACF

were due to public input and space provided for seniors with special needs was a plus. She noted cost overruns are common for practically all construction projects and she anticipates it will happen with the proposed [shuttle ferry] project if the governor moves forward with the project. She expressed concern about holding funds aside for the so called "Juneau Access Road" which she characterized as a controversial project. She concluded that she opposes the change [to the ACF].

[1:52:58 PM](#)

STEPHANIE SCOTT, Mayor, Haines Borough, said a dozen people are gathered around a phone in the library.

SENATOR EGAN responded that the delegation is working on a solution to the lack of a legislative information office (LIO) in Haines.

MS. SCOTT stated she is disappointed the DOT&PF did not consult given the statutory requirement to consult with MTAB. She said she would focus her testimony on the outcome: safe, reliable, cost-effective marine transportation in Southeast Alaska, in particular, for Haines, Skagway, and Juneau. She expressed concern that Commissioner Kemp declined to confirm whether or not the design includes an open car deck. She asked members to please put an end to this speculation [about an open car deck]. These concerns erode the community's confidence on the operation of the AMHS, which was bolstered by the public process used on the ACF. Prior to the scuttling of the ACF, the communities understood the AMHS to positively respond to their concerns. She said, "Ridership is up. Revenue is up. It is just bad business to erode this confidence." She returned to the open deck ferry and pointed out this design could pose safety problems due to wave actions and heavy seas encountered in Lynn Canal or Clarence Strait - outside of Ketchikan. She further expressed concern the proposed shuttle ferries would be like the fast ferries that could not be relied on in inclement weather. "This is Alaska. This is Lynn Canal," she said. The state's own consultant, Elliott Bay [Design Group], concluded it based its data on inferred data since buoys do not exist in Lynn Canal to provide primary data. She emphasized the importance of obtaining local weather knowledge and suggested captains might testify on provide their experiences with Lynn Canal seas. Otherwise, perhaps the AMHS could test Lynn Canal using the M/V Lituya designed by Coastwise Alaska. This vessel also has open decks and currently sails between Metlakatla and Ketchikan. She urged members to track expenditures for this project. She

recalled Commissioner Kemp testified last week that the ACF project was spending \$20,000 to \$30,000 per day. She also questioned these figures.

MS. SCOTT further questioned why tank testing was being planned in Norway for the ACT project when the Inter-island Ferry Authority (IFA), a private ferry, conducted its tank testing in the U.S. She requested all Southeast Alaska terminal modification costs should be included as part of the shuttle ferry project costs. She pointed out the project should encompass redundancy and bring service to routes that need extra capacity or to replace a disabled vessel. She worried that vessel operations would be canceled in winter during critical times of travel due to weather and the AMHS could also accrue downtime costs due to the lack of seaworthiness of the proposed shuttle ferries. She asked to see Elliott Bay (Design Group's) cost estimates on the ACF project. She suggested the DOT&PF modify the ACF project and not scrap it since estimates on a project only 35 percent designed are quite speculative. She concluded by stating that suggestions for modifications would be quite welcome, but scrapping the ACF is not acceptable.

[1:59:42 PM](#)

ROB GOLDBERG, Chair, Planning Commission, Haines Borough, stated he is also a business owner in Haines. He offered he was glad to hear Captain Falvey testify at last week's hearing that the open-deck concept is not being considered. The proposed vessels could work provided these ferries are designed with ocean ship hulls and are powerful enough to withstand winter wind and sea conditions in Lynn Canal, but it remains to be seen whether two shuttle ferries can be built for the \$120 million allocated for the project, he said. He supported the "two day boat concept" for Lynn Canal since operating two vessels in the summer on a loop between Juneau, Haines, and Skagway would double the current vehicle capacity. In winter, when the traffic volume slows down the AMHS could reduce it to one day boat. He said it would eliminate the need to build a road to Haines if the newly designed ferries are capable of providing daily, year-round service on the aforementioned route. He pointed out economic uncertainty does not justify spending \$520 million or more on a road when service would now be provided by two new ferries with low maintenance and operating costs. He acknowledged he has enjoyed mountaineering on the east side of Lynn Canal. Thus, he has personally observed that attempting to build a road through some of the vertical cliffs, avalanche shoots, and steep slopes would be foolish. He recalled several years ago two seasoned

mountaineers attempted to walk the route of the proposed road and produced a film of their trip called Steep not Cheap. Additionally, he noted an engineering report by Golder Engineering details more than 100 geological hazards on the proposed route. He objected to the direction DOT&PF's staff has taken on the road and concluded his testimony by asking members to support a safe, reliable ferry.

[2:03:06 PM](#)

MIKE DENKER said he'd like to ditto Mr. Goldberg's and Ms. Scott's testimony. He expressed concern over the public process with respect to the changes to the ACF. He wondered how the decision was made to abandon a public process, which was designed to empower citizens in the decisions made in government. He concluded that this gives the public little confidence in government. He understood additional public process is planned for the new concept design, but questioned the confidence the public will have when the MTAB was not consulted on the project changes recently made. Additionally, he expressed concern that the statutory requirement was not followed in making a change in deputy commissioner [overseeing the AMHS]. He concluded that he and others are concerned because of what it says about the public's voice in government. He urged members to ensure that these concerns are addressed.

[2:04:48 PM](#)

DEBORAH VOGT stated she is a ten-year resident of Haines and a forty-year resident of Alaska. She spent twenty years in government, mostly in the attorney general's office, working with leaders, including former Governor Jay Hammond, former commissioners Will Condon, Av Gross, and Hugh Malone. She related that she strongly believes in the public process. She said, "I guess I think that the public process in this case has been appalling." Even if there were no specific statutes, the process should have been much better; however, the DOT&PF has specific statutes requiring input to MTAB on the person who "heads up" the marine highway system for the department. She asked members for questions the department asked the engineers, especially given these policy concerns. She understood a draft report currently exists. She acknowledged the necessity for the administration to not make draft reports public until an internal review has been conducted, but certainly it seems reasonable to ask the department what questions it asked of its engineers.

2:06:58 PM

ED PHILLIPS acknowledged numerous excellent comments have already been made. While he was initially alarmed to hear the DOT&PF was considering an open deck, he is now relieved to learn there isn't necessarily going to be an open deck on the proposed shuttle ferries. He cautioned that any design must consider winter conditions. He frequently travels from Haines to Hoonah since he owns the Icy Strait Lodge and depends on the ferries. He has experienced inclement weather conditions and noted the problems the fast ferries encountered with weather. The fast ferries were initially going to run 12 months a year, but were reduced to five-month operations. He emphasized the importance of vessel and passenger safety. He acknowledged that people are apprehensive since they really don't know the details and scope of the new proposed ferries. He characterized the ferry system as being a "lifeline" and connecting highway. He urged members to make sure the [AMHS's] highway is reliable because people depend on it.

2:09:10 PM

PAUL DAVIS, Business Owner, stated he runs an eco-tourism business in Sitka but he lives in Kake in the winter since his wife teaches in Kake. He stated his family relies on the ferry system. He expressed disappointed in the proposed change to the ACF since the two shuttle ferries will not properly serve Southeast Alaska. The public process maintained and the decision was not warranted, he said. He offered his preference for a ferry similar to the M/V Taku. He pointed out Alaska is a wonderful place and one reason Alaska is unique is because of its world-class ferry system. He often travels to Sitka via Peril Straits and Chatham Straits to Auke Bay and commended the DOT&PF for the amenities on its current ferries, including atmosphere conducive to socializing with Alaskans, good food, helpful staff, and comfortable staterooms. He characterized the ferries as special, safe, and unique. He related some additional personal experiences he has had on the ferries. He expressed concern that the proposed ferries will not have the same amenities or adequate safety. He concluded by stating tax dollars should be spent on ferries that meet the existing standards.

2:12:29 PM

STAN SELMER, Mayor, City of Skagway, referred to his letter of January 18, 2013 in members' packets. He said as he listened to

testimony today he admitted he was unsure of how the project got changed. He pointed out as mayor he must listen to the public he serves. He remarked the M/V Chilkat had a nickname related to seasickness, but was replaced by the M/V Malaspina.

2:14:09 PM

GARY HANSON related his background, including 23 years spent working for the AMHS, ending with eight years as manager of the Skagway terminal. Last October, he was elected to the assembly and was subsequently appointed as commissioner of an ad hoc marine highway committee formed by Mayor Selmer to address ferry service reductions. The committee was created to address service reductions, specifically that ferries did not serve Haines or Skagway on Sunday, which greatly reduced travelers to those communities. His committee worked with Captain Neussel and his staff which resulted in an excellent "day boat" schedule for the summer 2013, noting the vessel would depart Juneau at 7 a.m. and return to Auke Bay at 9:30 p.m. He characterized the schedule as the best he has ever seen. He had anticipated the ACF would follow a similar service, but he now believes the proposed shuttle ferries cannot possibly provide this service, he said.

2:16:05 PM

JAN WRENTMORE, Business Owner, stated she serves as a commissioner on an ad hoc marine highway committee in Skagway. She asked to echo testimony on the recent decision to change the ACF to two shuttle ferries and how that decision was made. She acknowledged she is unsure of whether the decision is a bad decision, but the way the decision was made was a failure of the process. She said it is something of an embarrassment since this is the 50th anniversary of the ferry system and celebrations are being planned. She characterized the timing as "terrible." She has heard the department testify on three separate occasions outlining "the story" including that the governor hit the "reset button" or touting the build "two for one" concept. She related she has been in business for nearly 40 years. She questioned the total cost of the proposed shuttle ferries since the design is not complete. She expressed concern that ferries without crew quarters will not suffice using the proposed 12-hour vessel operation rule since one shuttle will only get passengers as far as Haines. She would like better information and in-depth analysis on operating costs for two ferries versus one ACF ferry. She also requested the cost per mile and ticket price per mile for the proposed shuttle ferries

as compared to the ACF. She noted passengers in her community often pay two to three times as much as other places.

SENATOR EGAN related that all testifiers can submit written testimony. The committee has reviewed the comments thus far.

[2:19:32 PM](#)

KEN RUSSO stated he is a 34-year Skagway resident and retired as harbormaster. He said he was dismayed about the governor's decision to "scrap" the ACF after so much work purportedly to save money. He wondered how much money has been wasted. He also said he is skeptical that two ferries can be built for the cost of one and questioned the seaworthiness of two smaller ferries. He reported that the weather in Lynn Canal presents difficult conditions, noting the M/V LeConte has had numerous cancellations this season, and reliability is important to communities. He said seemingly overnight the project went from a good schedule with favorable public comment to appointment of Mr. Kemp as commissioner and Mr. Yost supervising the AMHS. He questioned the direction and motives of the administration in terms of serving Lynn Canal or Southeast Alaska. He characterized the process as meeting a political agenda to promote the road by making the ferry as user unfriendly as possible.

[2:22:18 PM](#)

HEINRICH KADAKE, Mayor, City of Kake, agreed with testimony by Mr. Paul Davis and other testifiers from Haines. He expressed concern about the smaller ferries. He said Kake's citizens and elders are accustomed to traveling on larger ferries and expressed concern that the effect of changes to the shuttle ferries would limit travel. He asked to speak against the governor's decision.

[2:24:06 PM](#)

KEVIN SHIPLEY, Superintendent of Schools, Kake City School District, in response to Chair Egan, acknowledged he sent his letter to the committee. He commended the AMHS service as being consistent and reliably used by school children to participate in events. He expressed concern about smaller ferries' ability to provide safe, reliable service and the additional travel time it may take.

[2:25:31 PM](#)

VICKY WOLF, President; Chief Executive Officer, Kake Tribal Corporation, related she grew up with the M/V LeConte. She expressed concern about safety of smaller vessels, in particular, for school children traveling to events.

MR. KADAKE interjected that Kake opposes the decision.

[2:26:27 PM](#)

BERN SAVIKKO stated he is a lifelong Douglas resident who has served approximately 30 years at DOT&PF, during which he spent the majority of his time spent designing ferry terminals throughout the system. He acknowledged he frequently rides the ferries. He said he has observed decision-making at DOT&PF, noting it sometimes was influenced by politics. He offered his belief the recent decision on ACF design changes was a political decision, disrupting an ongoing planning process. He looked forward to seeing how the proposed vessel would work with the existing terminal and the viability of using the smaller vessels for the longer runs. He acknowledged the tension between roads and ferries, but would like to strive for a balance of roads and ferries to sustainably and economically serve Southeast Alaska. He suggested part of the solution lies with the vessel design for the upper Lynn Canal service between Juneau and Haines. He urged members to look at the details and provide the best vessel.

[2:28:25 PM](#)

DONALD WESTLUND said he has lived in Ketchikan since 1976 and first traveled on the M/V Malaspina. He recognized the ACF ferry project changed based on public comment; however, he expressed concern that this has happened. He referred to costs for the proposed Juneau Access road, which has currently risen to twice the estimated cost. He acknowledged that projects typically go over budget. He concluded the proposed changes to the ACF project will not serve the southern routes and will not improve the service. Further, he does not approve of the governor's changes to the ACF without public input. He asked members to bring the ACF project back since the service will serve all of Southeast Alaska.

[2:32:19 PM](#)

GINGER FORTIN emphasized and echoed comments made by a Juneau resident about having accommodations for disabled on the

ferries. She lives in Homer and people often need to access the inside passage.

[2:33:35 PM](#)

ED MARKSHEFFEL stated he worked for AMHS for 36 years, including working as chief purser for the AMHS. He agreed with comments made by Mayor Scott from Haines. He expressed concern about vessel safety of using smaller vessels.

CHAIR EGAN thanked him for his service.

[2:34:52 PM](#)

MIM MCCONNELL, Mayor, City and Borough of Sitka, related that Sitka's economy is highly reliant on the AMHS. Sitka has strongly supported the MTAB and many residents have supported the ACF. She expressed concern that the proposed shuttle ferries will not be able to serve Sitka. They do not achieve the intent of the ACF project and were committed to without any MTAB or public input. An unidentified assembly member (female) interjected she supported the comments made by the Haines and Sitka mayors.

[2:36:49 PM](#)

FRANK MCQUEARY said he totally agrees with the governor. He expressed concern about the AMHS subsidy. He further expressed concern about the unsustainable costs for per mile travel. He offered his belief the magnitude of the proposed ACF ferry project is enormous and the cost is unsustainable. He described and compared this subsidy to his road use per mile. He offered his belief the unfairness of this has been ignored. He opposed having AMHS as a separate entity within DOT&PF and it should not compete with other forms of transportation. He referred to the AIAS as self-sustaining and noted the low cost per road mile as compared to the AMHS, which is a never ending drain to the budget. He congratulated the DOT&PF and the governor in making the decision to change the ACF project. He concluded that it is necessary to look at the AMHS as part of a transportation system, which needs to be maximize the efficiency as oil revenues decline.

[2:40:38 PM](#)

DAVE WHEELER stated the mainline ferries are necessary and the day boats are great for Haines and Skagway. He said, "The "little boats" aren't going to work for us."

[2:41:44 PM](#)

STAN JORDAN said hello to Chair Peggy Wilson and to Ed Marsheffel, his former shipmate. He related he is a retired engineer with over 25 years of total experience with the AMHS. He stated the new vessel size should be at least the 235-foot M/V LeConte size or larger; however, he offered his belief the Prince of Wales class at 160 feet is not large enough to meet some sea conditions in Southeast Alaska. He asked what happened to the ACF. He wondered if the two ferries would be similar to the M/V Fairweather and the M/V Chenega, which he characterized as a "fiasco." He also said the state cannot afford another fiasco like those vessels. He reiterated the new vessels must be all weather capable to serve in Lynn Canal, Dixon Entrance, or Clarence Straits. He described some of his personal experiences on the M/V LeConte in winter conditions that took more than twice the time, noting the vessel experienced tremendous icing conditions. He recalled the M/V Taku was one of the cheapest ships to operate.

[2:47:39 PM](#)

ADJOURNMENT

There being no further business before the committees, the joint meeting for the House and Senate Transportation Standing Committees was adjourned at 2:47 p.m.