

WORK
SESSIONS

1985 + 1986



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 15, 1986

The Honorable Bette Cato
Chairman
House Transportation Committee
P.O. Box V
Juneau, AK 99811

Dear Representative Cato:

The following information is offered in response to your December 23 letter concerning truck regulations that were recently developed by the Department of Transportation and Public Facilities (DOT&PF).

In compliance with the Administrative Procedures Act, public hearings regarding the truck regulation proposals were properly advertised and conducted. In addition, a number of meetings with industry officials were conducted over a period of almost a year before the public hearings were held. Evidence was presented at these meetings by DOT&PF, the Department of Public Safety, and the Department of Commerce and Economic Development which conclusively showed that:

- . State highway bridge and pavement designs were being overstressed by the excessive loads when lift axles were not properly used; and
- . Weights of lift axles on trucks crossing state weigh station scales were not carrying their proportionate share of the axle group load--in fact, they averaged carrying a weight of only 4,200 pounds instead of the 12,000 to 14,000 pounds they should be carrying.

The public hearings provided testimony that:

- . Lift axles could not be kept in their full weight-carrying position at all times because they become unsafe during slippery and/or hilly conditions due to traction problems;
- . Most truck-trailer vehicles could not negotiate certain turning movements with

January 15, 1986

their lift axles down because it stressed frames and running gear;

Most lift axles could not be kept at full pressure to maintain their proper weight-carrying capability due to air leaks and improper maintenance of insufficient air-producing equipment; and

A majority of those that attended the public hearings were against the lift axle limitation--this was anticipated by the department, although many drivers stated "off-the-record" that they felt lift axles were unsafe and they feared their job would be jeopardized if they spoke for the regulation.

The department made many concessions for truck haul based upon the public hearings. Most notable were the elimination of a limit on the number of axles or maximum vehicle weight and adoption of a liberal position on the continued use of the Richardson, Alaska, Seward, and Sterling Highways by the larger vehicles.

The department recognizes that in periods of severe limitations on reconstruction and maintenance funds, all measures must be taken to prevent undue damage to State facilities. Since it was demonstrated that the significant overstress conditions are occurring because the lift axles are not carrying their share of the load, it was felt that there was no alternative except to eliminate this damage factor.

Testimony was also provided that showed the haul costs were about the same when 38,000 pounds were allowed on two-axle tandem groups as compared to the costs of owning and properly maintaining additional lift axles.

In light of the above, I have decided that it is not in the best interests of the State to vacate the proposed regulations.

Sincerely,



Bill Sheffield
Governor

cc: Bruce Freitag, M&O Standards
Engineer, DOT&PF

The Honorable Bette Cato

-3-

January 15, 1986

Joe Swanson, Director,
Division of Measurement Standards
Department of Commerce
and Economic Development

Susan Fleischhauer, Legislative
Liaison, Office of the
Commissioner, DOT&PF

Alaska State Legislature

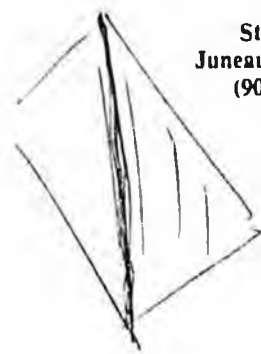
House of Representatives

Committee on Transportation



Rep. Bette Cato, Chairman

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4858



DATE: 29 APRIL 1986
TO: COMMITTEE MEMBERS
FROM: STAFF
RE: LETTER OF INTENT

On February 9, 1983 the House Transportation Committee wrote a letter of intent to accompany HCR 2 (presently Legislative Resolve 17) to define "space available basis" in the context of that resolution. Attached is a copy of a letter from the Governor which requests a new letter of intent as our previous letter prohibits senior citizens and handicapped individuals from reserving stateroom accommodations when traveling on free passage and a draft of a new letter of intent.

Also attached please find the following information:

*copy of Legislative Resolve No. 17 "Relating to travel by senior citizens and handicapped persons aboard vessels of the state marine highway system"

*Letter of Intent to accompany HCR 2 House Transportation Committee dated February 9, 1983

*Original copy of HCR 2 "relating to travel by senior citizens aboard vessels of the state marine highway system"

*House Transportation Committee minutes of February 7, 1983 and February 9, 1983

Alaska State Legislature



House of Representatives

Committee on Transportation

Rep. Bette Cato, Chairman

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4858

HOUSE TRANSPORTATION COMMITTEE
LETTER OF INTENT
TO CLARIFY INTENT OF
1983 LEGISLATIVE RESOLVE 17

It is the intent of the House Transportation Committee that the Department of Transportation and Public Facilities allow senior citizens and handicapped individuals to make reservations for staterooms during the months of October, November, December, January, February, and March, but only within the thirty-day period immediately prior to each individual sailing. This relaxation should not include any other group of space-available passengers.

The Committee does not intend to prohibit senior citizens and handicapped individuals from reserving stateroom accommodations when traveling on free passage, but rather encourage and better enable Alaska senior citizens and handicapped individuals to utilize the cabin space that is generally available during the winter months.

CHAIRMAN

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 15, 1986

The Honorable Rette Cato, Chairman
House Transportation Committee
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Dear Representative Cato:

The letter of intent to accompany HCR 2, House Transportation Committee, dated February 9, 1983, defined "space-available basis" in the context of that resolution. It prohibits senior citizens and handicapped individuals from reserving stateroom accommodations when traveling on free passage.

One effect of that restriction has been that eligible persons have declined to travel, even during the winter months when cabin space is generally available.

In order to encourage and better enable Alaska senior citizens and handicapped individuals to utilize the cabin space that is generally available during the winter months, some modification of the restriction in the legislative intent is necessary.

I request that the House Transportation Committee issue a new letter of intent that would allow senior citizens and handicapped individuals to make reservations for staterooms during the months of October, November, December, January, February, and March but only within the thirty-day period immediately prior to each individual sailing. This relaxation should not include any other group of space-available passengers.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

cc: Commissioner Dick Knapp
Department of Transportation
and Public Facilities

HCR 2

February 9, 1983

INTRODUCLETTER OF INTENT TO ACCOMPANY
HCR 2
HOUSE TRANSPORTATION COMMITTEE

It is the intent of the House Transportation Committee that the Department of Transportation and Public Facilities establish a procedure to define "space available basis".

The Committee intends the definition of "space available basis" in the context of this resolution to require passengers so traveling, be on stand-by until all paying passengers have been accommodated. Passengers would not be allowed to receive confirmed reservations unless they are paying passengers and would not be allowed reimbursement in the event that they purchased tickets and were later unable to travel "space available".

Bette Cato

Representative Cato
Chairman

INTRODUCTION, FIRST READING AND REFERENCEOF HOUSE RESOLUTIONSHJR 28

HOUSE JOINT RESOLUTION NO. 28 by Herrmann, Adams, Fuller, Goll, Hurlbert, Vaska, Zharoff, Grussendorf, and Clark

Relating to the processing of Native allotments.

was read the first time and referred to the Resources Committee.

HB 179

HOUSE BILL NO. 179

"An Act
holiday
tive date"

was read the first
Committee.

HB 180

HOUSE BILL NO. 180
Lindauer, Pestinger,
Furnace and Barnes

"An Act
veterans'
under the
chase pre
Alaska Ho

was read the first
Committee on State

HB 181

HOUSE BILL NO. 181

"An Act
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gist and
iners; an
date."

was read the first time
& Social Services an

STATE OF ALASKA

THE LEGISLATURE

1983

Source

Legislative
Resolve No.

SCSHCR 2(SA)

17



Relating to travel by senior citizens and handicapped persons aboard vessels of the state marine highway system.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS, since 1974, in response to House Concurrent Resolution No. 52, the state marine highway system has provided for travel on ferries by persons 65 years of age and older on a space-available basis within Alaska without charge during the months of November to April, inclusive; and

WHEREAS, during 1980, in response to Legislative Resolve No. 2, 1980, the period of free passage for senior citizens aboard state marine highway vessels was extended to October 1 to May 15 inclusive; and

WHEREAS, since 1981, in response to Legislative Resolve No. 39, 1981, the state marine highway system has provided for travel of handicapped persons on ferries on a space-available basis within Alaska without charge from October 1 to May 15 inclusive; and

WHEREAS this service has been used by increasing numbers of handicapped persons and senior citizens permitting travel on the marine highway system at no cost while increasing the number of foot passengers on vessels of the system; and

WHEREAS the policy of free passage for handicapped persons and senior citizens allows only passage without cost during the "off-season", is not extended to other services for handicapped persons and senior citizens traveling aboard vessels, and in fact requires handicapped persons and senior citizens to pay full costs of lodging; and

WHEREAS many handicapped persons and senior citizens find it difficult to use vessels of the marine highway system because of

the unavailability and high cost of lodging;

BE IT RESOLVED that the Alaska State Legislature respectfully requests the Governor to direct the commissioner of transportation and public facilities to direct the division of marine highways to extend free passage on the Aurora, Le Conte, Chilkat, Tustumena, and Bartlett, to handicapped persons and senior citizens during every month of the year to permit them to travel between Alaska ports on a space-available basis; and be it

FURTHER RESOLVED that the Governor direct the division of marine highways to investigate the possibility of making state-rooms aboard state ferries available at a reduced rate to handicapped persons and senior citizens when traveling between Alaska ports.

Introduced: 1/17/83
Referred: Transportation and Finance

1 IN THE HOUSE

BY GRUSSENDORF AND FRITZ

2

HOUSE CONCURRENT RESOLUTION NO. 2

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

Relating to travel by senior citizens

6

aboard vessels of the state marine

7

highway system.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9

WHEREAS, since 1974, in response to House Concurrent Resolution
10 No. 52, the state marine highway system has provided for travel on ferries
11 by persons 65 years of age and older on a space-available basis within
12 Alaska without charge during the months of November to April, inclusive;
13 and

14 WHEREAS, during 1980, in response to Legislative Resolve No. 2, 1980,
15 the period of free passage for older Alaskans aboard state marine highway
16 vessels was extended to October 1 to May 15 inclusive; and

17 WHEREAS this service has been used by increasing numbers of older
18 Alaskans, permitting travel on the marine highway system at no cost while
19 increasing the number of foot passengers on vessels of the system; and

20 WHEREAS the policy of free passage for older persons allows only
21 passage without cost during the "off-season", is not extended to other
22 services for senior citizens traveling aboard vessels, and in fact requires
23 older persons to pay full costs of lodging; and

24 WHEREAS many senior citizens find it difficult to use vessels of the
25 marine highway system because of the unavailability and high cost of lodg-
26 ing;

27 BE IT RESOLVED that the Alaska State Legislature respectfully requests
28 the Governor to direct the commissioner of transportation and public facil-
29 ities to direct the division of marine highways to extend free passage on

1 the Aurora, Le Conte, Chilkat, Tutumena, and Bartlett, to senior citizens
2 during every month of the year to permit them to travel between Alaskan
3 ports on a space-available basis; and be it

4 FURTHER RESOLVED that the Governor direct the division of marine high-
5 ways to investigate the possibility of making staterooms aboard state
6 ferries available at a reduced rate to senior citizens when traveling
7 between Alaskan ports.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House TRANS. 2-7-83 8:30am
2-9-83 8:30am

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH Z
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

JAN 20 1986.

January 20, 1986

The Honorable Bette Cato
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Dear Representative Cato:

We welcome the opportunity to respond to the questions raised in your letter of January 2, 1986.

There are 725 positions on all vessels of the Alaska Marine Highway System and up until last year they were being filled by approximately 850 employees. The reasons for the need for more employees to fill that number of positions are several, but mainly involve having relief employees available. Soon after coming aboard as Commissioner, I had occasion to be discussing ferry business with Joe Camp, Deputy Commissioner of the System and he indicated a desire to reduce summertime vacations for vessel employees. This prompted me to question how many ferry workers we hired in the summer and why would we want to give vacation to any ferry employee when we were virtually hiring people to take their place. This led the System to severely limit vacations last summer and establish a policy of no hiring. We did end up having to do some hiring in order to obtain the qualifications we needed, and twelve new unlicensed employees were added and all were residents. In past years we were hiring between 30-40 unlicensed entry level employees. As for licensed personnel there were no new hires of deck officers last summer and one Alaska resident hired into a permanent engineer officer position. As a result of this no hire policy and through normal attrition, we now have 766 employees of record to fill the 725 jobs available. As this time of year all 725 jobs are not needed and we currently have a number of ferry workers on vacation or layoff.

Of the 766 employees they break down by bargaining unit as follows:

<u>Bargaining Unit</u>	<u>Licensed</u>	<u>Unlicensed</u>	<u>Total</u>	<u>Non Resident</u>
IBU	-	590	590	49
MM&P	77	-	77	36
MEBA	99	-	99	65
	<u>176</u>	<u>590</u>	<u>766</u>	<u>150</u>

During contract negotiations which resulted in three year agreements for all three bargaining units effective April 1, 1985, the subject of residency was fully discussed. Of particular importance was the fact that the System would be sending each employee a document to fill out indicating addresses and an affidavit of Alaska residency. These were to be filled out, signed and returned to the System. As in the past, those not signing the residency affidavit would not be paid the negotiated cost of living allowance. But unlike the past, stricter scrutiny of addresses and affidavits was going to take place. Soon after ratification of the agreements the documents were sent out and a number of follow-up procedures took place, one of which was to give all employees ample opportunity to get them in prior to a November 1, 1985 cutoff of COLA if they did not. The latest procedure has been to review dispatch contacts and personnel files and if it appears out of state contact is consistently required, insurance claims or doctor statements show out of state information the individual is being informed his residency is challenged, the COLA is discontinued and the burden of proof of residency is on the individual.

Of the 155 non-vessel employees, 16 are working in the terminal at Pier 48, Seattle. With these exceptions all other shoreside employees are Alaska residents.

There is no method of determining, with any certainty, exactly what the impact of the STARDANCER was on the revenue of the Alaska Marine Highway System. We do know that a few tickets were refunded to people who stated they intended to switch to the STARDANCER, perhaps a dozen or so throughout the summer. It is reasonable to assume there were a similar number who turned their tickets in without informing us of their intentions to switch to STARDANCER.

Representative Cato

-3-

January 20, 1986

In addition, there would be some numbers who would have made their reservations with STARDANCER that would have traveled on the Marine Highway if STARDANCER had not been providing service.

A conservative estimate might be that an average of 5 to 10 vehicles and 20 to 50 passengers per trip were lost due to STARDANCER. This would amount to some \$14,000-\$32,000 per round trip. During the course of the summer this could be equated to \$225,000-\$500,000 in lost revenue.

We assume that traffic demand on the Marine Highway will increase at a rate of 3%-5% annually. If any new carrier enters service, it would impact the Marine Highway until the demand caught up with the new capacity.

I appreciate your offer to continue discussions with the House Transportation Committee on the history, current and future plans of the System.

Sincerely,



R. J. Knapp
Commissioner

cc: Joe D. Camp, Deputy Commissioner
Alaska Marine Highway System
Susan Fleischhauer, Legislative Liaison

January 28, 1986

The Honorable Bette Cato
Chairman
House Transportation Committee
P.O. Box V
Juneau, AK 99811

Dear Representative Cato:

This letter is in response to topics that were discussed at the House Transportation Committee meeting on Tuesday, January 21.

Marine Highway System

- Q. What is the possibility of providing a "gulf ferry" between Seward and Homer?
- A. That service is already being provided by the MV/TUSTUMENA between Seward and Homer. Although the service is not direct (it stops in Kodiak), there is once a week service in the winter, and twice a week service in the summer. Because of the Sterling Highway connection between Homer and Seward, an additional direct service does not seem warranted.
- Q. The Committee is interested in fast ferries such as catamarans. Is the department exploring such possibilities?
- A. Yes. The Marine Highway System is in the process of drafting their Long Range Plan in which the concept of supplementing current service with high speed ferries, such as catamarans, is being addressed.
- Q. Does the cruiseship STARDANCER have a foreign bottom?
- A. Yes.
- Q. What is the Marine Highway System doing to compete with the STARDANCER, or this type of tour ship?
- A. Last year, the Marine Highway System added on additional sailing each week out of Seattle, for a total of two ships.
- Q. Why is it so much more expensive to haul a vehicle aboard the ferries as opposed to the STARDANCER?

January 28, 1986

- A. The STARDANCER is able to charge considerably less for vehicles because it not only carries more passengers, but those passengers are actually a large revenue source to the ship. The ship is equipped with restaurants, a casino, boutiques and various other shops where passengers spend much of their time. Also, the STARDANCER employs foreign crews; their wage scale is much smaller.

LIPT AXELS

- Q. Would the department be available to show the video concerning lift axels to the House Transportation Committee?
- A. Yes. Upon the request of the Committee, my staff is available to show and narrate the film.

JUNEAU-HAINES ROAD

- Q. Is the feasibility of the Juneau-Haines Road still being pursued?
- A. Yes. The department's Southeast Region is in the process of drafting the Southeast Transportation Plan which is looking at all modes of transportation in the region, including the proposed Juneau-Haines road. When the draft plan is complete, it will be available for public comment, and hearings will be held. Following input from the public, the plan will be revised accordingly, then the plan in its final form, will present the State's long-term strategy for addressing transportation needs in Southeast Alaska. We expect the draft plan to be completed in about twelve months.

If you need clarification on these items or have further questions, please let me know.

Sincerely,

R. J. Knapp
Commissioner

cc: Susan Fleischhauer, Legislative Liaison,
Commissioner's Office

MEMORANDUM ON THE CARBON MONOXIDE REPORT

The report on Carbon Monoxide which was distributed to the committee members was investigated and compiled by Charles Bates aboard the M/V Malaspina. Mr. Bates lives in Homer and commutes to Juneau to work on the Marine Highway.

The report shows there are significant levels of carbon monoxide present aboard. The findings of Mr. Bates exceed the level set by D.E.C. (assumed by Tom Freeman) but do not violate the state or federal labor safety standards.

Tom Freeman, a Safety Consultant with O.S.H.A., cautioned us that the method used by Mr. Bates has a "plus or minus 25% accuracy rate as noted by the manufacturer.

Tom Freeman also pointed out that a group from OSHA would look into the matter if requested to do so by Mr. Bates or anyone justifiably concerned. The industrial hygenist group with OSHA would run their own test on the boats, which they do by something called, "voluntary compliance".

I tried to contact Dr. Annette Thorn, M.D. but she was out of town. Her assistant reached her however, and said she remembered looking the report over and felt there was a "good reason for further investigation".

Mr. Bates was not contacted as he has no phone number on file with Marine Highway.

Alaska State Legislature



House of Representatives

COMMITTEES

CHAIRMAN
HOUSE TRANSPORTATION

MEMBER
RESOURCES
STATE AFFAIRS

REPRESENTATIVE
BETTE CATO

DISTRICT 6
BOX 775

VALDEZ, ALASKA 99686
(907) 835-4568

WHILE IN JUNEAU
POUCH V

JUNEAU, ALASKA 99811
(907) 465-4858
(907) 586-2660

02 January 1986

Richard Knapp, Commissioner
Department of Transportation
and Public Facilities
Pouch Z
Juneau, Alaska 99811

Dear Commissioner:

As you know, the House Transportation Committee met in Anchorage on December 17 and 18, 1985 in Anchorage. During our discussions on the Marine Highway System, several questions were posed which we would be interested in obtaining the answers before the upcoming session.

We understand that there are 725 persons with the Marine Highway who work afloat and 155 persons who work ashore and during the past summer there were 850 vessel employees; how many of the total number of employees are licensed and how many are unlicensed? Within each category, how many are Alaska residents and how many are non-residents? How do you determine whether or not an employee is an Alaskan resident? What is your turnover? How many people have been hired during the past year? What percentage of these people are Alaska residents?

Since one of the areas in which the management of the Marine Highway System feels contributes to the shortfall in revenue projections is the M/V Stardancer, the Committee would like an analysis on the impact of the M/V Stardancer on the Marine Highway System. What will the impact of any future cruise vessels be on the Marine Highway System? What impact would this have on the future revenues of the Marine Highway System?

During this upcoming session, we would like to invite you and the management of the Marine Highway System to continue discussions with the Committee on the history of the System, and any current and future plans.

Thank you for providing us with the answers to our questions, and I look forward to being in Juneau soon.

Respectfully yours,

A handwritten signature in cursive script that reads "Bette Cato".

Representative Bette Cato
Chairman
House Transportation Committee

Alaska State Legislature

House of Representatives

Committee on Transportation



Rep. Bette Cato, Chairman

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4858

December 23, 1985

The Honorable Bill Sheffield
Office of the Governor
Pouch A
Juneau, Alaska 99811

Dear Governor:

The House Transportation Committee, by motion at its meeting of December 17, 1985 in Anchorage, asked me to convey to you the committee's position on the issue of the proposed regulations concerning lift axles.

After taking testimony from Fairbanks, Kenai, Valdez and Anchorage, the committee finds that the Department of Transportation has presented no evidence to support the contention that lift axles are a safety hazard. Several drivers testified that they do not consider lift axles to be a safety problem.

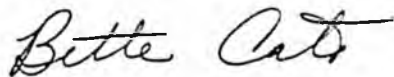
The video tape shown by the Department of Transportation demonstrated axle and weight configurations that are not used in Alaska. Furthermore, the committee finds that there is no sector of our voting population that is asking for the proposed regulation. There simply has been no justification presented for the proposed regulations.

The Committee is disturbed that the Department of Transportation has ignored the fact that 74.2% of public testimony received was against adoption of the regulation. Several compromises and suggestions were made that are worthy of consideration. The Department of Transportation has not acknowledged these. We can only conclude that the proposed regulations are arbitrary and capricious.

Furthermore, we are concerned that the Commissioner of the Department of Transportation and Public Facilities, as a lead regulator for commercial vehicles, is in a conflict of interest situation with his role as Director of the Alaska Railroad Corporation.

For all of the above reasons, the House Transportation Committee unanimously requests that you take all steps necessary to vacate the proposed regulations.

Sincerely,

A handwritten signature in cursive script that reads "Bette Cato".

Representative Bette Cato
Chairman, House Transportation Committee

cc: Chairman, Administrative Regulatory Review Committee

Transcription of
HOUSE TRANSPORTATION COMMITTEE HEARING
Held December 17, 1985
Anchorage, Alaska

MEMBERS PRESENT

Representative Davis
Representative Pignalberi
Representative Shultz
Representative Cato, Chairperson

Chairperson: You have a copy of your agenda in your folder for the two-day meeting. We're a little late in getting started this morning, but then that's what happens when we try to get together in a strange place rather than down in Juneau. I would like to make just a few remarks. This morning we are going to pick up an overview report on Alaska Marine Highway to do some discussing, talk about the bill that I introduced last year, which is still in committee, which is the Marine Highway Authority Bill, H.B. 23, and work session which is supposed to start right now on the deal. Then we'll go to lunch and this afternoon we have a teleconference with Anchorage. We'll be talking about the Lift Axle Report for the D.O.T. and T.J. Thrasher from the Trucking Association is going to talk to us. I found out since Representative Davis asked us to hook up with Fairbanks, Valdez and Mat-Su also want to be hooked up to that teleconference. We think that is excellent and are very happy to do that. That is what the agenda will be for this afternoon. I want to particularly right now at this moment, to, and I think you all will agree with me when you get all the reports, to commend our interim committee. They've done an outstanding job on various reports that we have having to do with the Marine Highway, the Lift Axles, the Essential Air Service Overview and the Alaska Railroad, which will be tomorrow afternoon. That's going to be an extremely interesting meeting. I think we are all going to be somewhat surprised. The railroad is going to come and give a presentation, then we are going to discuss various things that have occurred and I think all of us have something to say on that. Let's start right now then in looking at our overview, you have in the pamphlet in front of you the interim report on the Alaska Marine Highway.

Davis: Just let me get into the Committee, can I just ask the Chairman. Can I just ask a question on this afternoon's agenda? Are we going to review the Lift Axle Report first, is that what we're going to start off with?

Chairperson: Yes.

Davis: I wasn't real clear on how this afternoon was; are we going to take public testimony?

Chairperson: Yes.

Davis: I'll try to contact Legislative Affairs because there might be people showing up there at 1:30 that might want to talk. I told some people it was going to be about Trucker Safety and Lift Axle. I will try to, or maybe somebody from your staff, could let Legislative Affairs know what's the agenda items so that people will know.

Chairperson: I am sure that Wendy will take care of that for you.

Davis: Thank you.

Chairperson: Under our report on the Marine Highway, I think all of us are aware of the fact that the Marine Highway has been organized at the present time they have the Deputy Commissioner Joe Camp is in charge of the Marine Highway. Beneath him is Director Eugene Black, Mary Nuesbaum is the Director. They have about five individuals at the head of the Marine Highway aside and separate from CO's too. In other words, these people work just on the Marine Highway, not on any other. I'd like to have you kind of skim this report. One of the things I think is important that we recognize is the 64% of the Marine Highway's total operating budget for personnel costs and benefits for employees. There has been a lot of consternation about the salaries and various things like that. The Marine Highway recently reached an acceptable agreement with Marine Engineers Beneficial Association on the local hired engineers and I think Marc will be extremely interested in that. Not on the Marine Highway, I don't think. They were aware of our schedule and could have sent someone up on it. In your packet are a little bit of history on all the vessels, how they are in place, what the plans are for the future for the vessels. I think all of you...

Davis: This is interesting, but let me just go back to this Alaska Hire, could I do that.

Chairperson: Yes, certainly.

Davis: It says that Masters, Mates and Pilots are Alaska residents. Do you have any idea what total percentage of the people working there that are Alaska residents? I don't know what the break-down, what's an unlicensed person, persons a Master and how many of them are engineers. Do you have any idea what?

- Chairperson: It's my understanding, Mike, that I don't have the exact figures of the break-down. When Wendy comes back, we can ask her. I think she probably has a more accurate view of the actual break-down. Virtually most of the unlicensed personnel, such as your deckhand, that sort of thing, are Alaska residents. In the upper echelon and the Engineers and Master Mates and Pilots, under my own determination, I would say a good 50% of them are outside.
- Davis: It would be interesting to find out: 1. How many of these people are, what kind of turn over that they have and when they do turn over where are they hiring. I mean if you have a good job with the Alaskan Ferry you are probably going to hang on to it. That would be my first assumption, but if they are turning them over, where are the jobs going to. I think it would be worth knowing.
- Chairperson: Let's ask Wendy if she has any more precise figures. Wendy did you obtain or do you have the precise figures and the breakdown of local hire on the Marine Highway system?
- Wendy: No, just that information in there which tells you how many percent of Engineers are local hire. That was the best Mr. Camp had available without being real specific.
- Pignalberi: Will you just ask for some follow-up numbers. For example the total number of employees, which you tell us is 880, how many of those are licensed and how many are unlicensed. Then within each category, how many are residents and how many are non-residents. How do they determine whether or not an employee is a resident? What is the basis for hiring?
- Wendy: That's a definite concern. They're having a lot of them living down in Seattle and that was a concern that they're still filing as Alaska residents.
- Chairperson: I would like to inform you of a problem that we have been working with in my office quite a bit and that is that AMEBA, which is the engineering union, has a school. Their graduates from that school are immediately allowed into the union when they enter school. A person who has worked up from say deckhand and gotten his junior engineers license is virtually prohibited from joining that union if he didn't go to school. In other words, they reserve the top places for the school and I've been fighting with them. In fact, they even sent one of their executives up to the Bahamas one time to argue the point with me and I think we're going to definitely have to try

to find some way to counteract that. The individual that I'm speaking of is a young man named Peter Templeton, who has had for the last six years, I believe isn't it Wendy, had his license but is still working in other jobs on the ferry system but cannot get into the union.

Pignalberi: That sounds like blatant discrimination.

Chairperson: It very definitely is as far as I'm concerned. So I'm going to need all your help on that.

Pignalberi: Let's ask Legal Services to make a determination on that because it is violating the constitution or civil rights laws for the state.

Chairperson: Most of their graduates live out of Seattle and they send them up on relief jobs.

Pignalberi: There's a school in Seattle?

Chairperson: Is AMEBA's school in Seattle?

Pignalberi: Is that where it's at?

Chairperson: No, it's back east some place, isn't it. Yeah, I can't think of exactly where, but it's back east.

Davis: Wendy, the other thing that I wanted to point out is what kind of turn over rate do they have in the last year and how many people have been on the payroll. What percentage of them are Alaska residents versus outsiders?

Chairperson: I have a list of questions here, various things that are interesting and let me kind of go through with you. You don't have a copy of these questions, I just have them here. One of the things I have found, and I don't know how the rest of you feel about it, but I have no problem whatsoever with the state subsidizing the Marine Highway and I'll give you my reasons why. I think all of you know that the intent of the Marine Highway when it was organized was to serve Alaska. Take care of those places that did not have roads such as Cordova, all of Southeast and that sort of thing and it was a subsidization situation. When they installed the Seattle run, they started talking about revenues and I have no problem with them bringing in revenues, but I have a little bit of problem of them turning our ferries into tour ships for the convenience of tourism and not giving our people the necessary service that they need. One of the biggest gripes of Marine Highway that I've talked to was when Robin Taylor got

his bill in for Hyder, they came unglued, literally came unglued, at the fact that they were going to have to rearrange their schedule and put a ferry into Hyder. Do you remember when Robin got that bill passed on the floor, one of the arguments for that bill was the fact that they could go from Hyder and go straight to the lower 48, because of the new highway that had been built into Hyder and Steward.

Pignalberi: Sort of the Casiar [sic].

Chairperson: Yeah, the Casiar [sic]. But I want to tell you one thing that has been discussed and this has to do with revenues, the revenue breakdown on the Prince Rupert run and the Seattle run. The Prince Rupert run is two trips per week at 1,400 passengers. The number of vehicles is 330, the number of staterooms is 400. The bottom line was revenue generated was \$218,000. Seattle certainly has one ship per week. They had 1,000 passengers, 165 vehicles, 200 staterooms and yet their bottom line was \$325,000 because of the increase of the cost. In an attempt to increase the revenues, the Marine Highway Department is planning to reverse this by offering two ships per week from Seattle and one from Prince Rupert. I think this is something we all should study or understand about and that would help boost revenues. This, again, goes away from what I said, but we need to talk about this, too, as far as serving local peoples. One thing that is interesting that we all need to know about is the Stardancer, which is giving our Marine Highways a real, real challenge. Would you like to know the figures of the Stardancer?

Davis: Is that the "love boat" or something?

Chairperson: Yeah.

Davis: Have they given you a ride, Bette?

Chairperson: No, no I haven't been on it. It's owned by a foreign company. They had one sailing a week from Vancouver. Okay, the standard automobile shipping cost, Seattle to Haines on the Marine Highway is \$500, Vancouver to Haines on the Stardancer was \$250.

Davis: You mean, they can dock at uh.

Chairperson: They have a right to dock at our docks.

Davis: Wow, I didn't know that. That's great.

Chairperson: A 25-26 foot motorhome on the Alaska Marine Highway is \$1,000, on the Stardancer from Vancouver to Haines

is \$350. The Stardancer, the company is planning on putting one more vessel on next year. So, we're looking at the revenue generation picture of the Marine Highway. We're going to have to do something to counteract that.

Davis: That's a private enterprise doing. Hey, we got, just foreign bottoms are killing us, right.

Shultz: But its not a foreign bottom.

Davis: Stardancer isn't? Are you sure?

Chairperson: No, it can't be a foreign bottom. It's owned by a foreign company, but the ships aren't foreign bottoms, because it would violate the Jones Act if it was.

Davis: But, yeah, that's from ...

Chairperson: A foreign company, and by the way, maybe it is a foreign bottom.

Davis: Does it go to Vancouver?

Chairperson: Vancouver, so it has a perfect right to come up and hit an American port and then go back to a foreign port.

Davis: I should have told my friend, he just spent a big chunk of change going outside on the Alaska ferry.

Pignalberi: What is that another 150 miles from Seattle?

Davis: A little over 100 miles.

Chairperson: Yeah, its very easy to get to. I mean, like if you drive, I used to always drive from Seattle to Prince Rupert to catch the ferry rather than the Seattle run on and it's a fun ride. It's a thousand miles, but it's a fun ride and Vancouver is even closer than Rupert by far. So, I think what we need to do is determine among ourselves and other people that we talk to, what actually should the function of the Marine Highway be. Should it be to generate revenue? Should it be to serve Alaska? And therefore be, and we subsidize it anyway, but I think that's one question we all need to think about rather thoroughly. Particularly with the Stardancer coming in on us in this type of situation. It is rather interesting.

Pignalberi: It is interesting. You know, it would look to me like that as more and more companies, foreign or whatever, start operating ships and charging freight costs of a lesser price than what we are charging on

our ferry system, that we would slowly phase out the operation if necessary. Now, isn't there money set aside for, or did they purchase some of those hydro-foil.

Chairperson: No, it was demonstration. The D.O.T. is looking at a faster conveyance type situation that would not take care of automobiles for Southeast and that sort of thing, but they have not necessarily settled on the hydro-foil. They haven't really come up with anything substantial, and correct me if I'm wrong Wendy, as far as the craft is concerned. They have considered hovercraft, they considered the foil and there's one other one. What is the other one that they are considering?

Wendy: I don't know. They are looking at about three or four, but I saw in the Governor's Budget federal money was in there for several million dollars federal money for purchase of a fast ferry. So, when I talked to Marine Highway, they were still in the planning stages, but they said they put in for federal money to purchase one and I see that currently it is in the bid.

Davis: Can I ask what size?

Wendy: They didn't go into the details of it. They have a master plan which they were currently doing at the time that this report was done. They said their master plan would be ready when the legislature went into session and that would address all of those concerns and questions at that time in their master plan.

Pignalberi: I would like to request that the committee staff draft a letter to Commissioner Knapp asking him to provide us with a department study of the impact of the Stardancer competition on ferry system revenues foreseen in the future, and that an analysis should also include any new vessels that the Stardancer company is expected to bring online. I think that will significantly alter the way we look at the budget for the ferry system.

Chairperson: I agree with you. I think it would, too. Would you take care of that Wendy?

Davis: I think Marco [indiscernible]. He makes me think. What maybe we need to do, too, is talk to Stardancer, see what they're up to.

Chairperson: That would be an excellent idea.

Pignalberi: Find out what their plans are.

Davis: Invite them to come to Juneau, if they're in Juneau stop by and talk to the committee.

Chairperson: I think that's an excellent idea. I think all of you are aware then ...

Shultz: Maybe it would be a good idea to find out what their plans are in the future because they're definitely going to have an impact on ferries that are running out of here in the winter-time, etc. Are they running winter-time also?

Wendy: Stardancer? No, they don't run the year around.

Shultz: Summer-time operation.

Chairperson: This brings us then to the bill that I introduced and passed, I can't remember the year, I'm real sloppy on years, of '83 and its the Marine Highway bill which is still sitting in our committee, H.B. 23, it's gone by several different numbers. We passed it through the House, but we didn't push it through the Senate at that time and this was to separate the Marine Highway from D.O.T. because at that time, again, I think it's still happening, they were being treated like a step-child, when the budget cuts come, they come in the Marine Highway system because it's an overall budget. Last year was the first year that the Marine Highway had a budget of their own. The Bill, and we'll bring it up for discussion when we get down into session, the bill, and you have a copy of it I think in your folder, am I correct. Yeah.

_____ : We didn't pass this out of our committee, did we?

Chairperson: No, no I didn't bring it up. I was waiting for these reports and to give them a chance to see if they could do a little bit better and like I said, I think that they, and this is only my opinion, I think they have become extremely top-heavy on administrative level.

Davis: You mean, the current administration.

Chairperson: The current administrative level of the Marine Highway has become extremely top-heavy. I can't envision why they have a Deputy Commissioner and four Directors. It hasn't been needed up until last year.

Davis: You know, maybe this would be good to do too, is to have someone come to us from the Alaska Marine Highway System to give us a little historical perspective which would, I mean I think you could sort of plot the growth of the bureaucracy just by the, you could take the state budget then you could take the growth of the bureaucracy. It probably correlates real well.

Chairperson: We will arrange for that during session when we bring this Bill up particularly.

Davis: Other departments are merging directors as a budget saving mechanism, which sounds good to me.

Chairperson: I'd like to tell the Committee right now I have an ongoing battle with D.O.T. as you have all been really familiar with, the fact that I think the agency is entirely too large and I don't think I'll get any disagreement here on that. And that Executive Order #39 that Hammond put through in 1977, which merged D.O.T. and the P.F. made it into, and you've all heard my statement of, monolithic monster. Commissioner Knapp and I have had quite a few conversations and at the time I told him that I thought that perhaps one man could straighten it out, could handle the entire department, if they had enough time. I don't perceive and don't see where this is being done and I don't see where in the next year that the time is there to make it a smoothly functioning organization. So, if the Marine Highways was out of D.O.T., perhaps that would help. We've also given the Commissioner an additional job and that's on the Railroad Board. So, that I'm not necessarily forcing my opinion on you, I just want you to know what my opinion is and where some of my arguments as Chairman of the Transportation Committee comes in.

Davis: Bette, I'm sure it's here some place, but it would be nice to have maybe Commissioner Knapp and, well, I'm sure that you're not going to get unanimous support from this legislation, but maybe they should be put on the spot to say why they think they can do it better or what they can do to straighten out their act to do it better. So, maybe if we pull these guys on the carpet and sat down and talked to them.

Chairperson: I think it's an excellent idea, Representative Davis. No, they very severely oppose this bill. They've made no bones about it, in fact, they've talked in various communities against the bill.

Davis: I think there's always a reluctance on bureaucracy to do anything different than what they are doing, but it certainly, so that's one point. Another point is that I have this initial reaction that once you set up another bureaucracy and there is some inherent risk that you are not duplicating more things that need to be duplicated. So, I think that's a concern of mine in terms of accounting and all that sort of thing.

Chairperson: Yeah, I definitely agree with you, Representative Davis. That is one of the things that will have to bat if we pass this bill. This would put it into a Marine Authority, much the same as the Railroad, but with the example of some of the mistakes we made on the Railroad, they would be exempt like the Railroad in many things and would be an authority unto themselves. There's one thing that the Marine Highway has been doing that has been a little bit discouraging and that is they have been booked solid. If you call their lines, and there are nine lines going into Marine Highway now, I've been put on hold for as long as 45 minutes trying to get a reservation, but they are working that out to some extent; however, one of the things is they take reservations but they don't require the downpayment. So, what they have is tour groups reserving so much space and then not showing and the no-show, of course, when it leaves the port loses money for the district. So, one of the ideas that we've been talking about is to insist that they get a 45-day advance payment. Forty-five days in advance when they make their reservations for these tour groups and then that would take care, with penalty to be cashed if they don't show, and that would take care and would solve a lot of the standby passengers being able to get aboard and a lot more people being able to make reservations. I know my family in California has tried several years in a row to get reservations to come up and have always been told "I'm sorry, we're booked solid." And yet one year they went to Seattle and were able to go on standby just as easy as pie because of the no-show situation. That is one thing that we definitely need to look at. One of the other things that has been suggested and that is they discontinue the Seattle run. No, not that they discontinue the Seattle run. I had better get that straight in my head a little bit. That they go from Seattle to Ketchikan at a set rate and then book from there onto other places they want to go to in Alaska. That they go from Seattle to Ketchikan at a set rate and then book to places that they want to go to in Alaska. Now this is, I don't know how many of you rode the ferry system years ago, I did. This is one

thing we were able to do, is take our car off say at Ketchikan, stay a day or two, catch another vessel going to Juneau, take your car off, stay a day or day or two and catch another vessel going to Haines.

_____ : Can't you do that now?

Chairperson: No, because you have to buy your ticket all the way through to your destination. Otherwise you get the, I mean you can do it, but when you try to get on the next ship, they'll tell you they're booked up. So, if we could evolve something out of that, so the people could actually have a true Alaskan experience, this would counteract the Stardancer to some extent.

Pignalberi: I don't think we want to counteract it.

Chairperson: I kind of feel a lot the same way.

Shultz: I don't see any, where, in fact, we should encourage private enterprise to come in and take as many passengers and bring in more as possible because it's certainly going to alleviate the problem or alleviate the pressure the state put on the Marine Highway system, and at the same time tremendous opportunity for the state to begin getting more and more out of the transportation system. We're always going to have it, but at the same time we should not be competing with private enterprise and especially at a very high subsidy rate.

Chairperson: Yeah, I think Representative Shultz, what you're saying is that then would put the Marine Highway system back into service for Alaskans and they would be able to schedule more ships to Craig, more ships to various places like Hoonah, things like that so people can get from one place to another. I don't know if any of you are familiar with the Craig situation or not, but they drive about 32 miles to Hollis and then they can go from there to Ketchikan. However, none of these runs are set up for a weekend, its on a Tuesday and how many people can get out of jobs to go. In Craig there's no place to shop so they do a lot of their grocery shopping and things like that in Ketchikan. So, one reason why I bring this up is because I'm very familiar with the school system down there. Teachers are wanting to get off on Tuesday so they can take the ferry to Ketchikan purchase and come back to Craig. Well, that blows your school week. Various things like that where our ferry service isn't really taking care of the smaller areas that need that service.

Shultz: But Craig also, what does a charter cost coming out of Craig to go to Ketchikan. Don't they have a daily charter?

Chairperson: They have airplanes, yeah.

Shultz: The mail run, etc.

Chairperson: Yeah, but they're extremely expensive, \$110.

Shultz: As opposed to what with the ferry system.

Wendy: Twenty-four dollars round trip, \$110 as opposed to \$24.

Shultz: Okay, but still if you got a round trip ticket on the ferry system, you take the ferry from Craig to Ketchikan, when can you catch it going back.

Wendy: That totally depends on the scheduling for the week.

Shultz: Right, but I mean it may be a day, two days, maybe a third day that you would have to spend. It looks to me like.

Wendy: They have round trips some days.

Chairperson: Yeah, I think they have a round trip on this Tuesday that I was mentioning. You leave in the morning and come back in the evening and, of course, people want to take their cars to pick up stuff like that so they can do a lot of shopping. I was just using Craig as an example because I'm familiar with it. But we do have that situation also between Sitka and Juneau, we have between Hoonah and various places in Southeast where they really don't get the transportation needs taken care of, and that was what the Marine Highway was set up for to begin with.

Pignalberi: I like to give you copies of correspondence I've had with the local company that manufactures hovercraft [indiscernable, coughing]. Very successful in marketing that could transport 100 people plus cargo space and they make them down to the size that could hold three people and it seems to me they might be considered as part of a completely small class to serve Juneau and some of the smaller areas, and I was amazed that these were even being made here and at Anchorage. I found out about it by accident. I went and toured the facility and I saw the big 100-person machine and I asked them what the price was compared to the Boeing hydro-foils in Seattle and they were less than half the price, about 40-45% of the Boeing hydro-foil.

Shultz: How are they on the open ocean? Can they traverse pretty high?

Pignalberi: I don't know. It's probably worth, I think we sent, Barbara did we send copies to Commissioner Knapp.

Barbara: We sent one to Bill Ray.

Pignalberi: We sent them to Bill Ray because he had told me he was looking into some small vessels. Would you make copies of that and give it to the chairman. That correspondence.

Barbara: But, I just have to [indiscernible] keep the copies, I'll get some from [indiscernible] Cushing.

Pignalberi: In fact, if you're in town at all and want to go through that plant, I'll make the arrangements.

Chairperson: I would like that when I have some time. If you give it to Wendy, Marvene, it would be something we could bring up. I would like to know in the management personnel, I would like to have all of you jot down any ideas you have. What actually is happening in the Marine Highway is that it's not a policy problem, it's a management problem and let me read to you here, "they have a difficult time making the necessary changes to help meet revenue projections because much of the information they have available is two or three months old. In other words, many circumstances have been incurred for two or three months before management is able to break down what the problem is. This slow reaction time to problem areas definitely has an impact on revenues. This should be overcome in January when the ticketing system is automated. However, changes such as requiring advance payment of tickets, increasing services out of Seattle have been considered for implementation last year." However, as far as we've been able to find out, they really haven't done a great deal on that. One of the things that I have discovered as time has gone on by, that management doesn't seem to know exactly where in the heck they are going. And correct me if I'm wrong on this statement, they are supposed to put an F.I.S. system in D.O.T., financial information system, which we put millions of dollars in, which still is inoperable and one of the things that -- let's make sure I've got this in the right connection -- that they are still hand-punching in the time cards of the employees of the Marine Highway. I'm correct in that, am I not.

Wendy: Computing them all by hand.

Chairperson: Computing them all by hand and they keep telling us, and this is the one thing that we have to worry about bureaucracy, they keep saying well we'll have it in place next week, we'll have it in place the week after, we'll have it in place, and they don't get it in place. And so, we're going to have to bring some pressure to bear to see to it that these things are put in place. They've had the monies for it.

Pignalberi: When I worked in D.O.T. in '79, we were promised then that we were going to have the financial information system. In fact, we scrubbed one in the maintenance and operation section because we were going to sit and wait until we went department-wide. We had one all set to go, the design here in Anchorage. I don't think it's ever going to happen until the legislature doesn't pull some of these people aside and say, "put it in or you don't have a job."

Chairperson: I agree wholeheartedly and I think it's something this committee needs to study and work on. Because it's utterly ludicrous that our financial information systems. Money's floating all over the place, you can't find out where the hell any of it is.

Shultz: Why hasn't it been, if they've got the money and everything else, why? I mean, what's Knapp have to say?

Pignalberi: I've looked from last year and I've found that they've spent \$400,000+ for the company, I think it might have been Price-Waterhouse, and put in a system that basically didn't work and they ended up, they were going to [indiscernable, cough] over that money because they said the system was just unworkable and they were going to start from scratch, but they've already blown the money, or part of the money, that was supposed to set the system up. That's one of the problems. The other problem is that I just don't think they've had enough management experience for instituting computerized financial information systems so they're being led by the consultants instead of leading the consultants.

Shultz: Is that kind of like spending \$450,000 on a finance study for education and ending up with a recommendation that we really don't have a recommendation?

Chairperson: That's kind of like the things that, yeah, we run into those things don't we.

Davis: My apologies, I had a phone call, where are we on the agenda.

Chairperson: What we're talking about is management personnel's list of questions that I had that you don't have in your file. What we were talking about is the, one thing, just to recap a little bit, one of the things was the fact that the ferries are always all booked up, there's no shows because there is no advance deposits and we were suggesting a 45-day advance deposit on tickets or penalties received to the companies that make the reservations that don't show.

Shultz: There is no advance deposits? Currently, they don't have them, you mean?

Chairperson: This is something we've talked over the last couple of years we've mentioned it. They still haven't come to it.

Wendy: They have drafted some up for public hearing and copies of them are here.

Chairperson: Wendy, go ahead with that.

Wendy: It states "Notice is given by the Department," what they are proposing is a 45-day advance purchase and then penalties depending on when you cancel from then on. Percentage penalties if you cancel two weeks before and refund on ticket amounts, amounts refunded on tickets shall be reduced from the full ticket price if you cancel 30 days prior, 100%; if you cancel more than 20 days but less than 30 days from sailing, 80%; and its pro-rated all the way down. They have, as of doing this report, which was earlier, they had heard public testimony on it and were hoping to get these adopted so they were in place by early next year so that next summer's reservation problems wouldn't be the same as they were last summer. The problem with last summer was not only a lot of no-shows but the threatened strike, a lot of people, because of the threatened strike, looked into alternative forms of transportation and then found out about the Stardancer and the rates and that, but kept their reservations on the Marine Highway System. So although they were showing 100% capacity, a lot of their ships were only running on 70% capacity when they came up.

Chairperson: That's under Transportation of Public Facilities, [indiscernable] the fare rates and charges.

Secretary?: I am quite sure that on the winter ferry schedule they do have that penalty listed.

Chairperson: Have they got it listed now?

Secretary?: Forty-five days and I believe that it's limited to sailings out of Seattle.

Chairperson: Okay, great. I think that if they could resolve that issue, or if they have resolved it, that we need to check that out and make sure that they have resolved it and have actually put this into policy and are going to do it rather than do it just haphazardly on one phase of the ferry system and not on the rest.

Davis: I haven't obviously read this because I just got it, but it says here under possible solutions about the discussion with Representative Cato has shown that all alternatives have been explored aggressively, compete with cruise lines. How can they aggressively compete with cruise lines if they are offering a substantially reduced price?

Chairperson: I don't know how they can possibly compete unless they do offer some reduced prices and offer the same type of services the cruise ships do offer.

Davis: It says increased services on most heavily booked runs to try to increase revenue. What does that mean?

Wendy: What Mr. Joe Camp said was that they get a tremendous amount of calls and they turn a terrific amount of people away, and now with the advance purchase, they will have a lot more idea. A lot of times, unless you've got reservations on Marine Highway by February or March if you want to come up for the summer, you can't get vessel space or anything like that. Their rationale in it is that there's a lot more people that actually want to travel and they can't travel because there aren't any spaces available. That's why they're proposing putting on another ship. And they've switched the routing from two ships a week from Prince Rupert to two ships a week from Seattle because they're making considerably more. They're actually making profit on the Seattle run. So, they're hoping instead of one ship a week and minimum profits, have at least two ships a week coming out of Seattle and increase the profits and decreasing their loss that they're experiencing out of Prince Rupert. They feel by adding more services and by making some cost savings in personnel and things like that that the expenses, as opposed to the revenues, can be reduced somewhat. And, also, the revenues will be increased by more services and more passengers and more profit.

Davis: What kind of service you talking about? Like have fancy dinners, or what do you mean by increasing services?

Wendy: Number of ships actually.

Davis: Okay, that's what I didn't understand.

Wendy: They're not proposing any changes per se in the way that they provide the service right now rather than just to increase the number of.

Davis: Okay, then I understand.

Shultz: Finish the road from Haines to Juneau and tie into Cordova, let the tour ships take over the business of transporting the tourists and the Alaskans from that area North and all the ships going Juneau So

Chairperson: Representative Shultz, I like your idea real well.

Davis: Miss Valdez though.

Chairperson: Well, no we have to keep that one southcentral. That is in the summertime a paying run; in the wintertime its a losing run, but in the summertime it really, really pays off. They leave approximately 20 to 30 vessels in Valdez, 20 to 30 automobiles, I don't mean vessels in Whittier practically every day during the summer. So, they can use the larger ferry up there. There's one thing I want you to know [tape end].

TAPE 1, SIDE B

Pignalberi: Given that it is subsidized and we know all our roads are subsidized too, but given that it is subsidized and put it in a particular category where subsidized, but still you've got have some kind of control over that subsidy and I think that's where it's been always difficult. Because it's subsidy anyway, so you don't have as much breaks on it if the thing has to make a show of profit at the time.

Chairperson: Well, this is one reason for my generating this bill that I generated. That, in as much as the money that the Marine Highway generates, they go into the general fund of D.O.T. and are not necessarily placed back into the Marine Highway.

Davis: I don't know if you've done this, but you know it would be good to have a real understanding and that's why I was saying earlier about having the ferry people come, we've talked about okay here are the

runs that generate revenue, that generate money to the system and here are the ones that are real losers. They're only there for political reasons or whatever, so we would have an understanding of where the big losses are and where the ones that are revenue generating. Not that we could do anything but we could have a better understanding of how the system works and what areas may produce or give service to that are just huge.

Chairperson: Yeah, I think we could arrange that, to have that happen, Representative Davis. And we will do so.

Shultz: What ever happened to the proposal to link Haines and Juneau together. There isn't all that much of a road.

Chairperson: Megabucks plus the fact that it would still need a ferry in some parts of it there.

Davis: We've put so much money in District 17 we can't afford it.

Shultz: Good point.

Chairperson: In the, and I don't profess to be really, really familiar with the road situation from Juneau to Haines, but I do know in the proposal the ferries have to take over at two points because there is no way they can build a road in a couple of areas there. So, it had to be a combination ferry and road. It wouldn't be like Fairbanks to Valdez or something like that. It can't be a straight road.

Shultz: Even if they just tied in Skagway.

Chairperson: Yeah.

Davis: Maybe we could just read this report and then I wouldn't have to sound so stupid.

Chairperson: You don't sound stupid at all, Mike.

Davis: It's right here, all the stuff I've just asked is right here.

Wendy: Incidentally, there is only one problem with those graphs there, they're only showing direct expenses on there. So, I found out after I attached these graphs in here that the costs of laying up ships and stuff like that, these graphs only, so all of their revenues are in there but the graphs only show direct expenses. So, if you add the actual expenses in there.

Davis: Graphs that include direct expenses probably are 70%, you're looking at another 30%. So, there's not a single route that's making profits.

Wendy: No.

Davis: Do you think when you add the indirect, that's not in here?

Wendy: No, all of their graphs that they gave and provided and all the graphs that they usually provide, I've checked all the legislative reports, always have direct expenses. They don't show indirect or nothing was available. I don't know they don't show it, but nothing I had was available on total expenses.

Davis: I think we ought ask for that.

Chairperson: Yes.

Davis: I would like to see the graph to include total expenses.

Chairperson: Total expenses, if they have that information available. We usually get back if we don't have that we'll have it in a couple of weeks for you, so on and so forth.

Davis: What do they do, just take the overall budget and pro-rate it for each vessel per mile or something.

_____ : The charts show the revenue and the cost per vessel and per route. I think they're doing the right kind of analyses but they're using the wrong, not putting the total expenses.

_____ : I don't know how they can manage it.

Chairperson: I don't either and that's why I say its a management problem. They're not managing.

Wendy: I just had a couple of times that when I asked some questions like on the Columbia, then the contract that they awarded when they layed the Columbia up; okay, that's an actual expense but its not billed against the Columbia here on these graphs and things like that. The cost of running the vessel and the crew and that is, but then when they go to instances like that, they're not building that into these graphs. They're saying, "well that's not really a direct expense associated with the run; it's more of an indirect expense."

Chairperson: One thing that might be interesting to you, too, is they put the Columbia up for nine months this year. The most expensive vessel we have; the one we really need to run runs, they put it up for nine months this year. And they're not even having a skeleton crew aboard, it's just in dry dock, period. That's not for repairs and things like that.

Pignalberi: Chairman, your question is now prompting the question of what is the essential roll of the ferry system, to serve the purse or to serve the people of the state. And I just can't help but remember, as I am sure you will too, when the ferry system started it was to provide the transportation only for the people in state, and the Seattle link was started by Governor Hickie sometime later and it turned out to be a boon for the tourism industry; but it still is not making money. It seems to me now that with such an integral part of the tourism industry, we'd be doing the state a disservice by recommending that we stop that. But I didn't know about the Stardancer and what we're trying to figure out the roll ought to be, we've got an obligation to both the state and the tourism industry and I wonder if someone representing the ferry system or the state ought not to try to analyze whether it's possible to sell the Seattle run and the Prince Rupert run. The long hauls which at least are close to being profitable and probably could be made profitable in the private enterprise. To sell those runs to a Stardancer type company or Princess Tours type company, and see if they could run that at a profit, and take a look at what the savings is to the state. If we pull out of that market, pull out stake and have the long haul market, then we've got a lot more money that we can put into the local, between Sitka and Juneau and Angoon or wherever. The state will end up spending a hell of a lot less money out of the treasury. But it seems to me the market's developed enough now where we might be able to turn over some of those routes to a private company. How would you go about?

Chairperson: Jot that down, Wendy. We'll try to explore it. I think one of the things we're going to get back from D.O.T., because they're very jealous of the Marine Highway System and they really don't appreciate the Transportation Committee getting involved in, one of the things we're going to get back is that we would be destroying the Marine Highway, the profit margin. But then again, as you say, that wasn't the intent of the Marine Highway System and perhaps there can be such a thing that they could farm those out to, their reservations, to a free enterprise corporation and go back into the business of serving Alaska.

Davis: Sell some of the vessels. Maybe one way to do it is, I'm not so sure that the Marine Highway's people would bring us back a completed analysis of the situation as one might want. Maybe we ought to put out an RFP.

Chairperson: It might be an idea.

Davis: Private tour companies that are in the business to see what they come up with.

Shultz: It would depend on, if you depended, that goes for anything, any department that you request information from, they going to make the information, tell you exactly what they wanted to tell you, and perhaps everything else are going to reflect their position. These graphs here, you said no indirect costs included in it, you know. What's it tell you? It tells you we spent a hell of a lot of money, state money, having an employee or employees work up a bunch of graphs that don't give us a true picture.

Chairman: I agree with you, Representative Shultz, and what I would like to see and that is all of us to find out what we can on our own from the Marine Highway System. See if we get different answers. Such as have your staff write the letter about certain things that you are concerned about and then get together and compare those answers and see if we're being mollified, I think is what I'm looking at. See what I'm getting at. That they get a letter and said well, so and so wrote this and this is what he does, this is where he lives, so this is the information we'll give him. I will say one thing for Deputy Commissioner Camp, he has been most congenial, he has attempted to, from the viewpoint that he is looking at, give us all the information that he has available. Now even though that information doesn't show the complete and true picture, it's going to be up to us I think to find out the part that he's leaving out. I don't think he's leaving anything out deliberately. I don't think he has the information at his fingertips, again, with the fact that their management information system hasn't even gone into effect yet. No, no and he has been, I think it's his orders that anytime a call comes from my office, that he's not to be interrupted and that he will go ahead and cooperate to the fullest of his ability. I am sorry that we don't have that in a lot of other people in D.O.T. But again, I would like to have you take these reports home and study them. I didn't send them out to you ahead of time because we've been compiling them and not been able to have them all done so that you'd get them

ahead of time. But once you review the packet, it's going to give you a lot more information on various things. I'd like to have you turn to, and you'll find it right after a newspaper clipping, an apology for an abuse of a privilege, the next page shows you what Marty Neusbaum, some of the objectives that he has told to me and some of the things that he's been trying to do. He's reduced the payroll and dispatching errors by 25%, crew travel pay due to dispatch errors 28%, decreased time on recording crew seniority by 28%, processing time, this is one thing I think we're all interested in because I can remember hearing in the halls, the Vendor Bill, right it is your bill there. Vendor payments are being accomplished within 30 days of time of invoice to the payment.

Shultz: Marine Highway may be doing that, D.O.T. is not.

Chairperson: Is not, but the Marine Highway is. Then their prompt and accurate reading and response to Marine employees as to hiring qualifications and the warehouse inventory control procedures reduce the error rate. When they talk about error rate, all they want, and one of the most ludicrous things that they have as far as warehousing is concerned, warehousing is done in Juneau for the entire Marine Highway System. It's clear across town and they have to go into trucking to get their things for the entire ferry system into the warehouse, to a trucking situation to get it back to be distributed. When they were supposed to build a warehouse in Ketchikan.

Shultz: Right, that's what I was going to say was that Robin Taylor's legislation that we discussed in our Committee.

Chairperson: Exactly, and they don't appear to be doing anything towards that expediting of their warehousing, and that would save a tremendous amount of money.

Shultz: Because they were opposed to it.

Chairperson: There were definitely opposed to it.

Shultz: They were opposed to that, yet the pressure was there to do something in Ketchikan. See, that's probably the most frustrating thing, with the entire bureaucracy, it doesn't make any difference what we do, what kind of laws we pass or anything else, it's just a virtual impossibility to move the bureaucracy from a position that they have taken. If they don't want to move, they will come up with all kinds of delay tactics, etc., throughout, and I've watched

this thing and it's frustrating. Because I thought we had resolved that and I thought they were going to do something down at Auke Bay where the ferries come in. I thought they were going to put in a small warehouse in that area and that they were going to facilitate getting the state or the city has already given up the land, etc.

Chairperson: State, the city gave up the land to the state.

Shultz: Right, to the state for them to build the warehouse in Ketchikan and you're saying its going nowhere.

Chairperson: Right. It's fine to talk about reducing error, but when they don't hit the main problem itself.

Davis: Excuse me, they're building a warehouse in Ketchikan.

Chairperson: They haven't so far.

Davis: They're going to.

Chairperson: We passed that law, didn't we.

Shultz: We passed it out of the House, I don't know where it's at. I didn't keep track of it.

Chairperson: I'm not sure either.

Davis: You know it didn't pass though, right.

Chairperson: I don't know this.

Shultz: I don't know whether it passed or not.

Davis: They would have had you up there for a signature if it would have.

Shultz: No, it wasn't my bill.

Chairperson: No, it was Robin Taylor's.

Shultz: I don't make it up to the third floor to sign, or watch signatures being put on the legislation.

Chairperson: Only when your constituents come down and something has to do with them and you need your picture taken with them, right.

Shultz: Yeah.

Chairperson: I know, because that's when I do it. But I think it would behoove us to take some of the responsibility to try to solve some of these problems. At least

give them an explanation of what we as legislators think. I mean we don't sit and pass laws just to, we want them to implement it. I understand what Representative Shultz is saying about the bureaucracy. I have a real difficult time seeing what occurs in the bureaucracy because if you get a new commissioner in there, he's going to go gung-ho and he's going to do things accordingly to reduce the amount of bureaucracy and red tape and so on and so forth, and pretty soon you find them all wrapped up in it themselves. It doesn't reduce a doggone thing. To hold an empire is still holding great in D.O.T. much to our, the state's bad luck and I think Representative Pignalberi knows what I mean by that. But at any rate, do we have any more, would you all study the bill and we'll be bringing it up. Do I have all the copies or do they have a copy of it.

Wendy: They've all got a copy too, but you still have plenty.

Pignalberi: Do you have a sectional analysis done on the bill?

Chairperson: Do we have a sectional analysis on this bill?

Wendy: You have one.

Chairperson: Where do I have it? Would you get that for the rest of the members of the Committee, Wendy, and mail it to them.

Wendy: Okay.

Chairperson: And try to ask around it and make it a little bit more, including my testimony on it. I have here, and I won't bore you with it, the testimony that I did on the bill itself, which is virtually a sectional analysis and stuff like that. But I won't read it now. But I do want to tell you that we are going to bring it up for consideration in the Transportation Committee.

_____ : Does it look like the Senate will back it?

Chairperson: You never know. Can't really set those things up. But I would like to know what other things we need to talk about as far as the Marine Highway. Wendy, would you like to give the Committee an overview of the interviews that you've had on the Marine Highway.

Wendy: [Indiscernible] and I attended a meeting of the Marine Highway Authority Board or an Overview Board, mainly made up of representatives from Southeast and on that day Commissioner Knapp and Deputy Commissioner

Joe Camp sat down and talked about the goals of Marine Highway and also did a tour of the facility. Then I met with Deputy Commissioner Joe Camp on several occasions. The biggest problem that Deputy Commissioner Joe Camp is fielding is the declining revenues. The problems with laying up the Columbia and that were made because of the revenue situation this year. Marine Highway had requested \$38 million, the legislature said well that was almost \$3 million more than what the bottom line was. So, instead of saying you couldn't have it the way the money was appropriated to Marine Highway was, they were still allowed to have a \$38 million budget; however, \$3 million they had to make in additional revenues. If they made that money, they could keep it and then they could spend it so that they could have their \$38 million. At this stage, they feel that to balance their budget they're going to be \$1.8 million short of the money that they budgeted to spend on expenses. So, that's why the laying up of the Columbia and certain changes have become necessary. Some of the reasons that they're sure it is the Stardancer, a lot of the reasons that they're saying is also the really cheap airline fares have hurt. Another problem they seem to be experiencing a lot when I used to telephone each month to see where their revenue projections or where their revenues were up to, when I would call in August, they could only give me figures from May. So, because they still hand punch in all those tickets, too, so by the time the summer is over, their revenue short fall is really dramatic by that time. Three months have gone by, they haven't adjusted any of their management ideas to compensate for their losses, so right now I have figures from them for August and September and it is December. So, the summer was over before they made any anticipated changes. I just wanted to correct something as this report went on and we did it initially in August and then went on through updating it, those advance payment has gone through, I just checked with my record. That advance payment was effective October 31st. So they are going to go ahead and require advance payment. They feel the advance payment and what I talked about with Representative Davis aggressively compete. They feel that adding more services and fast ferries, actually the philosophy of Marine Highway as far as new ideas or something innovative really isn't changing. The best that they seem to have is advance payment of tickets and offer more services. I did ask the Deputy Commissioner, I said what happens now that the cruise lines are also going to aggressively compete, and right now they're less than half the price and they're planning on putting on new ships

next year, too. So, they're going to probably fill those ships to capacity. Marine Highway to this date doesn't have an answer to that question. They're just hoping that there will be enough people to fill up all the cruise ships and the new Marine Highway run that they are adding.

Davis: That's why they need to be able to make the changes in their decisions is real critical. Obviously, if they're going to put on four ships where they've only had one in the past. Right, is that all they've had?

Wendy: Only had one running.

Davis: There's got to be a saturation point some place.

Wendy: Now, they say in January that they will have their computers on line so that they will be able to tell. It was amazing to go down and have a look at the system and realize that this one girl receives the tickets and hand punches all the tickets for like Myrene. Now imagine if you mailed the tickets for May. I mean, that's a tremendous amount she hand punches and then these other women over there have hundreds and hundreds of time sheets with some overtime and that on them and they hand calculate all the time sheets. So, a lot of it was very surprising. It seems like, and the Deputy Commissioner agrees, that they seem to react after the problem has happened because of the way that it is set up. The problem happens and then it's magnified and then they react with a solution to the problem. By then it seems like another one has already started and is on its way. But their answers to what they're going to do about that, they really don't seem to know.

Pignalberi: I know that it's nice to have computers, but this is not going to solve the problem because they have enough operating experience now to know exactly what it costs to run a vessel from any point A to any point B in the system. So they absolutely know what their costs are and it's not that difficult everytime a vessel leaves the port, just like when the airline leaves the gate, a gal gets on the phone and calls the operation center and says flight 202 is leaving with 78 passengers aboard. They can call that in and calculate what their revenue is instantly. It's just not that hard to do, but I don't think they believe it will make them manage better and provide them better information is they just collected that on a daily basis. That's a lot less onerous to collect than it is to punch in the tickets by hand.

Chairperson: Representative Pignalberi, I think you'd find the pursers aboard the vessels feel exactly as you do. They have an absolute count, but the Marine Highway won't use the purser's count. They wait until the tickets are in and then punch them out by hand.

Pignalberi: That's just plain dumb management on the part of the main management.

Chairperson: That's what I said. I think the thing with the Marine Highway is a management problem. I think we can find a lot of changes if they would update their management system and anticipate problems rather than wait until problems happened and then haphazardly run around crazy trying to solve the problem.

Wendy: Just one last thing. Marine Highway makes the papers constantly. It seems like anymore when you open a paper there's something. This was an article that was run an apology for a recent privilege. This was another article that was run on letters to the editor. Representative Cato received quite a few calls from Marine Highway employees and in discussions with the employees, one thing comes out. A lot of this is frustration that is expressed. They say that the upper management, that the system is top heavy and all of these accusations. But I think the biggest problem comes out is that management does not communicate with a shore or a float personnel at all and float personnel were very, very unhappy recently with the new reservation system that they're supposedly going to install. They've gone ahead and purchased the system and they never had meetings with the personnel who operate the system every day. They never received any input at all. It was just a management decision made. That's the biggest complaint coming from all the employees. Where a lot of the hostility comes from is management goes ahead and make the decisions that doesn't work within the system that they have. They never ever sit down and say what can we do to improve the system, what are the customers that you're working with every day, what are their complaints, what can we do, what would you like to see us do. It's just all the employees seem to feel that management is totally inaccessible to them. So as a result, these letters to the editor and a lot of things like this result from that frustration.

Myrene: I would just like to agree with what she found out. I traveled quite a bit on the ferry system this summer and talked to a number of employees on there. Their feelings were the same. They were very upset that they didn't have any input into management.

They had no access to them. Some of their desires was to try to get at least some of the people, the actual working employees, to get to meet with management on such [indiscernible] and have that interchange of ideas or frustrations or whatever.

Chairperson: I can very definitely verify that and attest to me being based in Seward and the Bartlett in Valdez, they have no communication with management at all. I think we're going to have to prod them a little bit to attempt to insist that they have set up a system of some kind where they take the input or gather the input of the actual employees themselves. Because I have seen stats and figures done by different pursers and different skippers that would help the management of the Marine Highway tremendously, except they won't accept them. Do we have any other comments on the Marine Highway System. We know that's one thing we'll be working on this session. We're all going to be extremely busy this session. So, your suggestions have been noted by Wendy and she'll attempt to find out the answers to your concerns and whatever others you have after you read the report, bring up to us. Call my office. Wendy is going to go on vacation, Rhonda will be there. I think all of you saw in your folder two new staff personnel, didn't you? We have a new boy and a new girl in staff personnel now and I don't think they'll be contributing a great deal, locally at least, until they get a little bit older; but it's Rhonda's way of showing you her twins. We all saw them develop. You remember one day she was fairly slim and the next day she looked like a box car. That was the day she found out she was having twins, rather than just one baby. If we have no further business then this morning pertaining to the Marine Highway, then I'll recess the meeting until 1:30 this afternoon. If you'll look at your agenda, you'll find that we will be going in to present it to the Committee as an agenda change whereas we're going to put the report by T.J. Thrasher above the hook up with Fairbanks, so they can hear what she has to say prior to their comments. Does that meet with your approval, Mike.

Davis: That's fine Madame Chair.

Chairperson: I think at the present time only Fairbanks is on line. Do we have anybody in Valdez or are they on line yet.

_____: No, they're not on line yet.

Operator: This is Annie in Fairbanks and I'm sorry we are not dialing in Valdez or Mat-Su and just very shortly we'll hit the switch and they will all be on hold with us.

Chairperson: All right, real fine. Thank you. But as I told you all the change in the agenda, I would like to have the Alaska Trucking Association discuss the regulations and then we'll go onto public comment and testimony. After that we'll hold our work session. I think that order is a little more appropriate at this time. So we'll wait a couple of minutes for the hook-up to Valdez and Mat-Su in as much as they requested to be in on this teleconference. For the Committee, I would like to have you...

Operator: Can you hear me.

_____ : This is Harry in Anchorage.

Chairperson: Valdez can you hear Harry.

Mat-Su: Can hear Harry.

Chairperson: Down in Valdez, do you hear Harry.

Valdez: I can hear you, but I'm getting a lot of static.

Chairperson: I hear the static also. We may have to sort of forget about that today if you can hear the transmission.

Bonahan: Donna, this is Harry in Anchorage. Can you hear me?

Donna: Yes, I can Harry.

Bonahan: Mary in Mat-Su.

Mary: Yes, Harry, I can hear you.

Bonahan: Thank you.

Chairperson: All right, we'll continue then with our portion. I'd like to have the Committee turn to the first page after the signature page on the Lift Axle Regulations proposed by D.O.T. and this will tell you a little of what we have done. You'll see there the public hearing and the results of those public hearings. I would like at this time to ask T.J. Thrasher to give us a presentation. T.J. is the Executive Director of the Alaska Trucking Association.

Thrasher: Thank you Chairman Cato. I am T.J. Thrasher, the Managing Director of the Alaska Trucking Association.

We appreciate the opportunity to be here today and talk about a few things we've been working on almost a year and a half. As you know, I have not been feeling very well so I have asked a member of our association, Harry Banahan, Big State Motor Freight, to come here today and make the presentation. I came here with him, but he will on my asking to, be talking to you about the revised or the final, what we think will be the final, regulations on lift axle if I might.

Chairperson: Yes, thank you very much, T.J. I do recognize the fact that you have been ill and Harry will be a good representative.

Banahan: Thank you. On my comments concerning the proposed regulations, I would like you to understand that the Alaska Trucking Association for the last year and a half has debated and met with the Department of Transportation many, many times, at least six times, regarding the proposed changes, which if I am to understand at this point are due to go into effect immediately. These changes were opposed by our association, our members and concerned citizens insofar as they will ultimately cost the industry a great deal of money and equipment and that they would also cost the consumer quite a bit in increased rates. Over the period of one year, for example, we expected, it was my understanding that rates would have to rise just on a seven axle configuration, some \$10 per hundred weight on every commodity that was hauled over the road between Anchorage and Fairbanks and Valdez and Fairbanks. It appears the regulations in the draft, this is the first draft that I've seen, it appears that these regulations are a fair compromise on the surface; however, they're only a fair compromise insofar as they alleviate the problem of being able to pull maximum capacity loads between Fairbanks and Prudhoe Bay. They do not really, they do not do anything for the trucker that makes his living between Fairbanks and Valdez and Anchorage and Fairbanks. While it's true that each point mentioned in this memorandum that I have before me from Commissioner Knapp, each one of these is probably directed with the, it's my understanding, with the inability of the State Department of Transportation to either fix the roads to the standards necessary to support the laws that we had in effect or to fund the Department of Public Safety with the adequate personnel necessary to enforce the laws. I think those are the two, probably the two saline or most saline points that Commissioner Knapp has hung his hat on in asking that these regulations be changed. While it's

very, very true that our state is undergoing an economic change in the production of revenues on the oil business, I think it's very, very foolhardy for us to pass along increased trucking charges to the very group of people that we depend on for practically 80% of our state revenue thereby increasing the well-head cost of the oil and reducing state revenue further. This has been my tack since these hearings took place and I've listened to virtually all of them with the exception of one that was held in Juneau. Most of my colleagues agree with my particular assessment of the situation. These points, as I see them, represent a good compromise insofar as North Slope Haul Road is concerned, but I think they really limit and increase the cost to the consumer in the railbelt quite dramatically.

Chairperson: Mr. Banahan, I'd like to know what your impression is, or the safety angle in banning the lift axles. Could you give us a statement about that?

Banahan: Safety has always been a prime concern and I've known people that have put down the lift axle with too much air pressure on it and lost the ability to steer and this can happen. These axles have been in effect up here or been used since the early '70s and I would say most notably, with all the drivers that I've had contact with, they've been used practically without exception in a safe manner. While it's true that part of the industry abuses the use of the lift axle, I don't think the lift axle in itself, in and of itself, represents a safety factor unless it is abused or used in conditions which would normally be unsafe to be driving in anyway. In other words, you wouldn't put the lift axle in your own position on a slippery hill where you were coming to a series of turns because you would reduce your steering capabilities. Given the fact that most of these occurrences, or most of these conditions, slippery conditions occur during the wintertime when the road is frozen anyway, there is virtually no damage to the roads. So, therefore, the driver is going to pick that lift axle up and give him the necessary traction that he needs to negotiate the roads safely. I don't really think that the safety is a real issue in this case as far as the lift axle is concerned. I think it's a minor one. From my experience in the industry up here for the last 15 years, I personally only know of one case where the lift axle played a prominent part in an unsafe condition, where there was a loss of life involved. Safety is not an issue with the lift axle. As I understand it, the Department of Transportation, their major concern was the deterioration of the roadway and bridges.

Chairperson: Do the members of the Committee have any questions for Harry?

Davis: This is the first I have taken a look at the regs. I have a question on [tape noise] a compromise for people doing a long haul, but the short haul is going to make things real difficult for the people that you represent. Could you explain that?

Banahan: Okay for six months of the year, according to the synopsis of the regulations that I see in front of me here

Davis: This is the regs right here. Are we looking at the same sheet of music.

Banahan: These are the proposed regs that I have here, this and this. This is a synopsis, do you have a copy?

Chairperson: The synopsis is the letter from William F. Cummings?

Banahan: Yes, to William F. Cummings.

Chairperson: Yeah, it's right past that long sheet.

Davis: Go ahead, I'll find it in here.

Banahan: I'd like to go over the synopsis and the point by point situation. In answering your question though, for six months of the year, according to the regulations here, the state is going to allow a weight shifting program which will effectively give you the same amount of weight allowable on the number of axles on one less number of axles, but only between Fairbanks and Prudhoe Bay. For example, the typical North Slope rig has a four-axle truck and a three-axle trailer for a combination of seven axles. The front axle, not the steering axle, but the front drivers axle behind the truck is a lift axle typically. That lift axle under these regulations comes out of there in October of '86 and will no longer be allowed for determining weight. It is not very practical in any sense, nor is it safe to use three axles in the down position on a truck most of the time in slippery conditions when you're negotiating turns. And, because of the number of axles in the down position when you're making a turn, you scrub the tires and it's very difficult to make a turn. In the slippery icing conditions you pick the axles up to allow you to have more weight on the steering axle so you can move your steering better and more weight on your driver so you get better traction. But for six months of the year the state has said okay, we will give you the

2,000 pounds on your two driving axles now instead of where before we gave it to you on three. But only on the Dalton Highway, north of Fairbanks, below Fairbanks on that portion leading to Homer. Okay, now for six months of the year, you can haul the same payload that we hauled prior to these regulations as if they had not changed anything. But during the summer months, we will lose approximately 1,500 to 2,000 pounds per load. That means that adds up to on a typical load of about \$.10 a hundred weight for the North Slope Highway for the Haul Road. But the rest of the year, that six month restriction or that allowance only applies to the North Slope Haul Road. People that live on the pavement between Valdez and Fairbanks in the Railbelt area between Anchorage and Fairbanks, Glenallen. Those people will be faced with a 2,000 pounds or on a six-axle rig now, 2,000 pound reduction in their ability to haul, which will in effect increase their transportation costs as much as \$.10 per hundred weight.

Davis: You said that this is going to, this new regulation will virtually attack the people in the industry. Its curious, how many of the [tape end].

TAPE 2, SIDE A

Banahan: Will not be used in figuring the weight allowance. It had the ability to come up off the road, whether or not it's up off the road, but it has the ability to come up, it will not be used in determining your weight allowance for that group of axles. Now what this means is that you're either going to have to weld that axle down in the permanent down position so that it cannot be lifted from the boom surface or you're going to have to remove it. It doesn't make any sense to have that on there and, you know the lift axle assembly weighs in the neighborhood of about 2,500 to 2,600 pounds in itself, so it doesn't make any sense to have that on there and carry that extra weight around for no reason.

Chairperson: Representative Davis, continue.

Davis: You can start at the beginning, I know something about this issue. My final question is what are some of the other states, is there any states that have lift axles besides Alaska? Are we the only one that has those lift axles?

Banahan: I'm sure there are other states that have them, although I don't know what states they are off the top of my head. Perhaps T.J. Thrasher might counsel me.

Thrasher: Washington state, just last month put in a new bill supporting for the very first time.

Davis: How about the other states?

Thrasher: Out of the Pacific Northwest there is seven states that do allow. There are some modifications though. None of them allow them like Alaska had in full, but some of the mountain states do allow.

Banahan: So, with some modifications there are seven states that allow, perhaps not in the same way or the same circumstances as Alaska, but they are in effect and as T.J. mentioned, the state of Washington last week introduced a measure to allow them there.

Davis: I did have just one other. You mentioned in your testimony that you thought the lift axles were the primary thing pushing the removal of the lift axle was the weight problem. It wasn't safety. I mean I don't know.

Banahan: Probably not weight.

Davis: But I just have heard a lot of people talk about their concern was the safety and some of them were truck owner/operators in Fairbanks. I mean I've heard that, I don't have any documentation, but I know that that's something that I've heard. They were concerned. Not necessarily the owners but some of the operators.

Banahan: It isn't actually a concern for safety, especially in the driving conditions and the wind conditions that we perform under. People in the industry and drivers that I've known over the years have had a definite reason for not wanting that third axle down there. It is unsafe in a lot of the slippery conditions on the Haul Road between Fairbanks and Prudhoe Bay or on the pavement for that matter. Knowing when and how much pressure put on that lift axle under changing driving conditions is part of the drivers expertise and he hands heavily upon. It is a, safety is an issue, it's always an issue. If there's one life that's lost or one person that's hurt, but is not a major issue in this case because the people that put these on their trucks, the drivers that put these on their trucks know how to use them. They've known how to use them for years and it's not something that they're unfamiliar with nor something that they can't deal with given the right set of regulations to stay within. The safety issue is a, I didn't mean to relegate it to a point of insignificance. It's not insignificant

certainly, but it wasn't the major reason that the Department of Transportation had for promulgating these regulations. It was not an issue as I saw it in any of the informal and formal hearings in which I participated. It was a concern of the people that attended the hearings, some owner/operators to be specific.

Chairperson: Thank you very much. Do you have anything else, Harry.

Banahan: Not at present, no.

Pignalberi: Would you help me with your last name, Harry.

Banahan: Banahan.

Pignalberi: Banahan. If lift axles are a safety problem, it seems to me that it would be reflected in the liability insurance rates that companies have to pay for the lift axles. Can you tell me whether or not you know if there is a difference in the insurance premiums that have to be paid for a vehicle that has a lift axle as opposed to a vehicle that does not have a lift axle.

Banahan: I can't say that for sure. I imagine there might be a slight difference insofar as the value of the tractor is concerned or, it certainly would increase the value of a tractor that had a lift axle over one that did not have one, because it is an additional cost item that's added to a truck. Most trucks when they come from the factory are not made with a lift axle. You have to buy them separately and then install them at the dealership. But at this point I don't believe there's any correlation between the increase in insurance rates that we're all suffering with in our industry and the use of lift axle in safety.

Pignalberi: I don't want to imply that I think there's any connection between the current insurance prices and the lift axles, but I am trying to find out whether or not it's a standard course of business insurance companies have asked for higher premiums not because of the added value that the lift axle represents but because of the safety problem. Maybe there's a higher risk.

Banahan: No, none whatsoever.

Chairperson: Thank you. Anything else.

Banahan: No, that's all. Thank you.

Chairperson: All right, I would like to have the people listening in Fairbanks and the Committee to look at some of the things that have occurred and what the results of public hearings that D.O.T. held. If you look in your pamphlet, right past the first page, it gives us the stats and I'm going to read these aloud so that the listening audience can hear them. There were three public hearings held by D.O.T. having to do with the proposed regulations. In Anchorage, public hearing was held August 28, 1985, 37 persons total testified, 35 testified against adopting the proposed regulations. In Fairbanks, there was a public hearing held August 30, 1985, 26 persons testifying total, 14 testified against the document proposed regulations. In Juneau, public hearing was held September 5, 1985, 7 persons testified, 4 testified against adopting the proposed regulations. Overall these numbers averaged 74.2% of the testimony received were, that testimony was against the adopting of these regulations. I think that it is to public benefit to know these statistics, know what the results of the public hearings were; however, the regulations did go to the Attorney General and are now in the office of the Lieutenant Governor to be signed and go into effect January 1, 1986.

Davis: Madame Chairman, just a question on these proposed regulations. Did they change any from the proposed to the ones that are about to be adopted? Was there any modifications taken up because of the testimony.

Chairperson: You'll find that on the page right after the long sheet that you have.

Wendy: In hand writing is the sections that they added. This was the public testimony received. So, the handwriting is the segments that they sent back for redraft. They're reflected in the final regs.

Chairperson: Listening to Mr. Banahan's testimony, these were not significant changes. They really didn't change the proposed regulations that much to the benefit of individuals driving other than on the Fairbanks/ Prudhoe Bay Road.

Davis: So the modifications or changes were just for the proposal on the Haul Road.

Chairperson: Primarily. I think now that we'll probably go to Fairbanks and see if there's somebody in Fairbanks that wishes to testify. Fairbanks, can you hear me?

Fairbanks: This is Fairbanks.

Chairperson: Have you been able to hear the discussion that's been going on in the Committee Room.

Fairbanks: Yes.

Chairperson: Do you have something at this time that you would like to testify or give some comments?

Fairbanks: There's several gentlemen here that represent various [indiscernible] in the trucking industry I believe that are going to have a spokesman.

Chairperson: All right. Would that person like to come forward and state their name, their occupation and proceed with their comment.

Williamson: My name is Ken Williamson. I'm Terminal Manager for Lynden Transport here in Fairbanks.

Chairperson: Yes, go ahead Mr. Williamson.

Williamson: We all testified, as you mentioned earlier on these hearings, and quite a few of us here in Fairbanks and, like you earlier mentioned, everyone seems to be a little opposed to the regulations. I think the main reason is the fact that there's a lot of equipment out there that's set up that will, the operations will be hindered in a safety manner if they have to be run with the less driver weight which this law would force us to run, primarily in the tanker business. I also feel very strongly that the law would eventually be circumvented by a lot of people trying to haul more weight by taking a torch and cutting the strings so the axle does not lift to get them by the scale. They can go past the scale and do what they want to do or slide backwards off the hill or whatever. I think the industry has pretty much testified that they're really against this proposal and most of us wish the state would kind of leave it alone.

Chairperson: Anything else, Mr. Williamson.

Williamson: Basically, that's it.

Davis: Thank you, Mr. Williamson. Just a question, I guess is that it looks like you're quite a way down the road on this and, not to use that pun I suppose, and what happens if they do become implemented? Do you see, as you said, do you see people circumventing the law and we certainly don't want to make a worse situation that we already have. Do you have any "what ifs" or suggestions to the Committee if these things do become law?

Williamson: I definitely feel that there will be people out there that are going to circumvent the law. You have a lot of problems, insurance problems right now, I think this will worsen this issue because of people who are going to be forced to try to haul products at a rate which is already too low in many cases. We have a lot of serious problems there on the road right now with safety and, as you well know, insurance. I think this is going to worsen that because people will try to operate when the conditions are such that they should not. They will leave that axle down and they will try to pull the hills with it, creating a problem.

Davis: Mr. Williamson, one of the things that I talked to the Chairman about was the insurance issue and problems that that's making for your industry and if you have any comments to that effect, we'd certainly welcome, I'm sure Madame Chairman would certainly welcome those now because the lift axles are certainly an element, as you say, if we have a trucking industry that becomes more prone to any accidents, that's certainly going to affect all of you and all of us indirectly. But, so, if you have any comments on that, we'd certainly appreciate it.

Williamson: Yes, I do. Last year when we lost the A.T.C., we practically have no governing agency that will police the insurance issue or the safety issue. Our company has a tractor in our yard that's totalled, the driver, that was seriously injured, the other carrier had no insurance. I have talked to the Department of Motor Vehicles, Department of Public Safety, Department of Commerce, the Attorney General's office to try to get something straightened out and at least try to get this company to prove insurance. Currently it's against the law to operate a commercial vehicle in the state of Alaska without insurance. There is absolutely no peak put in the law whatsoever and no one monitors this sort of thing.

Chairperson: Mr. Williamson, if I might interject a statement or question here. Would it be your recommendation, perhaps, that this Committee take into consideration some type of legislation that would delve into that law.

Williamson: Absolutely, Bette. There's something that has to be done on this because you know we don't want to kill a bunch of kids in a school bus and then say we should have done something. Unfortunately, I would estimate that probably 10% of the carriers north of Fairbanks are currently operating without insurance at this time.

Chairperson: That's a large estimate and I see the danger. Do you have something more, Representative Davis.

Davis: Yes. Mr. Williamson, I'm, as you can tell, currently out of town, but I have a member of my staff there and I will be glad to sit down with you or anyone else and work with the Chairman to try to put some teeth into the law. So, if you have some comments there, I believe that you can get a copy of the legislation that was passed last year there from Legislative Affairs. I'll be there for a couple more weeks and will be glad to sit down and try to help work something out.

Williamson: Okay, we have a copy of it here and have been looking at it. Also, I have talked to other members of the Department of Commerce and different places, and people are interested and want to do something. I think the main reason or main problem is there is apparently no funding for this and also no directive as to whose responsibility this is after when the A.T.C. was abolished last year.

Davis: Mr. Williamson, I think we can get an AG's opinion to find out who would, which agency would, or which department would have a responsibility. I'm not saying that we can solve all the problems, but I think we can do some work on this and I'll be back sometime tomorrow. I'll be glad to meet with you later on this week or next week so we can get working on this. From my angle, I will be glad to help in anyway I can.

Williamson: That would be very good.

Chairperson: Is there anyone else in Fairbanks? Mr. Williamson, I thank you very much for your testimony and there are no further questions to be asked of you. Is there anyone else in Fairbanks that wishes to testify? That word testify is always scary, so I'd rather say who'd like to make any comments. Is there anyone in Valdez that would like to make any comments? Valdez are you able to hear us?

Valdez: Chairwoman Cato, my name is George Chiller, I am testifying from Valdez and representing Alaska Freight Lines, a transportation affiliated common carriers.

Chairperson: Thank you, George. Will you go ahead and make your comments.

Chiller: Chairwoman Cato and members of the Committee, I would like to address my comments to the

proposed regulations and to be quite frank with you I haven't seen the latest draft; however, in what I understand, I would like to address my particular comments to the gross vehicle limitations with regard to the operation of double 40 combination, particularly out of Valdez. I would assume that my comments would have some general applicability to operation of double 40's in general. As a little background, I would like to comment that back in 1984, Alaska Freight Lines applied for and was successful in obtaining the application and permission to operate double 40's on the Richardson Highway between Valdez and Fairbanks and since the outset of that we have proven it has lent itself in terms of the growth of the traffic which has moved over the docks of Port of Valdez to the point that in September of 1984, we received our first pipe shipment ever of oil-country tubular goods and we have been very successful since then. Subsequent to that, in moving one of tubular goods in competition with other ports of entry in the state. Now I can trace this back directly to the operation of the double 40's. Primarily, we have been able to offer our rates on a competitive basis with other modes of transportation and other ports, and without the double 40's I don't think that Valdez would have achieved the rate of growth that is enjoyed to this point. I point to the fact that in the last few months, from July to early December, we were able to transport well over 10,000 tons of cargo between our two companies and fully 90% of that cargo was transported on a 40 foot combination. So, it is very significant and very important to us to be able to transport our commodities, which are primarily moving through Valdez oil county tubular goods, relatively low tariffs and low margins by use of double 40 equipment. It gives us significant economies and allows us to be competitive in the area of very competitive at the market place. In addressing particularly the limitations of gross vehicle weight, I am again working in the dark, but it is my understanding that the gross vehicle weight limitations for combinations will be set based on what we call the bridge law, which is a trade off between wheel base and the number of axles, at nine axles and 131,500 pounds. I would wish at this point to pause and let anybody who knows more than I do about this correct me and then I will resume my comments.

Chairperson: Is he correct. Just one moment Mr. Banahan will make a statement.

Banahan: I'm not sure, can you hear me? Can you hear me? In the latest copy of the regulations as I have in my

possession state that doubles will be permitted to operated on a permit basis on the Richardson Highway. The permits, as they are presently issued, simply state that from the front of the first trailer to the rear of the rear trailer be no more than 90 feet in length and according to these regulations special overlength permits may be issued in accordance with an Alaskan Statute that's in effect on the route between Fairbanks and Prudhoe Bay for semi-trailers up to 48 feet in length. But, primarily with the route with which you're concerned and I know some other people are concerned with, that regulation has really not been changed. From what I understand, the state Department of Transportation will continue to regulate and allow the regulations to give the Division of Weights and Measures the authority to grant permits for doubles moving between Valdez and Fairbanks on a year-round basis.

Chiller: Thank you for those comments and that clarification. It was my understanding, based on associate conversation with Division of Weights and Measures, that they were going to limit us to 131,500 gross vehicle weight on the doubles at a nine axle configuration. This was a recent conversation held with the Division of Weights and Measures.

Banahan: That is also that eight-axle or nine-axle configuration is not true also. They are going to continue to permit the combinations, doubles based on the amount of permanent axles that are used in those combinations. For example, if regular doubles combination you would have a nine axle situation, if you had tandems on the rear of each trailer and a two-axle dolly, if you had a three-axle group on the rear of each trailer and a tandem dolly, you would have eleven axles and that, coupled with the bridge formula that you're operating with right now and your length, would determine the amount of weight that you'd be able to haul. That will still be permitted under this change in regulations.

Chiller: Thank you, again, for that. I am fairly familiar with the gross vehicle weight regulations. I have a table in front of me, as a matter of fact, and I can comment to the effect that our companies normally used a 12 and 13 axle configuration for hauling cargo out of Valdez and most of our combinations have been permitted between 146-148,000 pounds. My comments, and I would like to continue and I'll be very short and brief to the point, if in fact the 131,500 pound weight limitation does come about, we will suffer dearly in Valdez. With a 12 or 13 axle combination and a reduction denying axles, it would

just be completely impossible for us to compete effectively out of Valdez. I think anybody looking at one of those charts can see the difference between let's say for instance, 146,000 pound permitted gross vehicle weight and a 131,500 pound permitted gross vehicle weight. You're looking at roughly a 9% reduction in that payload capability and this combined with the way rates are going right now and the commodities that we're hauling would just completely put Valdez out of the picture as far competing for this type of traffic. Thank you.

Banahan: That's right, it would put Valdez out of the picture. But under the proposed regulation changes, you will still be permitted to use the bridge formula based on the number of axles you have. Although, remember they cannot be lift axles. You will have to have them in a permanent position.

Chiller: Can I comment now with regard to lift axles. It hasn't been actually voiced or vocalized to this point, but the reason that the Division of Weights and Measures, Department of Transportation has a problem with the lift axles is not safety, as has been mentioned before, it is because as soon as the particular vehicle and combined with the number of axles under it pulls across the scales and receives the nod from the scales attendant and they proceed down the hill and prepare to go up the next one, that lift axle comes up. I have made a suggestion in the past and I would hold by it. First of all, I figure that the 38,000 pounds per tandem is a completely arbitrary figure and I don't know how they came about that figure. There was a lot of mish mash that was given out by the D.O.T., but I don't see that that was a justification for the numbers that they came up with. I would suggest that they go to a 40,000 pound allocation per tandem which would be in line with the 20,000 pounds as allowed for a dual wheeled axle under the current regulations. This would alleviate the dislocations that are going to be caused by the deletion of the lift axle and would put most of the combinations that exist now and the allowance allowed under those combinations on the current charts in parody. There would be very little change in the status quo. I think the safety at issue would be addressed and I think that the operating concerns of the trucking companies would be addressed in great part. Along with that, another comment. I don't believe that going to 38,000 pounds on the tandem and leaving the [indiscernible, tape noise] at 32 is correct. It violates a certain sense of proportionality and I think if you're going to raise one to 38,000, if

that's the case, then certainly triples should go to some higher allowance [indiscernible, tape noise].

Chairperson: Thank you very much, George. I would like to, when I get home and I'm going to get there one of these days, sit down and you and I discuss a few things and get in touch with my office and see if we can also talk to various other people as far as weights and measures are concerned and perhaps we can do something about this.

Chiller: Thank you, Chairwoman Cato, and I'd be pleased to do that. Thank you, again, Chairwoman Cato and Commission for the opportunity to testify.

Chairperson: Is there anyone else in Valdez that wishes to testify. We'll go now to Mat-Su. Is there anyone in the Mat-Su district that wishes to testify or make comments?

Mat-Su: Thank you Madame Chairman, our participant does not wish to testify at this time.

Chairperson: All right, thank you very much. Do we have anyone here in Anchorage that wishes to make comments? Yes, Representative Pignalberi would like to ask a couple of questions.

Pignalberi: Thank you, Madame Chairwoman. The first question I think is for the staff. Do we have a representative from D.O.T. here?

Chairperson: I don't believe there is anyone from D.O.T. here.

Pignalberi: I wonder if Wendy could tell us whether or not D.O.T. has compiled any statistics concerning the number of accidents involving lift axles and if Wendy doesn't know, if any of the other people who've been following this issue know if we have any empirical evidence that relates accident rates to lift axles.

Wendy: T.J. might be able to help me with this. That was one of the questions that was asked of the Department at several of these hearings and essentially, as far as excellent statistics go, Department felt that it was difficult to define what accidents had been as a direct result of lift axles. So they did have very inconcrete data available on that because they said that unless the accident had happened, and like Mr. Banahan had said earlier that he only remembers in the 15 years one that was directly related to lift axles, D.O.T. is saying that a lot of accidents probably are as a result of the lift axles, but yet they can't seem to document that. What they did for

the safety aspects, they had a video tape and the video tape essentially showed the difficulty handling, it was simulated series, and it showed the difficulty in handling a vehicle on bad driving conditions and how dangerous lift axles were. People who viewed the video tapes said that nobody who was a responsible driver would be driving first of all anything like what was simulated on the video tape. I don't know

Pignalberi: Thank you. I wonder if in the course of these hearings that D.O.T. held that they considered the comments that have been placed in the back of our book from different people in the industry whereby suggestions have been made to modify the proposed regulations. Two of the suggestions that I picked out that seem particularly worthy of consideration is that regulations only apply in the wintertime and that only a wintertime ban. I would like to hear what some of the people here have to say about that. The other one is the motion of grandfathering the existing vehicles that have lift axles so that we don't have to force someone to lose the investment that's already been made. I'd ask Wendy again if she knows whether or not, and I'm not saying that she knows, but I wonder if D.O.T./P.F. has addressed this to the best of your knowledge because you've been closer to the situation than we have in the interim. Then maybe Mr. Banahan can tell us what he knows about.

Wendy: As far as I know, D.O.T./P.F. has not addressed that issue. As a matter of fact, quite a few of the things that they were contacted over numerous times by House Transportation and T.J. Thrasher and myself had talked to them and brought up quite a few things and quite a few of the industries' concerns and, again, the answers from D.O.T. everytime was that these were the regulations and they were going to adopt them. Even after constant conversations with them over several hours one day, they wouldn't change their mind and wouldn't listen to anyone. Even on changing the weights or anything like that, they didn't seem to be responsive to discuss it. The only comment I've got to make is in all the time going through this, we asked for copies of the regulations. We never saw any form of these regulations. Finally, the way we finally got them was to call the Commissioner's office three days before this Committee meeting and have Susan Flieshauer give us a set of everything that had happened all the way through. House Transportation hadn't seen one single sheet of paper from D.O.T.

Pignalberi: Doesn't that violate the Administrative Procedures Act whereby the legislature has to be given notice

so many days prior to not only the regulation the first time it's issued and proposed but for the changes that occur. I think maybe there's something to look at there. I happen to have a real open mind on this issue. I'm learning about it as we go but I'm a little concerned that we haven't yet heard who wants to change the situation. Somebody wants to change status quo. The Department of Transportation is proposing to change the situation, but who is urging them on. They don't have any concrete, at least as far as we can tell, any concrete statistics to say that it is a safety problem though they may suspect it is, they may be right I don't know. But absent any empirical data, who is pushing for the changes. I wonder if you can tell me that.

Wendy:

Representative Pignalberi, the trucking industry and House Transportation has tried to answer that question over the last several months. Representative Cato telephoned quite a few of the backup information. In the back of the packet states that telegrams were received, a lot of requests were put into D.O.T. for two things:

1. To delay any decisions made on the hearings until further study and investigation could be done.
2. To hold hearings in sites like Valdez and a lot of other communities that were going to be dramatically impacted by these.

For some reason D.O.T. didn't grant either one of those requests, went straight ahead and the regulations, before any time had passed, were in the Lieutenant Governor's office. And T.J., I don't have any idea why, really, do you?

Banahan:

It's my understanding that the reason that the Department of Transportation wanted to make these changes was primarily one-fold and that was that their bridge section had determined that there was an amount of damage being done to the bridges on the roads between Prudhoe Bay and on the paved roads, as well by the trucking companies, and by those drivers that were overloading two axles. Instead of having that lift axle down, in the down position after they went over the scales, they would pull that axle up and then overload the two remaining axles on the highway. As a result, the damage to the bridges and roads was of a severe nature. Now, we in the association questioned them and questioned them to find data, some sort of data that would support that and to also provide some sort of information as to

the amount of deterioration that had occurred at various bridges, but they always gave us the general answer that their engineering department couldn't do that because they hadn't had time to make a complete study and they also felt that because of this abuse of the lift axle by the industry, not because of it but in light of it they were unable to provide or unable to get, in the dwindling state revenue, they were unable to provide enforcement of the regulations on a statewide basis. They couldn't enforce the lift axle regs so they went ahead and changed them and they couldn't prove where damage to the highways really existed but they had a suspicion that some of the bridges were being damaged because some drivers were evidently abusing the lift axle privilege.

Pignalberi: Madame Chairman, I have a question. Did we allow people that were Anchorage to testify?

Chairperson: No, I wanted to get to them as soon as this testimony finished. Representative Pignalberi, did you have another? We are going to get to people in Anchorage, so don't try to leave us. We do want to hear your comments also. As soon as we get through with this question, we'll have you come on.

Pignalberi: I guess my question is probably more of a comment in that I think we can all agree if you've got a truck that goes over the scale with its lift axle down and raises it, there's cheating going on there and it seems like the real answer is enforcement. Maybe it means that the D.O.T./P.F. maintenance people along the Haul Road should be given some limited enforcement authority for that purpose. But it doesn't seem like it's the kind of thing that you restructure a whole darn industry for. I am learning as we go here, so I would like to hear what these other people have to say.

Chairperson: Yes. We are now coming to Anchorage. I'm sorry that we were so long, but anyone that wishes to testify, will you please come forward, give your name and who you represent.

Rule: My name is Joe Rule and I drive for Sealand Freight Services. I am an owner/operator and a log driver. I feel that there's at least a conflict of interest when Commissioner Knapp sits on the Board of Directors and he is the Commissioner of D.O.T.? Am I right there, Bette?

Chairperson: If you're referring to the Board of Directors to the Railroad, yes.

Rule: Yeah, the Railroad. The Commissioner of the Department of Transportation sits on there and I think that whether this is the direction it came from, especially in the rail belt areas, the state of Alaska on one hand is further restricting the gross payload we can haul with a truck. Through predatory pricing they're already putting us out of business with the Railroad from Anchorage to Fairbanks and now Commissioner Knapp, whether he's done anything or not, he is in a very viable position to do that. They can take a 70,000 pound load of steel, put it on a flat bed, a two-axle flat bed, stick it on our railroad and haul it to Fairbanks. They don't cross any scales at all, you can't get them to take jump scales down there and just say they have a short distance, they're right in the business section of town, there's no scales to cross in all probability and if so, they could still split the load and very well afford to do that. We're getting strangled not only by the fact we can't haul the weight at 42,000 pounds, now the state wants to come in and take more gross vehicle weight away from us and I feel that any restrictions are out of line. I don't think we're being dealt with fairly right now and I think it's going in the wrong direction.

Chairperson: Thank you, Mr. Rule. There is a question.

Shultz: A question maybe to anyone. Has anyone ever testified in favor of these things.

Rule: I testified against, I opposed the legislation we're discussing right now in I think late August or late September, we had a meeting out on International Airport Road. I don't know whatever became of all of this, but it was probably an 80 to 20 margin I'd say of people opposing the lift axle. I don't know. Is that what you have.

Chairperson: Your margin is even higher than that. That public hearing was held in August and there were 37 people testifying, 35 testifying against adopting these regulations.

Rule: I wasn't sure if that was the same one. Bette, or not.

Shultz: My question is, "Did anyone testify in favor of adopting these regulations?" That information wasn't on here. Did anyone come forward? It just says that there are 35 against, did 2 people testify in favor? Or just 35 people testified out of 37.

Rule: Two people in that meeting testified in favor of it.

Pignalberi: I'm trying to figure out if these people testified for the regulations are from the trucking industry.

Rule: I know the two people that testified at the meeting and both of those people were in a kind of exclusive market. Both of those people don't haul very much cold commodity and heavy load, both of those particular individuals were in the LTL less than a little related and it didn't matter to them anyway. They just didn't want the extra cost of keeping up lift axles. They never had to haul 30-32,000. I think that has a lot to do with it.

Chairperson: Continue, Representative Pignalberi.

Pignalberi: Thank you. I'm really glad we've got a driver here to talk to, maybe we'll hear some others. Do you feel that your life is at stake when you're driving with the lift axle down? Do you think there is an increased safety problem? Do you represent a hazard to my life, to your life, to anyone?

Rule: No, sir, I don't really feel that's the case because the way it is right now, I have a control valve inside my cab and it's almost as automatic as braking. If the front end's not steering properly that's the first thing that gets hit and lifted up and, as Mr. Banahan pointed out earlier, most of the time, almost 100% of the time, if icy conditions are in the wintertime and the road is frozen and there's not going to be any damage occurring to the road.

Pignalberi: The other question I have, I guess is if you would help me. The three of you are all senior to me in your experience. We've got something called the Administrative Regulatory Review Committee in the legislature and I don't think, what's it for? Is it maybe dealing with this?

Chairperson: It's there to investigate proposed regulations and to see whether or not and to go back over regs that are in place. This committee has just come into its own this last year. Prior to that time, it was chaired by an individual who didn't do a great deal on it. I don't think they've gotten to this issue as yet; however, I think that your suggestion that we give this to them for them to start raising some cane of some kind, or at least so that we get some clear explanations, would be an excellent one.

Shultz: Year before last, in the ballot issue before the people asking to give the legislature the opportunity to write or hear the regulations on the bills prior to the passage of them was defeated. The people

said leave it to the departments to write regulations. Keep the legislature out of it. Had we had the opportunity to have that passed, we would be sitting in a position now where you wouldn't be faced with this kind of crap.

Davis: If I may, it's a comment from my friend from Coke. I voted against giving the legislature that authority because at that time I thought the legislature was in such a disarray that I didn't want to give you guys any more authority. But I do have a bill that's being drafted, and it just occurs to me that it will be introduced this session, it will require the departments provide the justification for any regulations they propose. And clearly here we have the same justification. Anybody who's listening out there, I hope you'll lend some support to that bill.

Shultz: My expression is that if the testimony is unanimous on this and they have conducted public hearings and the public segment is not to adopt these regulations, then I, for the life of me, cannot figure out why L.O.T. hasn't simply backed off on it.

Chairperson: If I might make an expression to answer you, Representative Shultz. I personally called from outside while I was out there, called the Commissioner, told him the stats that I knew and said that 74.2% of the testimony was against the adoption of the regulations [tape end].

TAPE 2, SIDE B

Chairperson: from them that would be satisfactory to us.

Davis: I would like to find out D.O.T.'s reason why they weren't here, but you mentioned in your testimony that you felt the Commissioner had a conflict of interest and the only thing that I could see why you would think that is because he's on the Board of the Railroad. I guess my question is, I think you're more than right co-piloting one of those 18 wheelers, but my question is, when you lift the axle up, that puts more weight on the wheels that are on the ground. What basically happens, what kind of weight are we talking about? Its 38,000 pounds and then when the lift axle goes up, then how much more weight goes on the road? That's my first question.

Rule: Basically, what you're doing is you're shifting the weight. There is a matter of leverage here. It's not necessarily the skidding of the axle that's preventing you to turn. That, in addition with the lessening of weight as the axle goes down, if you

can just picture leverage working on the front end, that axle is ahead of the drivers, when you push it down consequently the front end of the truck gets lighter and that definitely loses traction. There are several people around now that have steering lift axles and they help. But it's never been my, I've never seen a problem lifting that axle up. Usually, you know it long before you're in that kind of a situation. You'll slip, you'll feel it slip a little bit on the corner and you have to pick them up. There's one other point that is going to be hard to work around taking this lift axle off, a lot of trucks aren't even equipped with a sliding fifth wheel and when you can put 42,000 pounds on those drivers and you're a little bit heavy on the drivers, you can decrease just a little bit of weight on that lift axle and it shifts weight to the front end of that truck, providing you don't go over the 11 or 10,000 pounds, whatever the tire size. But what it does basically is it gives you a little bit of allowable weight to play with. So you can load maybe a little bit heavier or a little bit light on those drivers and you have a little. It's too cost prohibitive to reload the load 15 times to get it just perfect. That axle, basically what it does is it allows you to even everything out. Five pounds of air will put another 500 pounds, or take another 500 pounds off of the steering axle and add it on to the drivers. It gives you a little something to play with. When you start talking about 38,000 pounds, that load is going to have to be perfect or the fifth wheel is going to have to be slid and if you don't have a sliding fifth wheel, you're going to have to, as a result, reload or you're not going to be able to. It just inhibits you just a little bit more on how we can, my main concern is competing with the railroad. We all have to compete with each other too. There's no lack of competition in the trucking industry. But it makes it much, much harder. It's just added costs that are incurred. It's going to be passed onto the public and a lot more so to outlying areas that aren't served by the railroad.

Davis:

We appreciate your testimony. Another I guess question I have is do these bridges have, do they have some kind of a set national standard, they can only have so much weight per. Maybe that's an unfair question, we should have D.O.T. here, but do they have some load limits, which according to the engineer, if you have 10,000 more pounds on the wheels or whatever in that part of their formula that causes X number of damage or X damage to those bridges.

Rule: Yeah, I'm not quite sure about nationally, but there is a bridge formula, I've seen a bridge formula in this state and I'm not sure how it stacks up with the other states though. I'm quite sure that if there's a bridge doesn't meet the specifications, they wouldn't be on a federal highway. It'd probably be marked. For most bridges, I'm sure there is.

Davis: I guess my question is, are some of our bridges not up to, some of our bridges were obviously built 20 to 30 years ago, so are some of our bridges not built to the weights that perhaps are carried. Could that be some of the motivating factors? Your testimony is real good and I can understand some of the fluid motion that a lift axle would give to a trucker that's going down the highway. It makes a lot of sense to me. I'm just curious if there's any other engineers out here, sitting here if you do this then this is going to happen and all that sort of thing.

Rule: I don't think that there is any bridge in this state on a main traveled artery that wouldn't be able to support the difference of 4,000 pounds on them that I know of. It was Mr. Chiller that brought up the 40,000 pounds? I support that theory. I think that's a good theory. It seems like no matter how strong of opposition that we get to get rid of this, it's still going to be here. If it is going to be here, I support the 40,000 pounds. He answers a lot of your questions and takes care of a lot of it. But like I said, the only thing that we're not going to have is the availability to shift the load with the axle and not just on the drivers but on the lift axle on a trailer, you can do the same thing with your driver weight. You put more weight on the lift axle on the trailer and consequently it takes weight off your drivers. It's simple leverage. It's a big plus for us and it saves money and it saves time.

Chairperson: Okay, thank you very much, Mr. Rule. Do we have anyone else from Anchorage that wishes to testify. By the way, tell your dad hello.

Rule: He'll be here tomorrow to see you.

Chairperson: Okay. Give your name and who you represent.

Jones: My name is Dennis Jones and I represent myself. I'm an owner/operator. I think one of the things on the safety that people are missing the point of under the new regulations, if you do away with the lift axle on the truck and you have three fixed axles on the trailer, you can put more weight on the trailer.

reduce your traction on the truck and that's where the unsafe part of it comes in. Especially with doubles. You have two 40-foot or 45-foot trailers or whatever the combination, where you have the heavier load on there and less weight on your drivers and that does make for an unsafe situation. Do you understand what I mean?

Davis: No, what do you mean on your drivers?

Jones: On the drivers, I mean the driving axles of the truck. Currently with the three-axle group on the drivers with the lift axle you can carry 42,000 pounds, if you do away with that and you have 38,000 pounds on there and you still have the 42,000 pounds behind you or twice that with two loads. You're reducing your traction of the tractor and it makes it harder to pull and drive and handle on the road. That's one thing that, you know, under the current set of facts we don't have that. We have more weight on the driver. The second thing is on the 40,000 pounds weight limit that they're not going to allow us, they say it's 38,000. They're saying, "well if you get rid of your lift axle and we bring it up to 38,000, that makes it almost equal to what you're carrying now because of the weight of the lift axle." My lift axle and most of them don't weigh 4,000 pounds. I'm allowed to carry 42,000 now with the lift axle. You take 1,200 or 1,300 pounds away and I can only carry 38,000. The difference isn't there that the D.O.T. is saying is there and it's just a fact that most people don't understand.

Davis: Just to show my ignorance on this issue, but ...

Chairperson: You're not, we're all trying to get to the basis of things we need to know.

Davis: What is the 38,000? Where is there a breaking point between 38,000 and 42,000? Why does 38,000 work out to be a magic figure and why is it when 42,000, with 38,000 pounds if you lift the axle up and it becomes 42,000 on those tires. Do you significantly increase the damage to the road, or that's what the engineers and the Department of Transportation are saying. Is this some established criteria nationwide that they have approximately 38,000 per axle. Maybe I'm even starting to learn what I'm talking about, but do you understand what I'm saying?

Jones: The rest of the nation I don't know about, but Alaska, under the current rules with a two-axle driver group or two axles on the group, you're allowed 34,000 pounds. With three axles it's 42,000. So there's

an 8,000 pound difference there between two and three. But under the new regulations proposal they are saying for two axles they'll allow you 38,000 where right now you only have 34,000 for a two axle group. But under the current regulations with three axles you're allowed 42,000.

Davis: That's not per axle?

Jones: No, no. That's for the group. The industry has been asking and supporting 40,000 pound limit for two axles and the new regulations say they will give you 38,000.

Chairperson: Might I intervene here for just a minute. In other words, the difference of 2,000 pounds in your estimation really isn't all that important. It doesn't make that much difference, 38,000 pounds is an arbitrary figure. Am I correct in thinking that?

Jones: Right. That's the way I feel and I believe a lot of people feel is that they just reached out and pulled this figure out of the sky because it doesn't make that much difference with just 2,000 pounds. The way it is now with the company that I work for and the equipment that they have, they've invested millions and millions of dollars in, under the 38,000 pound load limit for two axles, we won't be able to haul most of our loads. It's just too much weight because of the equipment.

Pignalberi: Madame Chair, I would like to have drawn for me what the different variations are. What we've got now, what D.O.T. is proposing and the different configurations. Could you do that?

Chairperson: Maybe Harry could.

Banahan: I was going to put the different weights that are allowed under each configuration.

Chairperson: To those that are in the audience that are in Valdez, Fairbanks and Mat-Su, what we're doing at the present time is attempting to draw a configuration so that we can a little bit more to us who are not actual, or layman and not actually involved in this, can understand a little more readily what we mean by axle load.

Fairbanks: Representative Cato, this is Maxine, the moderator in Fairbanks.

Chairperson: Yes, Maxine.

Maxine: Valdez has called and asked permission to disconnect from the teleconference as a participant. Perhaps Mat-Su might want to do the same thing and since there seems to be a little break, maybe this would be a good time to pause and let them make the interrupting tone that you will hear.

Chairperson: All right, thank you a lot. I think that would be an excellent idea. We'll just pause and I'll keep the mike off so the tone doesn't bother us.

Drawing was prepared.

Banahan: Under these scenarios you have two current regulatory situations and the one that's proposed. In the top situation, there is 11,000, these are groups of axles, the steering axle here, these are the drive axles on a truck. The rear set is the group of three axles. This is a typical North Slope rig, typical highway rig in Alaska. There's a group of three axles on the rear of the truck. Under that scenario you can see that the raised rates and the axle, of course, is the lift axle as it's currently employed. Under that scenario you'd be allowed 11,000 on your steering axle, then you pull up over the scale and you weigh that second group, you're allowed 42,000 on that and 42,000 on the rear. Combined total weight there of 95,000 pounds. The second group would be termed a normal pavement highway type vehicle. You have a three-axle truck without the lift axle. Currently if you have that scenario, you're allowed 11,000 on the steering, 34,000 on the group of two axles, drive axles of the truck and 42,000 as previously noted on the rear of the truck.

Davis: Let me ask you a question of the lift axle. When that lift axle is down, is that.

Banahan: That's when it's down, 42,000.

Davis: Okay, when it's up, what does it become.

Banahan: When it's up it becomes 34,000. In other words, any axle that's not touching the ground is not counted as allowable.

Davis: No, I don't mean that. When it becomes, you shift weight obviously, so.

Banahan: I'll get to that. But this is a typical legal load or what is allowed under the present regulations. Now, you can see if you allow 42,000 on a group of three axles and you have 42,000 on a group of three

axles then you lift, take this axle and move it up, then all of a sudden you have 42,000 pounds on two axles instead of three.

Davis: But, you're not supposed to do that.

Banahan: That's not supposed to be done, no.

Davis: I guess I don't understand that, because you've got 42 back here.

Banahan: Those axles in the back do not lift.

Davis: Okay, so there's three.

Banahan: They're just a group of three axles. Any time you bring that lift axle down on the road, you'd be creating a group of three. When you lift it, then you're creating a group of two, but you still have the same load weight bearing down now on two axles instead of three, so the weight is concentrated. Under this condition here, this is what the state is proposing in their new regulations. They're proposing to go 11,000 on the steering, 38,000 on the set of two and 42 on a group of three. This is an 81,000 pound combination, 91, 91,000 pound combination. The real reason we need 40,000 pounds on the set of rear axles is because when we take this lift axle off, we are eliminating approximately 2,500 pounds of weight, the mechanism weighs that much, so that gives us an increased payload of 2,500 pounds. But the decrease from 42,000 allowable on three down to 38,000 on a group of three is 4,000 pounds. Take away the 2,500 of the weight of the lift axle assembly and you're still left with 1,500 pounds or 2,000, pounds somewhere in that neighborhood, that you're going to lose in overall gross weight of your payload. If you had 40,000 pounds, we wouldn't lose that 1,500 or 2,000 pounds and would be able to haul the same payload that we've hauled before even though we have the reduction from 42 to 40,000 pounds. I think that was what Dennis was agreeing to when he was talking to you.

Davis: Before you go, you would, basically you would have this. That means your load would be 6,000 pounds more, right. Or if you had only two axles here, you'd have 6,000 pounds more than normal.

Banahan: Yes, but what we haven't put up here, but need to take into consideration is the weight of the units and the weight of the trailer and the weight of the tractor.

Davis: In other words, it wouldn't be 6,000, it would be around 4,000 pounds or 3,500 pounds.

Banahan: Under these proposed regulations, if they take away the lift axle and give us an additional 4,000 pounds over a set of two axles, which they're proposing, they will in effect cut our payload 2,000 pounds. Because even though they're taking away the use of the lift axle, we're losing weight because it's going to come off the truck. The driver's not going to keep it on there, the additional weight they could haul around, they could haul payload instead. The weight of the truck is going to be lightened once the lift axle comes off, so your payload can increase. But, if they give us 40,000 on these two axles, if we take the lift axle off, the payload will remain virtually the same.

Shultz: They came up with an arbitrary figure and said 38,000 was enough because you'd be removing your lift axle, so the difference isn't that much when the lift axles come off. You're not gaining that much.

Banahan: Most of the figures that they came up with were arbitrary. We never saw any engineer reports or any engineer studies that had anything to do with the condition of roads and bridges, in any way, shape or form. They're cleaving to the numbers they chose.

Chairperson: Thank you very much, Mr. Banahan. Dennis, did you have further comments? Does anyone have any further questions. I want to thank you both, you and Mr. Rule for being here today and I think we have a lot more insight in the Committee because of the testimony that has been given from Fairbanks, Valdez and Anchorage and also the presence of T.J. Thrasher and Harry Banahan. I think it's made it a lot more, and I also agree with basic picture drawing, sometimes we can get a better idea if we can put it out in good pictures. Mike's just going to put some wheels on those trucks right now. Do we have any further testimony? If not, then we'll disconnect the teleconference and go into a work session and just discuss some of things we've been talking about on teleconference.

Fairbanks: This is Fairbanks. We have one more person who would care to speak.

Chairperson: All right, we would very much enjoy that.

Thees: Chairman Cato, my name is Howard Thees, I work for Kodiak Overhaulers. I'm the general manager here in Fairbanks.

Chairperson: Yes.

Thees: In relation to comments of Mr. Knapp, I was in a meeting with him probably about a month or so ago and I directly asked him why did he not go to the industry and let us give him some answers and solutions and he said, "well, I did, you didn't give me any." Well, it's obvious that we have 74% against this regulation. We gave him some answers but I think it was cut and dry. He walked in the door when this all started and did what he wanted to do. And he coldly told me that it was ours, we were going to do it and it's going to happen and I think that there's something that the industry can give him some light if he'd just listen to us or somebody would.

Chairperson: Thank you very much for that comment. I can assure you it will be duly recorded.

Thees: Another thing, Ms. Cato, we mentioned that these regulations are gubernatorial, I think a lot of people aren't taking consideration of the 75-80% of the industry, we've got about a 66-region allowance. When he told us he was going to give us 38,000 and 12,000 on the front. They haven't taken into consideration is bridge miles. If this does happen, we're really going to be eliminated down to 3,500 less than that because the bridge law will supersede any axle law. That's another thing I think needs to be taken into consideration.

Chairperson: I think probably one thing we need to do as far as the Committee, is get a copy of the bridge formula and understand it so that the members of the Committee can understand it a little more readily.

Thees: Another thing, too, Mr. Banahan I'm not throwing weight or anything, but when he mentioned that we were going to be able to gain 42,000 in the winter in Fairbanks, that's true; but the roads that we have to take are off our trailer to put on our drivers so we really don't gain anything at all. We're helping ourselves as far as the safety tractor as traction, but when you come right down to it, we're still right back where we were at. If we lost weight that we could have used in the beginning.

Chairperson: Correct.

Thees: Okay, I just wanted to clarify that and make sure everyone understood that.

Chairperson: Representative Pignalberi, would like to make a comment?

Pignalberi: I just want to say, "Thank you Mr. Thees" for his testimony. He might remember me from the days when we worked at Weaver Brothers together. It's good to hear from you Howard.

Thees: Thank you.

Davis: Thank you Mr. Thees for coming out today. Just a question, if I could, on the bridge law. I'm not familiar with that. I'm not sure if perhaps there's other people that could be luminated by you explaining that to us in greater detail.

Thees: There's a federal law that takes effect and they use a formula and I don't have it here with me but they use a figure 500 and they divide the length and the width and so many axles and what happens is that comes out with a weight distribution, an overweight gross allowance of what you have. So what it says here is that you can ease that weight 65 feet is I think the magic number for this new regulation they're putting in. That means you can add 12,000 and 38 and 38. But if you need a rate of say a length of 60 feet, then they're going to cut your gross weight, which could be 80 down to 35,000. To meet that law you've got to take it off either the front or the back, one or the other.

Davis: I guess that's my, that was a question I had earlier and it's not, these regulations are. I guess my question was earlier and maybe you sort of brought it up again, is there some directives that Department of Transportation are following in order to, they've obviously not listened to the public testimony, so is there some kind of directives, like you said this formula, cast that they can't go over that without violating some kind of federal law? Is that what you're saying?

Thees: I asked Commissioner Knapp that last time at the meeting with him and he told me to call Juneau or he would get back to me. One of the gentlemen called me from Juneau and I asked him that question. He said, "Well, yeah we cannot supersede the federal law." And I said, "Well, you did on the regs because you gave us 550. How come on the back." He says, "Well, you can't do that." So he said there is a federal law, they cannot supersede it or change it.

Davis: Mr. Thees, we certainly have got, you people have too, but we certainly have had less than full cooperation and I'm sure that Madame Chairman has expressed that. I intend to talk to the Commissioner myself and see if we can't have a little bit more

cooperation between people here. Thank you for bringing this to our attention. I don't know, it sounds like we need to do some work here.

Thees: I have one other question to the Chairman, too. Is this a law, a regulation now? Is this something that's going to happen? Has it been signed, or something we can still put a scratch to?

Chairperson: Howard, the regulations have passed through the Attorney General's office but modified to a certain extent, but not substantially and are not in the Lieutenant Governor's office to be signed to go into effect January 1, 1986.

Thees: So, can they be stopped? What's going to happen?

Chairperson: I'm not sure they can stop before then. Perhaps legislatively we can modify those regulations.

Thees: Okay, thank you.

Davis: Until they're implemented they're not a law, so it's kind of like it's not over until it's over, I guess. I intend to talk to the Commissioner about this and I'm sure that they'll be here tomorrow. Is that correct, Madame Chairman, someone from the Department?

Chairperson: Not that I know of.

Wendy: Alaska Railroad will be here tomorrow.

Davis: Well, it's not over yet, Howard. So, I'll be talking to them and I'm sure that Madame Chairman will be too. Thank you, again, for coming today.

Thees: One more question, Chairman. Is it possible for the Committee to write a letter to the Governor and say, "Can we hold off on this thing until we get some input?" Is that something that can happen?

Chairperson: If you wait just a moment, we're going to have a formal motion to that effect, Howard. Representative Pignalberi, are you still writing your motion.

Pignalberi: Yes.

Chairperson: Well, take just a jiffy until he finishes that. Would you like to wait and listen to the motion?

Thees: Yes, thank you.

Chairperson: Okay, we'll keep you on line then.

Pignalberi: Madame Chairman, I would move and ask unanimous consent that on behalf of the Committee you write a letter to the Governor stating that inasmuch as there has been no evidence to support the safety claim against the lift axles, and inasmuch as the Department of Transportation has offered no rationale to justify the proposed regulations, and inasmuch that the Department of Transportation has not responded to any of the suggestions for modification and compromise that have come out of the public hearings, they held on these regulations, that inasmuch as there may be a conflict of interest between the Commissioner's position as a Director of the Railroad Corporation and in his role as regulator of the Highway System that the members of this Committee find the Department's action to be arbitrary and capricious so far as these regulations are concerned and would ask the Governor to take steps to nullify the proposed regulations.

Chairperson: Wendy, did you get that.

Wendy: Yes, I did.

Chairperson: All right. Is there a second to that motion?

Shultz: Comment, objection.

Chairperson: Objection for the purpose of discussion.

Shultz: It's kind of a lengthy statement that you made there. It's kind of a lengthy statement and I don't know whether I got all of it or not. I think possibly that I would rather just see a letter drafted supporting the not adopting those regulations at this point and time without going in and tearing the Department of Transportation a new one at this point. That's my opinion. I think that maybe we could. Do you have a comment, go ahead, Mike.

Davis: I can't say it any better than Representative Shultz, but my comment would be I don't think we want to scorch turf on this, we want some cooperation. I think, although it's well written and it speaks to the issue well, I think we want these people to cooperate with us. We don't want them to go to the mat, so I would like to have a letter to the Commissioner which sort of follows that vein. If you can put it in those terms, I would be glad to second the motion.

Pignalberi: I would like to withdraw the motion and ask either Representative Shultz or Davis to make their own motion.

Chairperson: All right, motion has been withdrawn. Representative Shultz, would you like to make a motion.

Shultz: I would just like to make the motion that we write a letter and have staff draft it up and circulate it around and we'd sign it as Committee members supporting them not adopting these regulations at this point and time, and maybe go on in the letter and include something to the effect. No. I would just like to make a motion that we send a letter to the Governor.

Chairperson: All right, Representative Shultz. It is moved that we send a letter to the Governor discussing, if I may add a couple of words, discussing the regulations proposed by D.O.T. having to do with the trucking industry.

Shultz: Asking them not to adopt the regulations.

Chairperson: Asking the Governor not to or just stop the adopting of the regulations. Is there a second to that motion.

Davis: I second it.

Chairperson: Motion has been made and seconded. Any further discussion on the motion?

Davis: Madame Chairman, why don't we let, I'll speak in favor of the motion, but why don't we let our Chairwoman come up with the language, but the basic thrust of the language which would be something to the effect that our man with the golden pen came up with. The thrust is that they haven't certainly listened to the testimony. Something to that effect, but use the language, work it up and then send it off.

Shultz: That's what I would like to have, since we're discussing now what we would like to have in the letter and that's one of the things we should corroborate or brought up. That we should point out the fact that the Department has not listened to the testimony. We should clearly point that out in the letter. That's one of the things that should be included.

Chairperson: All right. Shall we take a vote on the motion? And then I would like to make a statement. Is there unanimous consent? Hearing no objections, so carried. The comments that I would like to make was that Representative Shultz suggested that we send around to the members of the Committee. I would like to find out if we could do this by telephone rather

than trying to mail that, otherwise we will not get it in there in time.

Davis: Madame Chairman, why don't you just write it.

Chairperson: I would like the discretion to write the letter and I'm sure that we could write it in such a manner that D.O.T. can't get any madder at us than they are.

Davis: We've got a couple of weeks here before the implementation of the regulations, so I just say you basically know what we want in a letter, just do it.

Chairperson: Right, Wendy will draft that. Perhaps she can have it ready for us tomorrow and read it to us. Do you think that would be too much to ask of you, Wendy.

Wendy: I'll do one tonight.

Chairperson: All right, real fine. Again, thank you Fairbanks for being with us. Thank those in Anchorage for being with us. Mat-Su and Valdez, Mat-Su I think is still on, thank you for being with us. Valdez I think has signed off. That will end the teleconference portion of this meeting.

Fairbanks: Madame Chairman this is Fairbanks.

Chairperson: Yes, go ahead.

Fairbanks: I believe we have one more person who would care to make a comment.

Chairperson: All right, we'll take the time.

Thees: Will you try and make sure that's going to the Lieutenant Governor not the Governor, correct?

Chairperson: No, this letter will go to the Governor who has the capability of stopping the regulations. The Lieutenant Governor doesn't have that type of power. All he can do is just file the regulations.

Thees: Who's supposed to sign, him or the Governor.

Chairperson: The letter will go to the Governor.

Thees: Who's [indiscernible] regulations the Lieutenant or the Governor.

Chairperson: I didn't get your question.

Thees: Who's supposed to sign this regulation?

Chairperson: The Lieutenant Governor, but once they pass the AG's office and everything it's merely a matter of signing them and putting them on file. It isn't a matter of any discretion on his part, because I've already asked him.

Thees: Okay, thank you.

Chairperson: Was there somebody else in Fairbanks that wanted to testify or was that just the comment that wanted to be made.

Fairbanks: I think that was the last comment, thank you.

Chairperson: All right. Thank you very much for being with us. Hopefully, during the session you'll hook up on our teleconferences too and we'll be able to get a lot more transportation issues before the public. We're off the teleconference. I am, as I said prior to that time said on the air that, I'm a little upset with D.O.T. on this situation and hopefully things will be able to ease off and maybe we can stop those regulations and get more study done on them on the part of D.O.T. to where they come up with substantial evidence if they want to put regs like that into force.

Banahan: I still can't understand, I don't think in all of our dealings with the D.O.T. with Knapp and Freetag and Simpson who were the three principals of this whole thing are throwing that whole scenario. Did they ever come up with one concrete, solid tested fact of what shape the actual bridges were in.

Chairperson: No, I haven't seen any evidence to that.

Banahan: You know, bridges have a life span and these bridges that they're going to have to replace are the result of natural attrition.

Chairperson: I think I can agree with you on that, Harry. One thing that might be kind of interesting, and it's merely a comment and comparison, and I'm not talking about the Dalton or anything like that. But, as you know, we don't have any regulations on campers at all and I understand the damage they do to the road is much more than a loaded truck and yet the Department is not taking that into consideration whatsoever.

Banahan: I'm not sure about campers myself, but we're looking at two axles when most of them are three at best.

Chairperson: And the weight involved. In other words, what I'm saying is all the damage to the road is not done by

13-wheelers. A great deal of it's done by 4-wheelers and 6-wheelers.

Banahan: A vehicle with four cords of wood in the back of it is. You see it all the time.

Pignalberi: The weight limit per square inch.

Banahan: My advise to Commissioner Knapp was, "Commissioner, we're abiding by the law as it's been in effect and spent jillions and jillions of dollars trying to get our equipment in line to do the best possible work under those laws. Now if your roads are out of order, don't crack down on the industry."

Chairperson: Why penalize the industry?

Rule: Fix the roads. Because Knapp has an interest in other than our industry.

Banahan: Well, it may not be a fair statement.

Rule: Madame Chairman.

Chairperson: Yes.

Rule: It has become evident to me today, this is the first one of these meetings that I've attended, that the people on this Committee don't necessarily understand the whole thing and I don't necessarily understand the legislative end of it, but my question right now is, it's become obvious that they've ignored the people that testified. We have a double permit on the Kenai Peninsula. It was basically the same set of facts. The people that do it, the drivers, the industry was against it, and yet it was done. It was shoved on us. There was nothing we could do about it. It's basically the same as this, well you can testify, but we're going to do what we want any way. My question is, something like that, what does it come up for review with the Department of Transportation or this Transportation Committee? Where do I as a driver that don't feel safe operating on that highway, and I've made my feelings known to the company and to the State Troopers, to the Department of Transportation and they all tell me, tough, we can't do anything about it. Where is that rectified.

Chairperson: Well, I can't really answer that except for the fact that the thing that can be done legislatively is that sometimes the legislature can pass a law that might prohibit that particular situation. Now with the doubles on the Kenai, I have to confess complete ignorance on it.

Rule: Well, the doubles, for example, first the long doubles, the first is right on the Parks Highway and it's a completely different highway than the Glenn.

Banahan: It's up to federal specs.

Rule: Anyway when they made a trial run down there, they followed the truck with a camera to see what they would have to do to rebuild the highway to bring it up to specs to be able to do it safely. Then they came out and told us well, that's all it is to see what we have to do to redesign the highway. Then they all said, "well, we're all against it. The road's not up to it." Next thing we know, we have the permit. This year it was supposed to be pulled the first of November and it was renewed.

Chairperson: I didn't know about that.

Rule: Against the objections of everybody in the industry that has to do the actual driving.

Chairperson: I didn't know that at all as far as the Kenai Peninsula.

Rule: It was supposed to be from May until the first of November. A seasonal permit.

Chairperson: Well, I knew, it was my understanding that that permit would be pulled and it would just be the one on the Richardson that would be allowed.

Rule: Everybody thought that too right up to the first of November. The third of November here goes a truck down the road, a long double and they said, "Oh, it was renewed." My next question is, and I'm sure you are well aware of it, there's absolutely nothing done to enforce any safety regulations because there is no safety regulations.

Chairperson: You're so absolutely right.

Rule: We can say whatever we want about these accidents. A truck will go down here with 100,000 pounds on two axles and sit there and wait for the scale house to close. They know when it's open and closed. And as soon as they close it, they go by. We have these nice big fancy scale houses and we don't even have the manpower or the money to operate them.

Chairperson: I agree with you wholeheartedly and you're talking there a little bit on H.B. 133, which we just passed this last year and was not funded. What we're going to have to do as legislators is work like hell for

that funding for them for the Department of Safety, so they can.

- Rule: What I get as a driver when I go into the scales, I say, "hey, what about Joe Blow down here with an unsafe truck, an unsafe load, an unsafe whatever." They say, "hey, there's nothing we can do about it. That's the scale house." You talk to a state trooper and they say, "hell, we don't want to unless we can have it all and it's a big fight." Something's got to be done.
- Chairperson: Something's got to be done. I agree with you, concur with you totally and that's going to be one of our purposes this coming year.
- Shultz: They're using the doubles between Valdez and Fairbanks, right?
- Rule: Right.
- Shultz: They're also using them on Parks.
- Rule: Right.
- Shultz: Okay. Now, I'm getting a lot of pressure, a lot of static from the motorists in the area, the private vehicles complaining about the trucks, the double rigs and I was over on Parks Highway the other day and I met two of them down by Hurricane Gulch and through that area and you know the story of my life, the wash back after they went by, I didn't know whether I was going into the ditch or what.
- Rule: Nonshouldered roads were doing that on down there. Absolutely zero shoulders.
- Shultz: Richardson Highway is a very good example of no shoulders. There's none from Lackeys to [indiscernible].
- Rule: May I give you an example. On our Kenai Highway, the Sterling Highway permit, we as drivers argued with the company, we said, "It's unsafe. We don't want to do it." Well, my boss finally went for a ride to Kenai in a set of long doubles in the winter-time. He flew back, he wouldn't even ride back in the truck. The next day he had a letter out saying that until the highway is upgraded to make it safe to do it year around, we wouldn't do it year around any more. Well, due to competition, that letter went by the wayside. That man is the same man that pushed that permit through, asked for it. When he finally experienced it himself, he didn't want nothing more to do with it.

Shultz: Commenting from Valdez said if they take the doubles away from them, then they are going to be unable to compete.

Rule: Correctly, you know what Valdez is saying, "unable to compete." Not unable to compete with trucks, but railroad.

Shultz: I understand that. But at the same time, if you don't have the doubles, and they know it, it's going to take at least four or five years before you're going to be able to put shoulders on the roads in the state that need shoulders.

Rule: Then you're looking at a matter of safety, and which is more important.

Shultz: It's not that expensive.

Chairperson: I would like to direct our conversations back a little bit more. I would like to advise everybody that on the double situation out of Valdez, believe me I have an interest, not a vested interest I don't own any trucks or anything; however, their safety record has been 100%.

Rule: Well, that's the same thing that Joe Swanson, the Division of Weights and Measures, or whatever he is, I can't remember now, but I called him and said, "what is this garbage that you're going to allow this permit down there?" He says, "Hey," he says, "we've been pulling them on the Parks Highway for three years." I says, "no, you're wrong. You haven't been pulling them, I have." The Parks Highway I have no objection to pulling, absolutely none; I do on the Sterling Highway.

Chairperson: Yeah, I think all these things are going to have to be taken into consideration as to the conditions of the road, the safety record, various things like that.

Rule: Do you know that now that they've rammed it down us.

Davis: What is the status on the ... how many trucks, how many doubles are on the Kenai and is it now still a permit or is it established?

_____ : It's getting to be an awful lot because of competition. Through attrition everybody is being forced to haul 202 prices or just a little over the price. For the price of one five-year school, now the rates have gone so far down and we're really struggling.

Rule: People, all of the trucking lines have to pull to compete and it doesn't do any good, but they're doing it any way. It's a fact. It's a limited permit. You can't do it when the weather is bad. That doesn't mean anything. You go down here past the scale house at Potter, it's warm or it's raining or whatever there. Well it says due to limited visability you can't haul. Well, you go around the corner five miles down the road and it's snowing so hard you can't see. Here's this set of doubles out there on permit, it says it can't do it.

Banahan: Stamped in red right on the deal there and [tape end].

TAPE 3, SIDE A [audio surge throughout tape]

Rule: stay completely over the center line and a car hits me, who's going to get the responsibility. It's going to be the general public, yet I as a driver fight against it and can't get anything done.

Chairperson: Yeah, well, what I'm trying to say to you right now, Dennis, is the fact that in every law there has to be some exceptions and in every area, the rules are going to have to be just a little bit different. So we as a Committee will be working on some of these things, with D.O.T., some of these exceptions need to be.

Rule: I guess my main point is that we would like a little input and like I say, you have the input, listen to us.

Chairperson: Right. That's one thing I'm very distressed about. We've all been discussing today quite thoroughly about the inability of bureaucracy to listen to us.

Rule: Mr. [indiscernible] in the job that he has, he says. "Well," he says, "Hey," he says, "I have a cabin down on the Kenai River, Cooper land," and he says, "I drive that road." I says, "Hey, you drive that road in the summer." I said, "I'm not some fly-by-night. I've lived here all my life, I was born and raised in Seward and I've been working here almost 20 years driving a truck." Now if he drives down there in the summertime, he has no complaints against it. I do. Who has the say-so. He does. I want to talk to them about it, but I don't know how to go about it.

Chairperson: The other reason is, let's you and talk and we'll see if we can find a way.

Rule: I would like to. We've got to do something. I am very encouraged by what I saw here today.

Chairperson: I didn't realize you were from Seward. In other words, I'm your representative, aren't I?

Rule: Well, I don't live there now, I live in Anchorage.

Chairperson: Oh, okay.

Rule: What I'm saying, I lived in Seward, I live in Anchorage.

Chairperson: Yeah, what part of Anchorage do you live in? Is Marco your representative.

Rule: No. I was born and raised in Seward. I've lived in Alaska all my life and had no intention of going anywhere. I'm not somebody that came up here and just learned how to drive, like a lot of people.

Chairperson: Right. But let's get together and talk over those things and see if we can find some type of solution. At least a method to go about looking for solutions.

Davis: Can you give this some, some of this in writing so we can have it. [Bad Tape]

Rule: If anything would be done about it, I'd be glad to do it. So far, I have been shoved aside. The Commissioner of the Department of Transportation wouldn't even return my phone call and it's not Knapp, it was the one previous to Knapp. When they first issued the permit.

Chairperson: That was Ward or Casey, yeah. I think it was Ward, though. Casey wasn't in there long enough to answer any phone calls anyway.

Rule: He was in there long enough to do a lot of damage.

Chairperson: Yeah. I'm going to call a ten-minute recess and then we'll come back. So we'll recess for ten minutes.

Chairperson: This meeting is recessed until tomorrow, Wednesday, November 18, 9:00 a.m., 1985.

Chairperson: Wednesday, December 18, 1985, we'll reconvene from our recess from yesterday and the first thing on our agenda, did everyone get their report, Wendy, on Essential Air Service? We will continue on. Mike are you in Fairbanks.

Operator: No, we're having difficulty getting him hooked up. We've had a couple changes of.

Shultz: Davis is gone.

Chairperson: Yeah, he had to leave last night.

Operator: He decided to hook up in his office and it didn't work. Now he's going back to the Information Office.

Chairperson: Oh, okay.

Shultz: I'd like to have chewed him out for being late.

Chairperson: You do that. We're not hooked up for teleconference, we're merely hooked up for Mike up there.

Pignalberi: I've lost touch with this issue, do we have somebody to kind of put us.

Chairperson: Yeah, that's why I'm going to call on Reed to bring you, because I'm not quite as conversive with it as I should be and so in just a minute we'll call Reed and have him. You have our report don't you Reed.

Reeves: I'll be glad to set them right.

Chairperson: Oh, that will be absolutely great. All right, would you come up and give your name and everything for the tape and give us a summary. We'll go through this.

Stoops: For the record, my name is Reed Stoops and I'm here today to represent the Alaska Air Carriers Association. First of all, we'd like to thank the Committee for its' cooperation last year in helping us to get House Bill 133 passed and also in its work to help fulfill the requirements of the Letter of Intent which went with that legislation. Wendy Chamberlain's done a lot of good work during the interim and we also tried our best to cooperate with the Senate Transportation Committee and I think we've had at reasonably good success in doing that. Just by way of review, the House Bill 133 last year established the minimum insurance levels that would be required for various classes of air carriers and in addition, also dealt with truck safety. We're here just to deal with the Air Carriers portion of the bill. Along with that legislation, there was a Letter of Intent that dealt with four points and there was directed a report to come back to the legislature by the beginning of the next session. The issues to be dealt with in that report included:

1. Federal safety regulations that are applicable to Alaska Intrastate air commerce and which if any, ought to be incorporated into state certification compliance programs.

Just a brief summary, what was meant by that was that right now you have federal regulations which govern commuter airlines but when Safety C was thrown out there was really no regulation effecting or governing charter operations. Under the bill that was passed last year, establishment of minimum insurance levels for air charter operations in addition to what's required under federal regulations for the commuters, but there's really no other requirements. So, that was designed to take a look at what safety related requirements, if any, should be considered in the future. If it turned out that one of the effects of deregulation was an decrease in safety, it would deal with that point.

2. Was whether flying conditions in Alaska warrant additional safety training for pilots. Is that something with the weather or conditions of airstrips unusual enough up here that federal regulations aren't sufficient in order to qualify some of these flying people for hiring.

There was some statistical data that I'll be glad to cover on that point.

3. There was also a provision dealing with the Essential Air Service Program, which is a federal program, which is scheduled to be phased out next year and there is an analysis of that program and what some of the potential impacts of phase out would be.
4. Last, there was a look at how the Department of Commerce implemented 133 during the interim.

Shultz: Question. On page 2, these air carriers that are presently receiving this subsidy, are you saying that that is going to go by the wayside.

Stoops: Right, President Regan proposed last year, in the Fiscal Year '86 budget that that be phased out as part of federal cost control measures. Senators Stevens and Murkowski were able to get that funding back in for one more year, but at this point everybody seems to think that there's a pretty good chance that Fiscal Year '87 program is gone, in which case Alaska Airlines will not receive a subsidy to provide jet service into Cordova, Yakutat, Petersburg, Wrangle and Gustavus. Those five communities

and there'll be no money for rural service on Kodiak Island, Western Alaska, places that don't get a minimum of two trips per week.

Shultz: Okay, now this subsidy though is primarily for mail, is it not?

Stoops: There's two separate programs. The Post Office runs a program that provides contracts to various carriers to carry the mail. That's a separate program for mail only and indirectly that does have an effect of subsidizing passenger service provided that the air carrier runs passengers. They could do with just the cargo service, but assuming they do it as passenger service, they carry passengers on the mail run as well. But the other program is separate and distinct and it was intended to make sure that communities received a minimum of two trips per week and if no carrier was willing to do that under the normal environment, commercial environment then they could apply to the federal government and on a competitive basis they could be awarded a contract to subsidize the cost of flying in there twice a week to make sure there's a minimal level of service. In the report that Wendy's included, what the minimum level is for each community in the state and which communities are receiving that subsidy and which carriers are now serving those communities. In summary, there was about \$4.5 million appropriated last year, of which Alaska Airlines got the majority, \$3 million for the jet service, and then there was about another \$1 million to \$1.5 million that went to the rest of the state. I think 16 communities, the Kodiak area were subsidized and a number of Western Alaska, a few in Prince William Sound.

Chairperson: Might I ask you a question, also? Reed, I was just down in Seward and I was talking to Ludwig's wife, I can't think of her name, and evidently that contract came up for bid three or four times and Chisolm had it, Lachina had it and finally Harbor Air had it. Now, correct me if I'm wrong, but Harbor Air applied for that on the program that you're talking about that just had to do with the mail. Am I correct?

Stoops: Well, they would have applied to the Post Office and that part of the program is still in effect. Senator Stevens has done a good job keeping that alive.

Chairperson: That part is still.

Stoops: Right, and they have changed the way they've done it so now as a competitive process as well. Anyway on the Essential Air Service Program at this point we

haven't, it's basically an overview that's provided for you, a good overview, and we haven't, the air carriers haven't really taken a position on future fundings for that at this point. I suppose we'll deal with that at some later point, it's maybe obvious at least on the Southeast run there'll be some of the smaller carriers interested in providing service on a competitive basis. Obviously, Alaska Airlines won't want to continue its jet service, so I'm not sure how we're going to work that out amongst ourselves and as far as the bush routes, there may be continuing support in the manner of subsidy if we're going to have no air service at all. We haven't really dealt with that. We've concentrated more on the other aspect, the regulatory aspects of the study.

Pignalberi: Reed, I'm just wondering, hasn't anybody given any thought, or has any discussion been had about what happens if Alaska Airlines, for example, was to pull out of some of the Southeastern communities. The state, in recent years, has spent many millions of dollars in upgrading those airports at that airline's request. We've put in landing aids, paved the runways, lengthened the runways, built terminals, sometimes a state expense, because I know they built the terminals, but regardless how the money was spent, I think it's irrefutable that the state has put a lot of upgrades into the airports in Southeast Alaska. How would we recover that if they decide it's uneconomic to serve those cities if the feds decide not to subsidize?

Stoops: I'm not sure that there would be anyway to recover those. Well, yeah, it may mean that there may be some jet aircraft that somebody else would be willing to fly in if Alaska doesn't. Alaska may continue flying jets without a subsidy. That's obviously difficult to be certain. They have been active this summer lobbying communities to help them to continue the subsidy at a reduced level and I'm sure that during the next year or so, both the federal, they'll try to get continuation of the federal fundings for that purpose. But as to whether, what happens if the funding is cut off, I don't know if there's anyway of knowing in advance exactly what Alaska Airlines will do. It's possible that they'd run jet service in the summer and discontinue in the winter, or at a reduced level.

Pignalberi: We probably ought to hear from them.

Stoops: Summarizing some of the statistical information that's provided for you in the report, it's kind of

interesting based on what we've read in the newspaper today, at least with my assumption, that we're headed toward a record year for accidents. It seems that every, at least several times a month we read about another aircraft accident somewhere in the state and as it turns out then, in 1985 through the beginning of November, there were 40 accidents that have taken place this year, which is a significant number of accidents but it's also lower than 1980 and 1981. They had 64 and 56 accidents respectively. So, while we're higher than we were in '82, '83 and '84, we're still substantially down from what we had in the early '80s and the same is true of fatalities. There's been 23 fatalities to date this year in airline accidents as compared to 29 in 1980 and 32 in 1981, though the year's not over yet.

Chairperson: Might I ask you a question at this point, Reed? These accidents, are they by charter air services, major air services or small bush lines or just exactly what?

Stoops: There is a breakdown in the report that shows the number of accidents that were related to commuter or scheduled services and those that were related to charter services. The number of accidents in the charter services have been higher than the number in the commuters. Just as an example, in 1985 so far six of the fatal accidents have been by air taxi operations. One has been by commuter operation. But part of the problem is with this study, and it's not the fault of the researchers. It's just that the information doesn't exist, is we can't really make a valid comparison because we don't know the number of miles flown or the number of hours flown by the commuters versus your charter operators. So, until we have that information, it's a little bit difficult to determine whether the air taxi operations are more safe or less safe. One of the things that we will recommend to you this next year is that we cooperate with the federal government and try to do a better job at building a statistical base that we can make a good comparison on. Otherwise, we'll have no way of knowing whether it's a good idea to apply some additional regulations to the air charter operations or the scheduled carriers.

Chairperson: To carry through on the thing that I asked, would you say that deregulations had anything to do with the fact that they were regulated during 1981, '82, '83 and '84 and deregulation came into effect, could this by any chance have anything to do with the increase in fatalities or accidents.

Stoops: Madame Chairman, at the beginning of the year, we expected that that would be the case, that we assumed that deregulation would make the air industry somewhat less safe because people, there would be no longer any requirements for basis of operations or maintenance programs, some of the things the agency used to do. With the information we have at hand, you can't really demonstrate or make a case one way or the other. We do know that there's more accidents. A number of those accidents have been by established carriers as opposed to new carriers, but we really don't have the basis on which to make a sound judgment at this point. I think that both studies, both the House and Senate studies make that conclusion and we have to agree with them. At this point we can't come back to you and say we want additional safety related requirements put into 133 simply because we don't have the statistical basis on which to prove that those additional regulations would result in safer traffic. So, we'd like your cooperation this next year to continue the study with our assistance and try to get a better handle on whether we do need some additional pilot training, or we need some additional number of hours, or for some way of assuring that when a passenger gets in that plane that we have the best possible maintenance programs and the best trained pilots you can have access to.

Shultz: Just wondering, you mentioned a while ago the increasing of the insurance rates or the amount of insurance that the carriers have to carry. Are you getting, I heard on the radio coming in about some carrier from Southeast or I don't know where out of Dillingham or something, was having a problem with insurance, and I've had other air carriers talk to me about problems that they're having with the cost of liability insurance, are you still or are you guys getting a lot of feedback or a lot of complaints.

Stoops: That's one of our priority issues and we've been dealing with it in a comprehensive basis, not only amongst ourselves but along with all the other industries that are also having problems. It's not our position that we should reduce the amount of liability insurance that's required, because at some point the consumer deserves to be flying in an aircraft that's covered so if there is an accident, there's some guarantee that they'll be compensated for whatever injuries occur. But liability insurance in the industry is getting higher, safe rated as it is for the doctors or the architects and engineers, for a number of daycare centers and other groups. Rather than trying to reduce the minimum, our approach

is to join with other industries in suggesting some changes to the tort system so that we can try to deal with the issue comprehensively rather than just on an industry by industry basis.

Shultz: Just out of curiosity, if I may follow-up, what is your feeling of, okay, having the maximum amount of liability insurance, but at the same time what are your feelings of going in and capping the amount of liability insurance, or the amount that a person can collect? A finger's worth X number of dollars, a hand is worth. It's grim to say that a life is worth X number of dollars, an insurance company knows exactly where they stand. And putting a cap on the amount of money that lawyers can charge.

Stoops: Those are two of the proposals that are being considered in a comprehensive solution. A cap wouldn't be, the cap would be for non, for pain and suffering, you wouldn't suggest that there'd be a cap on what a person could recover just for compensation for wages and other things like that. But in addition to that juries have awarded substantial settlements for pain and suffering and that's difficult to quantify. We've had billion dollar plus settlements just for that aspect alone. We do agree that a cap on that would be in everybody's interest because right now the industry is just passing those higher insurance payments back to the consumer. Not just by our industry, but the truckers have affected higher transportation costs across the board, higher medical costs.

Shultz: Doesn't Workmen's Compensation, don't they have a cap on if you go out here and work on a machine and you lose a hand, Workmen's Comp., bingo.

Stoops: Right, they have a schedule. That's one of the things we've looked at in trying to develop a system and it does have some merit in that there's some certainty. If somebody's injured, rather than having to go through a long expensive process to determine what the compensation would be, it would be nice if there was a simple way of recovering an immediate amount of money and then if there's going to be litigation after that, then fine up to some level. That's something that we've looked at and so far have come to the conclusion that a cap on pain and suffering would be the cleanest way to do it. But there is some merit to a Workmen's Comp. type of approach if you could figure out how to cover the administrative cost for that. There may not be a lot of support for the administration that's necessary

to run the Workmen's Comp. type program across the board for everybody. It's an interesting idea.

Chairperson: Might I interrupt for just a minute. Mike, are you there in Fairbanks listening to us?

Davis: You bet.

Chairperson: Okay, feel free to break in anytime you have a question, because you're still on the tape as being here.

Davis: Yeah, thank you, Bette. It's been pretty good transmission except for one time, Representative Shultz was fading out. But it's been an excellent transmission, thank you.

Chairperson: That's all right, Representative Shultz has just now discovered that he has a button on his mike.

Shultz: I have my mike on now, Mike. I was going to just make not here, it a quarter to ten here, I don't know what time it is there in Fairbanks. You might have been a little bit late.

Davis: There must be a hidden message there. I'm not picking it up.

Chairperson: Well, don't worry about it too much. Go ahead Mr. Stoops.

Stoops: I guess moving along to just a few comments on the status of House Bill 133. What's happened since the session was over last year is that the Air Carrier portion of the bill, the responsibility was placed in part with Commerce. The Department of Commerce, the Commissioner of Commerce has assigned that responsibility to the Division of Weights and Measures, apparently for funding purposes. I think they felt that they had a better ability than some of the other divisions to deal with the clerical support that was necessary and we have worked with Joe Swanson, the Director of Weights and Measures, to try to provide our assistance in making sure that the program was implemented as intended. There was a letter that went out late in the summer that notified the various carriers that this law had passed and that they were responsible to get a certificate from the state to assure that they did carry the minimum level of insurance that was now required, \$150,000 per year. We had a provision in the bill, as you recall, it allowed the companies to acquire that new level of insurance when their old policy expired, so it would be staggered during the

year. It wouldn't all happen abruptly upon the effective date of the bill.

Chairperson: Might I intervene again, Reed. What, how do you monitor, how do we monitor, how does anyone monitor the fact that air carriers are carrying insurance?

Stoops: Well, the system that was contemplated was a real simple one in that we required carriers to submit to the state a copy of their insurance policy indicating that number 1, they carried \$150,000 per seat for every plane that they were flying. And secondly, that there was a clause in that insurance policy that required 30 days notice to the state if that policy was going to be cancelled to avoid a situation where somebody cancels their policy then just continues flying. So, we assumed that it could be done through the mail. If the carrier did not submit it, then there was no basis on which to issue a certificate. We know pretty much which carriers are lying because a lot of them are already registered with the federal government or have been registered in the past. So there's a list of carriers, although we may not pick up some of the new ones. And we're going to try it just on a, try to do it through simple administrative procedures. The first letter went out and there was apparently about 20% of the carriers responded back and provided their copies of their insurance policies and received a certificate. But until the end of the year, it's hard to determine how effective, what compliance ratio we're going to have because a lot of insurance policies don't come due until November or December, so until then carriers aren't required to comply with the law until their insurance policies come due. So probably in another month we'll know how many of the carriers in the state complied to the law just on the basis of one or two letters from the Department. So hopefully sometime in the session, we'll be able to let you know how satisfactory that system has been in working. The only problem area that I would like to raise, and you might want to talk to Joe about it, is that we had some difference of opinion over the enforcement language in the bill this last year, that early on after the session we held a meeting to make sure that we were in agreement on how the bill would be implemented. Joe didn't feel that the enforcement sections were clear enough to allow him to aggressively enforce the bill. We had a somewhat different opinion, but we agreed to get an opinion from the Attorney General's Office.

Signalberi: Would you repeat that please.

Stoops:

Okay, there was some difference of opinion over how enforceable the bill was. There was some different interpretations on two of the enforcing provisions on exactly how that would be done and in order to clarify that we sought an Attorney General's opinion to see whether we were right or Joe was right and to date we've never gotten an Attorney General's opinion back again, so we don't know who's right. But in the mean time, there's been at least one case of reports of carriers who've been flying without insurance and unfortunately it was a case where the federal government also had jurisdiction. They actively sought enforcement, but the state did not actively seek enforcement of the state law. There may be legitimate grounds for that position, but on the other hand, we'd sort of like to see at least a letter going out from the state indicating that that carrier was in violation of state law and if it turns out that it is unenforceable because of lack of money or because of language to the bill, then we can correct that during the next session, a technical amendment. But we would be happy to see, we would be happier if there was a more aggressive posture by the state.

Pignalberi: Would you explain what the constitutional question?

Stoops:

It wasn't really a constitutional question, I don't know if Joe can address it when he comes. I think there were two problems. One is that if there was a violation, was a violation per incident. In other words, if somebody carried passengers without insurance, do you fine them everytime that they made a trip with a passenger or is it just one violation, no matter how many times they flew with passengers. That was one question. We felt that that could be handled by regulation, but Joe wasn't comfortable with that. And then secondly, what's the recourse if you are caught. There's a fine, that's obvious, but whether or not you can issue a stop order to stop that person from flying until they have it, there was also a difference of opinion. We thought that the law said that you could do that. There was sufficient authority. Joe said we're not really sure about that, we think that all we can do is revoke their certificate of compliance, but we can't stop them from flying. Again, that wasn't our interpretation, but at this point, the state's interpretation is that they weren't comfortable that they could enforce, so maybe Joe can address those points. I guess we would have liked to at least seen a letter go out saying that you are in violation and that we intend to take action if you don't cease flying until you acquire your insurance. But in the

one case that we are aware of, the federal government did seek compliance and apparently they have been effective. So that incident has been taken care of. It's something that we do have to deal with because we know that there's other carriers out there that are flying without insurance right now.

Davis: Reed, this is Mike Davis. I've got a question for you. Thank you, Madame Chairman. When you say the carriers are flying without insurance, isn't that also a violation of federal law, that they can't fly without insurance.

Stoops: Representative Davis, it's a violation of federal law if they're a scheduled carrier, in which case they have to have \$300,000 per seat liability insurance. If it's strictly an air charter operation, there is no applicable federal law, it's only state law.

Pignalberi: Interstate.

Stoops: Yeah, if they're flying within Alaska and it's only a charter service, only state law applies.

Davis: And you're saying that there's no enforcement then of the insurance regulation and those that are in violation are not being cited.

Stoops: So far, that's the case and we'll admit that it's early, that it is difficult for the Department because of a lack of funding. There may be some legitimate differences of interpretation in the bill, but we're just raising the point to assure that in the future that there is aggressive enforcement because it's in people's best interest and we think it's in the industry's best interest.

Davis: If I can continue, Madame Chairman?

Chairperson: Go ahead, Representative Davis.

Davis: Reed, does the industry have any suggested amendments of things that would make sure that there is teeth. The truckers said yesterday there was no teeth in the law. Do you have any recommendations or are you going to bring any recommendations to the legislature so that the enforcement provisions are being ferrated out.

Stoops: Yes, Representative Davis. In the packet that has been made available to the Committee here, there is a proposed set of amendments that was prepared by Joe Swanson that I intended to deal with in the

testimony today. There are two or three suggested changes in the enforcement language that we're prepared to support.

Davis: I have the packet, so I have if it's the blue folder, I have that. If it's in there, I'll find it.

Chairperson: Reed, do you have the page number that you're going to be.

Stoops: Just a sec, let me get the blue folder.

Davis: Well, Madame Chairman, when Reed's taking a look at this are you considering introducing some legislation that will be Transportation Committee legislation to address these issues and the ones that were addressed yesterday with the truckers?

Chairperson: That will be something, Mike, for the Committee to decide. But, yes, I very definitely think so. I don't think we want to open up 133, but I do think that we'll probably have to introduce some type of legislation that will take care of some of the problems that have arisen from that. From what I understand, it's primarily in funding and then the decision of which agency is actually to do the enforcing and we're going to have to, as a Committee, make some preparation for that.

Davis: Well, Bette, if you would like any cooperation from me or any assistance before the legislature convenes on some of these issues, I'd be glad to work with you on that.

Chairperson: I would certainly appreciate it, Mike, and we'll keep that in mind and I'll be able to get in touch with you up there.

Davis: Ten four.

Stoops: Madame Chairman, the proposed legislation is not in the blue packet, I don't believe, but I got a copy from Wendy, so I'm sure that it's available and as soon as we find Wendy.

Chairperson: Yeah, as soon as she gets back. She's busy on another errand right now. As soon as she gets back, we'll find that out.

Stoops: Until we get copies of the legislation to deal with, I'll defer my specific comments.

Chairperson: Here she is now.

Stoops: While we're getting copies of some suggested amendments to the bill, at this time I would like to defer for a few minutes and allow Dave Zundel, who is Executive Director of the Air Carriers Association, to talk to the Committee just briefly about some of the work with the Air Alaskan Aviation Safety Foundation is doing. How they're cooperating on the safety aspects of the study and what things they're doing to try to reduce the accident rate.

Chairperson: Excellent. Mr. Zundel, would you like to come forward. Then give your name and occupation for the record.

Zundel: Madame Chairman. My name is David Zundel. I am the Executive Director of Alaska Air Carriers Association and also the Executive Director of Alaskan Aviation Safety Foundation. I would like to speak on to kind of summarize what the Alaskan Aviation Safety Foundation has been doing in the last, particularly since October of 1985, but specifically, also including a little bit of history of the foundation's beginnings and the funding that the state has given the foundation. Alaskan Aviation Safety Foundation was established in 1978 by the aviation industry to foster aviation safety by providing aviation training throughout the state. In the first few years, the Foundation conducted aviation management courses, pilot and mechanic seminars and chief pilot seminars, etc., between the years of 1978 and 1980. Then in September of 1980, the National Transportation Safety Board, NTSB, published their special study, Air Taxi Safety in Alaska. The NTSB report clearly established an air safety problem which indicated that the accident rate in Alaska was four times the accident rate for air taxis in the rest of the United States. The NTSB report concluded that there were three major factors that contributed to the high air taxi accident rate in Alaska. Number one, the bush syndrome. An attitude on the part of air taxi operators, pilots and passengers in Alaska that range from casual acceptance of risks to willingness to take unwarranted risks when flying. Two, inadequate airfield and communication facilities. And three, inadequate weather observations and insufficient navigational aids. In June, 1980, Alaska State Legislature appropriated \$51.3 million for further development of the state aviation system. Specifically, the money was for airport improvements and weather services. The other side of the problem is education of management, pilots and passengers to overcome the bush syndrome. Note: it is not just the bush pilot syndrome. The NTSB report recommended to the Alaskan aviation industry the following:

Extend their safety program to reiterate the hazards of air taxi operations in Alaska to overcome in particular the bush syndrome. The Safety Foundation began a study in 1980 to determine how best to implement the recommendations of the NTSB. Phase one of that was the completion of a report, that was by the way funded by the state legislature through the Safety Foundation, a report by the American Airlines Training Corporation defining Alaskan aviation training requirements. This report was completed, again, through the funds provided by the state legislature. The study completed in July of 1980 was effective in determining a specifically designed training curriculum suited to the needs of Alaskan aviators. The next phase was to create such curriculum. On September 13, 1983, the state contracted with the Safety Foundation to develop an Alaskan aviation safety curriculum that would include lesson plans to be used by experienced Alaskan aviation operators when training both private and commercial operators to fly aircraft safely in Alaska. Dr. Jerry Cockrell was hired by the Foundation to spearhead this project and it was completed in the summer of 1985. Phase three of the program is the phase that we started in October of '85 and that was to conduct safety seminars throughout the state. We actually began a preliminary phase of the seminars, the safety seminars in Bethel. That was the first one we did and that was done in April of 1985. Since October, the Safety Foundation has been involved in an aggressive program. We've been in Anchorage [tape end].

TAPE 3, SIDE B

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(see two pages of notes following this tape)

TAPE 4, SIDE A

Chairperson: However, I think this could be handled after study with a different method than opening a bill. So thank you for your testimony or comments, that word testimony always gives me, I feel like I'm in church or something. Mr. Stoops.

Stoops: Madame Chairman, if it's the pleasure of the Committee, we would appreciate an opportunity, about five minutes, to express our preliminary reviews on those amendments.

Chairperson: All right. Would it matter if we took about a ten minute break and then got back to it? Would that break the chain of thought.

Davis: Madame Chairman, can I just say one comment, please?

Chairperson: Yes, Representative Davis.

Davis: I guess my comment is, and I've never heard the answer to that, and that's what is the, there was a lot of positions in the A.T.C. that were disbanded, whatever and what happened to all those positions in terms of the budget? Was there anything that was a carryover that they went into other departments? I guess I don't need the answer, but maybe Mr. Swanson can give that to us. What happened to all those positions that were in A.T.C. that did some of the functions that he's requesting positions for now?

Chairperson: All right. Mr. Swanson's prepared to answer that.

Swanson: The demise of A.T.C. and the particular, most of the individuals had conversations with our personnel officer just a couple of days ago, have been placed in other agencies. They are a couple that are still remaining. The position that we're asking for on the administrative side is strictly a clerical position, falling within one that was not specialized to A.T.C. The investigative position, the way the bureaucracy works or the administration works, I'm forced to work within the personnel system and I had to pick a series that's still alive, so I picked one of our major ones, standards inspector, and identified that as the place where I would put the individual. The investigative positions that were in A.T.C. have been eliminated from our personnel system, so I can't pick up that particular type of person. Now, certainly if one of those people were around and on the register, we would look at them as part of the expertise. I'm not saying that we would choose that individual. Am I making any of that clear.

Davis: Sorry to hold up the coffee break, but I guess what I'm trying to say is that we eliminated A.T.C., was there a reduced amount of money because of that elimination or did all those positions just transfer other places?

Chairperson: I wonder if Representative Adams could answer that question for us a little bit more clearly than. He doesn't have his detail book with him, but Mike we will get the answer to that question to you. I'm not sure where those positions went either.

Swanson?: They did not go in the Department of Commerce.

Chairperson: They did not go in the Department of Commerce, we've got that down pat.

Davis: I don't really want the answer right now, Madame Chairman, but thank you for holding off the coffee break for me. Go get a cup of coffee.

Chairperson: Okay, I would like to declare a ten minute recess and I mean just ten minutes. Let's get back so we can finish up in time to go to lunch or whatever.

Zundel: We, as the Air Carriers Association, received this Saturday and really have not discussed with our constituents to the point where we feel that we can legitimately tell you that the industry says this or that about the proposed changes. There are, particularly the 75% concept, I think we'll take under advisement and get back with you in respect to that as far as our recommendations. There are some aspects of his proposed changes that I think that we would concur. Let me see how this is, under 42.30.200, Section B or Section D, excuse me, a person who violates this section is guilty of a Class D or A misdemeanor and is punishable by a fine of not less than \$500, and he's changed that to \$1,000 or more. One of the things that we asked Joe Swanson to find out from the Attorney General was, rather not, this should be a \$1,000 fine per flight, per day or what. That was one of the questions we asked them. We recommend that we charge or fine them \$1,000 per incident, which would put a stop to it immediately and that was one of the focuses of our asking the Attorney General's opinion because we felt like that would certainly put some teeth in it.

Pignalberi: What's an incident?

Zundel: Every time the carrier flew with passengers would be an incident. Every flight that he would fly as an air taxi with passengers would be an incident. So that would stop him in his tracks. The other provisions under 42.30.225, clarification of compliance of air carriers, under Section B. This was a recommendation of Alaska Air Carriers, excuse me, Alaska Airlines. The annual fee for a Certificate of Compliance is \$50. The Certificate is valid for a period of 12 months following the date of certification. The Certificate shall be displayed on the aircraft so that it is visible to boarding passengers. I think we concur with Alaska Airlines' comments on that. And Section C, the Department may investigate complaints or violations of this section and conduct other investigations, we would certainly concur with the ability of the Department to carry on investigations. Section D, a person who violates this section is guilty of a Class 3 misdemeanor, we would also concur with that particular provision.

Then under 42.30.360, Section 3, aircraft means propellor, rotary or jet powered device used or design for flight in the air, we also would concur with those things. But the first section we would certainly like to have time to consult our members and take it under advisement. I would like to also say before I leave is that some of the statistics from your report are not adequate to determine the safety level of air carriers. I think that was pointed out time and time again with the report. It seems to me that with the Alaskan Aviation Safety Foundation now having a statistical department, that we certainly could help the state in that area.

Chairperson: We would certainly appreciate, Mr. Zundel, your being able to furnish more information so that our staff can be a little more accurate. We frequently fly blind on some things, I'm using I didn't realize that pun on words, but we do frequently get in a position where we don't really have the right stuff but we have what's available to us. And with your new help, why we'll certainly appreciate your keeping in touch with our office and furnishing us with that information so that we can be more correct.

Zundel: Thank you, Madame Chairman. Let me say, also, tomorrow we will have a meeting with Gene Morris, a statistician along with the Safety Foundation, including in that meeting will be Jim Michealangelo from the NTSB, Chief of the NTSB office here. We'll also have a representative from the F.A.A. and we hope to crystalize, I guess, our thinking in terms of what direction we want the statistician to move. But we've got the data and we've got the capabilities now and I'm excited about that, I guess I mentioned before. And tomorrow we'll crystalize just exactly what direction we can go. But we will have the information, I think, within six months. The information I think will help the state to determine what the problems are, which has not been done before.

Chairperson: Oh, that just sounds absolutely great, doesn't it.

Zundel: Thank you very much.

Chairperson: Thank you, Mr. Zundel. Mike, are you in Fairbanks?

Davis: You bet.

Chairperson: Are you lonesome up there?

Davis: Well, no I got my parka and my coffee. I'm doing fine.

Chairperson: Okay. We kind of miss you being down here, so we can exchange pleasantries. Mr. Furnace has joined us, Representative Furnace. He's been ill with the flu. Let's hope this doesn't set him back because we surely need him here this afternoon. Would the committee like to make some comments on what has proceeded so far, as far as comments from the industry and the Department of Commerce, Weights and Measures Division.

Pignalberi: Thank you. Madame Chairman, I certainly want to thank the witnesses we had this morning for helping us review the situation in the air taxi industry since we passed House Bill 133, which we had to do because with the public abolished the Alaska Transportation Commission. I, for one, am considering introducing a bill next session, and I just don't know if I'm going to have time to put it together, that will attempt to reinstate the Alaska Transportation Commission. I would ask the people who are participating in this teleconference, the air carriers and mention it to the truckers' representative that I'd like to get some response from them and I've already gotten some initial informal response from Mr. Swanson. But I sure would like to get some feedback on that because I, for one, think that part of the accident problem that we're having is because the Commission is gone.

Chairperson: Mr. Zundel, would you care to comment on that.

Zundel: Yes. Madame Chairman and others on the Committee, this is kind of an interesting subject because the carriers in their 1986 convention basically have voted to table the motion, that is about half the carriers were for and half against the A.T.C. and so at that point there was nothing concrete. Our feeling, basically, is that carriers ought speak as a united voice. That's difficult sometimes with the independence of Alaskans in particular, of the Air Carriers Association's members. At this point, the only thing that I can say is that there is a division still in the Carriers. Half of them believe that there ought to be a regulation and half of them do not. So we've got a selling job to do amongst our own group, if we are to support that concept or not.

Chairperson: Representative Pignalberi, I'm interested in your trying to put through a bill. I'm just going to give my own personal opinion. I felt that the A.T.C. should be streamlined, should have been not done away with, but streamlined so they could be functionally more efficient than they were under the fat, at that time existing situation. Unfortunately, I

lost, but I would be open to a modified version of A.T.C. coming back. I have come to the point and time in my life where deregulation is beginning to mean to me that people could do whatever they damn well please without regard for anyone else. I don't like rules and regulations much better than anybody else, but if you're committed to taking into consideration the health, welfare and that sort of thing of our citizens, as we are commanded to do in the Constitution, then we have to find ways to do that and as far as regs and that sort of thing, I've always felt sometimes that they were just a little too pressing on me. But when I knew I had to do something, then I went ahead and did it and didn't do too much crabbing about it. Yet when I had free rein, I pretty much well did as I pleased. I think the average citizen feels a great deal the same way I do. People want to be law abiding and we don't want particularly real restrictive regulations, where we can't turn around without asking somebody, but we do need some directions, just like kids in school, they need a direction to go in. That remark comes from my school teacher experience. I think we all in life need a direction and if that direction isn't there that we can just go off on tangents and then create some pretty impossible situations. Well, enough of that. Do we have any other comments from the Committee. Representative Shultz, do you have anything to comment? Representative Davis in Fairbanks, do you have any comments you wish to make?

Davis: Well, I just have a comment to Representative Signalberi. I've always felt that the A.T.C. needed to be fine tuned and despite audit after audit, they never did it and so the result was the public threw the whole thing out and I sometimes felt that they went out that way. But I think implementing or reinstating the A.T.C. given the public's mandate is [indiscernible], Marco. That'd be my comment on the whole issue.

Zundel: I would like to comment, Madame Chairman and Representatives concerning the Air Carriers concept of how we can police ourselves, our own association and what we're doing in terms of, what we're trying to do is lift the industry standards. Let me speak on that if I could for just a moment. The Air Carriers Association, 15 years ago under the direction of Richard Wien and others in the industry, particularly Rex Bishop of Alaska Helicopters, and Ken Eichner from Tamsco Helicopters, and others, Orville Livingston from Livingston Helicopters, created a code of ethics for the Air Carriers Association. We basically just

reemphasized those code of ethics, I'll make a copy for the Representatives here, because I think it's very significant. The attempt that Richard Wien and others tried to do. Basically, we believe the industry can do a lot to pull itself up from its own bootstraps and cleanse those carriers in the industry from our association that should not be there. Our motto is aviation committed to safety. Our Association is dedicated to safety. One of the things that we're trying to do, one of the first things that we have done this year is to create a membership committee and not allow those carriers that are not committed to safety into the Association. The second phase of that program, basically will be to have an audit or a safety consultation from the Safety Foundation on a yearly basis. We hope through these means and others, through programs like a Chief Pilot course, a Corrective Operations course, a Director of Maintenance course and the Pilot Curriculum, to lift the industry in terms of safety. So we want to do some of that on a private basis and I think that we can do that. We want to tout the Carriers Association's commitment to safety through the press and through public education so that people will realize what the Air Carriers Association stands for and that is a commitment to safety. That has not been done and we hope to do some of that work ourselves, including our own members, and raising the level of safety, the consciousness of safety. Thank you very much.

Chairperson: Thank you very much, Mr. Zundel. Are there any other comments? Do we have any further discussion on the aviation part of our meeting? If not, no comments, Mike, you sitting all right up there?

Davis: Just fine.

Chairperson: Will you be back at 1:30 with us?

Davis: Looking forward to it.

Chairperson: All right. I think I am too. I say that with tongue in cheek. However, if there is no further business, then I think we'll recess now until 1:30 and reconvene at 1:30.

Prior to the report of the Railroad to us, I would like to have Jack Burton make a statement that he wishes to make. Jack, will you?

Burton: Chairman Cato, distinguished Committee members, I'm Jack Burton. I'm President of American Federation of Railways, Local 183, which represents the largest

barzaining unit on the property. Unfortunately, I just got back into town, I've been on leave down in the lower 48 down there and just wanted to [indis-cernible] here. I haven't even prepared a testimony, but what I'd like to ask is for you to keep the record open today. We do have some differences with the Alaska Railroad management inasmuch as we've got some problems and everything. We're going to try to address those problems in the House if we can resolve that. I just came back from talking to Congressional[?] leaders down in Washington down there. They recognize some of the problems that we have. I've talked to the legislative branch down there and we're talking about maybe making an amendment to the Alaska Railroad Transfer Act if we can't get these problems solved in the house. Basically, that's about all I got today and [indis-cernible] our testimony, we'll be back late today.

Chairperson: Yes, and I thank you for coming and asking that we keep it open. We very definitely will and I think we need to acknowledge and notify everyone that we always welcome additional written testimony, verbal testimony and try not to close anything off. Thank you, Jack. I'm kind of stalling for time, hoping that Representative Pignalberi would be able to get here. Marvene, is there something that's holding him up.

Marvene: Yes, he got called for a short meeting. He'll be back in just about half an hour.

Chairperson: About a half an hour. Well, darn it. It just goes to show that Representatives are not necessarily part-time Representatives, that a great deal of our time is involved in the legislature and we work at odd hours and sometimes have conflicting appointments. At this time, however, the audience does not have it, but we do have a written copy of the Alaska Railroad Corporation report. There aren't enough copies for the audience, but try to follow along with us as best you can. We would appreciate that. Mr. Turpin is going to give us the introduction. We'll talk about financial highlights and risk management by Mr. Yetter. The marketing overview, industry subsidies, Title V - U.G.U. Negotiations and caboose legislation. We'll also have other people to comment on other things that they wish to comment on. Mr. Turpin would you like to start out. Would you give your name and, I know this sounds ludicrous but we need it for the tape, your name and your occupation.

Turpin: I am Frank Turpin, President and Chief Executive Officer of the Alaska Railroad. I'm afraid that you have given my introduction, which is what we would cover today, but I have no problem at all, you did it beautifully. I wanted to introduce to the Committee Marvin Yetter. You've met before. We've made presentations. We have our Vice President of Marketing, Denny Robertson, with us today and I thought you may have questions that you might ask or you might like to ask about our marketing operations. Denny is over here. Then we also have Larry Wood, who is our Chief Counsel, and he is new to the Committee, I believe and Larry will be making some of the presentation. Here, again, if there's anything in the legal questions, why we'd be happy to have Larry try to answer those. So without taking up any more of your time, we thought we would briefly cover the financial highlights which I'm sure is of interest to the Committee and I've asked Marv to do that. Marv this is going to be quite an exercise without any diagrams.

Chairperson: I am terribly sorry about the lack of diagrams and things like that but they don't record on tape and it's extremely difficult for the Committee to have a record of what's being said. It's like nodding your head before the mike, it just doesn't activate the tape.

Yetter: My name is Marvin Yetter. I am Vice President of Finance of the Alaska Railroad and I'd like to cover three basic subjects today: The 1985 financial results through November, also what we're looking at in our '86 capital budget and then also give you a brief update on our risk management program. You may recall that we have sent letters out in past months with regards to how we have changed our insurance limits at the railroad to meet changing insurance industry. Starting off with the financial highlights, as far as income goes, through the month of November, we at the Railroad right now stand with a net income profit of \$5.8 million. That is against our target of \$7.1 million through December. Obviously, we've got \$1.3 million to go. We expect to do that in the month of December or come very close. Revenue, however, is down from what we forecast in the budget for two basic reasons. The coal, import and export coal, or I'm sorry the export coal and the local coal to Fairbanks is running about \$2 million under what we budgeted through November. Also, our trailer and flat car traffic, gainers and flat cars that is down about \$3.1 million from what was forecast. Also, in addition, our gravel that we hauled this summer was down about \$1.1

million. So the total, we had about a \$6.5 million shortfall from the budget with regards to revenue. I'm happy to say, though, that expenses are also down about the same amount. That's largely the result of reduced depreciation on the railroad. The depreciation is not as high as forecasted. Also, we have been able to hold the line in most areas on expenses. Now if we would not be holding the line on expenses, we would not see the \$5.8 million profit because of the shortfall in revenue. I think most of us know that the transportation industry rate structure has dropped off quite a bit in the last two years, probably 40-50%. Switching now to capital, presenting questions.

Shultz: Did the, on the coal, revenue off of that, was a lot of that due to the fire at Healy mine?

Yetter: In the month of November, we were down on coal, export coal about \$300,000 and that was a result. Also northbound coal was down because of the fire.

Chairperson: I would like to ask a question on that, too. With the fact that the coal was freezing in the cars, did that have anything to do with that revenue picture.

Yetter: We had some early problems, January-February of last year, that we think we have that problem resolved and we're working very closely to the Sun Eagle and we think that problem will be resolved this winter. It should not reoccur. Okay, moving to capital, the second page in your book there under financial highlights. We expected to spend, in capital spending, about \$14.1 million in 1985 through November. We have spent \$8.2 million in capital spending. Two basic reasons for the downturn.

1. We got a late start on our capital plan due to implementing what we call capital control procedures and analysis that lets us reevaluate each project before we begin that project.

In most government funding, state and federal funding, when an item is put in the budget as approved, regardless of when that project is started, the go ahead is given at budget approval time. At the Railroad we take a different approach. Industry takes a different approach to capital spending. Even though we put an item in the budget and we establish the budget, that is only a plan because it may be two years down the road or a year down the road before that capital project is really begun and your business conditions may have changed substantially at that time so it may not warrant starting

that project any more. So we put procedures in place to reevaluate based on economics, internal rate of return based on the communities that we're doing projects in to take into consideration these factors. We look at our \$14.1 million spending plan and felt that trying to do these analyses that some of the projects were not justified. They do not have the payback. They did not have the return to the Railroad that they should have so we did not do those. That's the basic reason why the spending is not up to what we originally forecast. Now I'll go over the '86 capital budget in a minute which will give you an idea of what we plan on doing in 1986. But to further carry that, even though we've only spent \$8.2 million through November in actual spending, we have upgraded the railroad with equipment and track structure to the tune of \$20 million. The third page there gives you an example. We had purchased five new locomotives at a cost of \$5 million; 45 new flat cars at a cost of \$4.5 million; 2 self-propelled coaches, these are extra coaches that we're improving the passenger service with, at a cost of \$1 million; improvements for tunnels, 5 tunnels south of Portage to Seward, \$2.4 million; we resurfaced our track and roadbed 180 miles this summer, which is almost a third of the line for \$2.9 million; energy conservation, we've installed energy, new heating, utility systems for hot water steam heat over in the Anchorage Port facilities that we have there. Just in 1985, we spent \$2.1 million on that project. The total project cost there is approximately, probably in the neighborhood of \$4-5 million. That project will save us \$300,000 alone each year just on energy consumption. In Whittier, we spent \$600,000 on the Tasse Yard over there, track lighting and that kind of thing. The same thing in Fairbanks, Allison Branch rehabilitation \$800,000. Then we purchased \$700,000 in engineering construction equipment in 1985. In major items \$20 million.

Chairperson: Might I interrupt you just to ask you a question at this time? At what and point and time were those five locomotives purchased?

Yetter: We ordered the locomotives I think about February of this year and they were delivered in May, end of May early June.

Chairperson: Inasmuch as the Railroad started out with no monies at all except the, I think it's \$10.3 that was given by the legislature.

Yetter: \$10.9 million.

Chairperson: And, were those locomotives purchased out of that money?

Yetter: Yes. As you can see, just on capital alone there was a lease purchase. But what we've done is, there was two funds given the Railroad. There was a \$4.9 million operating fund, because, as you said, we started out penniless, and we had no receivables or payables on the books so that \$4.9 million was there to be able to pay the bills until the revenue started coming in from the 30-day, 45-day lag on receivables. There was \$6 million appropriated for capital, to finish up capital projects that were in progress prior to the State taking over the Railroad. A good example of that was the tunnel projects. We did some work in a tunnel in 1984. Some of the energy system that we talked about, \$4 or \$5 million. A lot of these projects were started in prior years and it would have been a financial mistake and not good business practice to stop those projects and not continue because of all the dollars that were poured into them. The \$6 million was to finish those prior projects taken over or started under federal and then also to get the Railroad started on the way on the new capital plan. We have used that \$6 million to finish up those '84 projects. The locomotives were bought in 1985 on a lease purchase plan.

Chairperson: Was there anything in that \$10 million plus allocation that said that was to be used for operating expenses rather than capital improvements?

Yetter: We had to use the \$4.9 million for operating and we had to use the \$6 million for capital. That's the way it was appropriated. We did that. We had the funds separate and we did that.

Chairperson: Excuse me for.

Yetter: Any other questions on this?

Davis: Madame Chairman, I have a question when you.

Chairperson: Yes, Representative Davis?

Davis: I have a question on, not on the page that you're on but the next page on number 5, it says what percentage of the Railroad land is leased and what is the income from these leases. It goes on about how your department.

Chairperson: Mike, you're looking at our report. We're looking at the report the Railroad brought in to us today. So the pages don't coincide.

Davis: I see, thank you, Madame Chairman. Well, I still, if it's okay ask that question then.

Chairperson: Yes, I'm not sure Mr. Yetter's prepared to answer it, but yes. He'll give it a shot.

Davis: As I said it's point number 5 here and it talks about the amount of Railroad leased land and things like that and it says in here that you're not required to comply with Executive Budget Act, Accounting of Public Funds, all those sort of things, but there's also a stipulation in the law, as I recall, of fair market value. In other words, the leases that you have to charge are fair market value, but it looks to me like even though the legislature is requiring you to do that, there's no oversight, there's no way to know that you people are actually doing that. Is that correct?

Yetter: Well, I think there is an oversight in the sense that, of course, any policy like that that we develop is all done with public input and we've had it with regards to our lease policy and I think Mr. Turnpin's going to speak about that a little bit later. But we have had several meetings with the public regarding the development of our lease policy and to do those exact same things and make sure that we got in the policy that controls, that protects both the public and the Railroad. Also, of course, a good point that Mr. Turpin just made that we are required by the Act to be audited by an independent certified public accounting firm, which is Ernst & Whinney in our case. In addition to that, we are required by the Act to have a railroad expert management firm come in each year, annually, and do a study and determine whether or not the Railroad is being run cost effectively and meeting railroad standards. In addition to that, the office of Managing and Budget, or I'm sorry, the state auditors, that branch, have the right to come in and review the records of the Railroad.

Davis: I see. So they have the right to review that, but all that information can become public documents. Is that correct?

Yetter: I would have to check with our attorneys on that. I don't know, I don't think that with regards to our, the lease policy can be, I'm not sure about the rates we charge on other people's property.

Wood: Representative Davis, this is Larry Wood. With the Chairperson's consent I'll answer that question.

Chairperson: Please go ahead.

Wood: That would be part of the lease document and that would be something that someone could come in and look at. I guess you're talking about what rate is being charged for a specific lease, correct. And that is something that could be examined.

Chairperson: Mike, if I might interject a comment that there is nothing in the Act, however, that says that you must send to the legislature a report of those things. You'd keep them in-house and that there is nothing that says that they have to go to the legislature yearly. Am I correct in that?

Wood: If the Railroad decides it would like to issue a lease in excess of 35 years, it would have to either have a provision in the lease that that term would be subject to Railroad use, should it need that particular lease or that land after the 35 years, or get the legislature's permission to grant a lease in excess of 35 years. So with that one exception, that's a true statement. The information is available, as Mr. Yetter has pointed out, for audits. It is also available for inspection by Representative Davis or others who might have an interest in determining or assessing whether or not the Railroad has been abiding by this mandate, by the state law.

Chairperson: However, I think the point I'm getting at is that there is no direct obligation to inform the legislature of these things that we've been talking about. Am I correct as far as that in the Act?

Wood: Right.

Davis: Madame Chairman, I'm just trying to get things clarified for myself, but in here, in your report it says what percentage of the Railroad land is leased and what is the income from these leases and in here I'm perhaps mistaken(?) but it says that no information is available on how or where this income is spent. Maybe I just read into that, but there was no information on which land was leased and which wasn't. [tape end].

TAPE 4, SIDE 3

Chairperson: that information. So I think that's what that is referring to in your report.

Davis: Okay, thank you very much.

Chairperson: Let me clarify something in my own mind then. Inasmuch as the Federal records did not keep track of the 38,000 acres of land, individually piece by piece, then the Railroad is in the position right now that they actually don't know themselves what land is where and what you do have jurisdiction over. Am I correct in that?

Wood: Well, that's the process we're going through and we know generally. There is some land that is in use that we don't know and we're going through that effort now and cataloging and organizing that to make sure. But to say absolutely every one of them, you're correct.

Chairperson: Continue, Mr. Yetter.

Yetter: If there are no more questions in regard to that, we'll go on to the '86 capital budget. In 1986, our capital budget we expect to spend \$13.5 million against a budget that has a value, new purchases of \$17.6 million. What we're looking at in 1986 as far as major capital purchases in the area of equipment, we're looking at buying 20 new air dump cars, these are sort of like a gravel hopper car that has a side dump on them. We're looking at buying 3 locomotive cranes; 8 locomotives of which they may be remanufactured, they may be new; numerous light vehicles; about \$3 million in construction equipment; showing some building upgrade in regards to local employee housing that we have for the summer work crew; upgrading four section facilities; putting in a fire and security system in our Anchorage properties; numerous building renovations. So the value of that is \$17.5 million we will spend against those particular items. In 1986, \$7.3 million. With carryover spending of \$6.3 million, which is [indiscernible] project that was started in 1985, the total of those two then equals \$13.5 million to be spent. In order to make that spending plan of \$13.5 million, we expect to utilize the cash that we have on board at year-end 1985 plus the cash that's generated from profits in 1986.

Chairperson: Are there any questions on that? No.

Yetter: One other short subject that I think we need to just mention briefly on the last page of the financial section there, we all know the insurance industry has made a dramatic retreat as far as the availability of policies during the last year and also the cost of those policies has been rising significantly. Prior to July, 1985, Alaska Railroad tacked onto the state Risk Management Program. We paid our share,

but because we were tacked onto the state's plan, we got it at a reduced cost. For a \$50 million liability policy, \$200,000 deductible tacked onto the state plan, we pay \$500,000 annually for that coverage. July 1 we had to secure our own insurance. Also, the insurance companies would not allow Railroads to be tacked onto the state plans after July 1. So we went out and secured our own insurance. Railroads are very difficult to insure. The maximum insurance that we could get at a reasonable cost, regardless of casualty insurance, general liability insurance, worker's compensation, with a \$30 million liability limit and a \$2 million deductible, before we had a \$50 million limit and a \$200,000 deductible. We went to a \$30 million limit and a \$2 million deductible for an annual cost of \$1.2 million. In addition then, insurance on our buildings, contents and structures, the rolling stocks that we have on the Railroad, we got an additional policy which had a \$20 million limit but it had a \$10 million deductible. That policy cost \$120,000 a year. In addition, we have a directors and officers liability insurance. It has a \$5 million liability limit with a \$10-75,000 deductible depending on the occurrence, that's \$44,000 a year. The total of those three policies, which gives us less coverage than we had before with a substantially higher deductible is \$1.4 million. That is being funded out of Railroad profits. I think this is the same kind of situation that you're seeing, I know that there's a committee looking into that for the state. It's the same kind of thing that we're faced with in other things in Alaska.

Chairperson: Yes, I was just going to comment that the insurance rates in the state of Alaska is mighty bleak at the present time. All industries are, and individuals, are being faced with premiums that are almost impossible with far less coverage than they ever had before. There is a committee working on that and it's high time we did take a good strong look at that picture.

Yetter: If there's no other questions, that wraps it up.

Chairperson: Mike, do you have any other questions? I had one, but I'll save it for when Mr. Turpin comes up. It doesn't have anything to do with the finance system.

Turpin: I'll come up briefly if you want.

Chairperson: One thing that I was curious about and that is the Railroad corporation and I know the Acts rather well because I helped write it, is exempt from a great many things that your average corporation would have

to do and what I would like to know is how many services that the state gives are you taking advantage of or that you do have that are not available to private industries. What type of services?

Turpin: That's what I intend to cover.

Chairperson: Okay. Then we'll just wait until that time.

Burton: But, I think that's a very good question and I'm really very anxious to talk about it. What we have set up today is more or less a panel of people to answer your questions as much as anything else and I anticipated this would be one question area, so we're prepared for that. But we also have brought our Marketing Vice President to talk a little about our marketing area and the primary services that we sell, but he is also here to answer any questions you may have about our marketing. I want to remind you to please feel free to work us over because that's why we're here.

Chairperson: I will.

Burton: So I'll let Danny Robertson come up then and answer the marketing side of our operation.

Chairperson: Thank you, Mr. Burton. I feel like the lone ranger, I think all my colleagues have deserted me. They'll be back.

Robertson: My name is Danny Robertson. I'm Vice President of Marketing for the Alaska Railroad and for those people who are here today, I have the most interesting job. I would like to talk to you today about marketing, what it is on the Alaska Railroad, talk to you about our marketing policies, what the market is, what the institution of our revenues are, a little bit about taxes, that subject in particular. Marketing means different things to different people and so everybody gets a little different perspective when they hear the word marketing. On the Railroad it follows pretty much the textbook definition. It includes basically almost all of those things that you'll find in any standard college marketing textbook. First of all, we sell our services, we have a sales group, people who go out and try to drum up a little business. Secondly, we price our services, we set the prices to our service determining the ride, and this is basically something that the costs are based on what the competitive market is out there. Another area is weights and service contracts. This is a little more technical and involves more than just setting a price. It involves

writing a contract for, deciding what a contract will need between the Railroad and the shipper. Equipment and service plans, we in cooperation with operating fees, decide on the specifications of the equipment that we need for any particular traffic segment or new bridge [indiscernible]. The number of cars, for example, that we need, depending on the turn around we would get. Market planning means simply what we're doing all the time. We're planning for the volume of business that we can get, looking at it with the future of what business we should be going after and what we have to do to get that business. Market research is something that is done today mostly by our sales department because we really don't have the big staff, we just have a few people that are wearing several hats quite frankly and the salesmen are wearing the hats and that person who's out there is doing the market research and developing information on what new business might be out there and how we can pull it in. Market development is something that we have done very little of. Think of let's say a salesperson, not necessarily a salesperson but a marketing person on the Railroad who will go out and see an opportunity say for a coal field or a mine, a business opportunity out there, then he would call the people who are doing that sort of thing and try and bring them in and bring in the financing and try to get the situation set up where somebody could go into business and give us business. This is called market development. Customer service is customers frequently freighting cars and expediting shipments, dealing with a customer while they're learning or quite a variety of things. Advertising I guess I don't have to explain here. Promotion means typically going to a trade show and having a good display along with providing say brochures or a number of other things and we'll communicate with the public about railroad service.

Chairperson: Danny, can I interject here. You slipped over advertising very neatly and adroitly. I understand that you have recently hired Rick Mystrome on a 3.5 million contract to market out in the lower 48 to advertise and I'd like to have you explain to us exactly what type of freight he's going to go after. What's it's all about.

Robinson: Okay. This year, 1985, without a real marketing program in effect or advertising program or advertising department, we will have spent about \$300,000 in advertising. That's kind of on an adhoc basis. You decide you want an ad in this magazine, somebody comes along with the groundwork. We have this

program if you cooperate with us and advertise and this amount of money, surprisingly enough, does go out in incidental advertising. The display ads that you see in some of the travel magazines, that sort of thing. We'd like to have the energy in the market place at all, you simply have to do this kind of thing. Now, we've said how advertising is one of the main marketing prospects that we had. We're going to try to do a good job of it. We can't afford the people; we can't afford a professional in advertising area or an advertising department, like some of your larger companies have. So what we did was organize what I call an advertising team. It's the representative of all the stockholders, in other words, the people, for example, the operating department. If the operating people can't do what we say in our ads, then we've made a big mistake. So we've taken people from each of the departments who might have an interest or be able to help in an advertising program and drawn up a team. The team decided that we need an agency, an advertising agency to do this. So they went through the selection process. They went for advertising for bids and have the presentation by all the advertising people, come back and they first narrowed it down to four agencies and finally they selected one and that happens to be the Mystrome. Now the \$500,000 was entry of close to \$200,000 over what we would have spent in 1985. That \$500,000 basically will go to the media for advertising. Mystrome will get his commission from the media. That's the way it works. We won't pay Mystrome for things like doing some research forms, surveys or that kind of thing that's necessary. But basically that money will go for advertising. It seems like a lot of money, but if you look at the advertising budget of any corporation this size, you'll find that this really isn't a lot of money to spend on advertising.

Turpin: I think one thing that Madame Chairman may be wondering and not appreciating. To you folks \$1 million of income that we receive takes a highly trained as a result of advertising in the lower 48 and we get about \$18 million, I think, from the lower 48. Business from the lower 48 that we need to identify down there.

Robinson: It's a lot of money. Right now above the three services that we have that bring up business, the Piggy Back from Seaway, the Mighty Train, Computer Line, railroad cars and the additional Canadian National and from [indiscernible]. We get about \$20 million. Our goal for 1986, if our Board of Directors go along with it, boosting up our sales to \$29

million. So with the increase of at 3.5 million, the sales and everything, we can get an extra \$9 million. It's there, it's waiting for us for the extra \$200,000 in advertising. Other than a good sales program you have to have a good advertising program. You have to have that kind of support [indiscernible]. But the \$20 million that we will get from the lower 48 [indiscernible] and [indiscernible]. [Mr. Robinson's voice is very muffled on tape.]

Chairperson: I would like to comment to the audience that not only am I Chair to the Transportation but during my ten years that the Railroad Act was written, plus the fact that I have a personal interest in it inasmuch as I represent the Sixth District, which contains the two ports that the Railroad goes into, which is Seward and Whittier. Of course, I'm always interested in what goes on then as far as the Railroad's concerned in those two areas. So I'll declare, it's not a conflict of interest as far as I'm concerned, it's merely an interest that I try to keep myself appraised of the various things that are occurring. Then I have a third port also in my district called Valdez.

Robinson: Any company that has, that's going to be successful needs to have at least the principles that are fairly consistent. We've set down [indiscernible] principles that we call our marketing qualities and I would just like to review a few of them here with the Committee. Some of the more important things. First of all, historically, people of Alaska have been found to enjoy low cost transportation. Recently, because of, against competition among the carriers, the rates have come down. Let me give you one example. I was talking to one of the truckers that [indiscernible], he told me that three years ago he charged \$1,600 to ship, to move a trailer load of freight from Anchorage to Fairbanks. \$1,600. Today he charges \$600. That's how substantial competition has been and we, since this is a competitive market we're dealing with, this is what really cuts the prices [indiscernible]. With the help of people of Alaska benefit, we have a significant and valuable end of the transport [indiscernible], like coal, gravel, [indiscernible], trainloads of Piggy Back. We have [indiscernible], but we don't have the responsibility the truckers have. We can move a high volume of freight at very little cost. So we can charge low prices and still make a reasonable profit and that's our goal and we're really enthusiastic about [indiscernible] low cost transportation. We think that this is one of our most important

issues. Another thing, in any marketing program you have to have the product, the service that the customer wants. Today the customers, our customers and the lower 48, want one rate for a number of carriers that they might use in the route. For example, they might move a carload of freight from Kansas City to Seattle, then the carload would continue on water up to Whittier and on rail again or might move on truck along a certain. They still want the shippers and I can guarantee that this is the direction I would want. Control it, fastest time in reaction on one rate. They don't want to monkey with the details of transportation. They don't want a transportation [indiscernible] that they have to [indiscernible], they want one rate and one rate only. This is what we're doing. We're giving them two contracts and we're trying to make it through with a shippers log and as little pressure. In the total process it's important that we deal with our connections here, there's Highway Trains, Canadian National, Seaway, Sealand and we're on good terms with all of them. Furthermore, because of our unique situation here, we think it's necessary that we be consistent and if we ever have to go to court, if we ever have to lay everything out on a table and everything, we really do feel that there could be no possible basis for criticism. Anyway, that's one of our policies, one of dealing with all of our connections here on a fair and equitable basis. We've had surprisingly low criticism. We've had no criticism that we can't beat. Any company that is going to be successful and a well recognized business ought to be recognized. Some people have different conceptions about what the market is and as far as the Alaska Railroad is concerned, none of our market places are greater than 16.7%, as we noted in the price part of your book there. In that you showed the charts scaled down 16.7% and there are different types of business that have been broken out here. I just wanted to try to [indiscernible], gravel, coal or our high volume, we treat differently than some of the others. In getting back to policy, we talked about the market place and the notification. I just want to mention one thing, we've done a few predatory pricing. Now predatory pricing is the practice of pricing below the variable cost in order to drive the competitor out of business. You do it. it sacrifices part of your own revenues and capital base too. Once you get that competitor out of business, then you can look at the environment, you can raise the prices from there. We won't do it. We won't have to do it. To do it is illegal. It's unethical and we just don't have to do it to stay in business.

So I want to point this out. That is our policy, my personal policy and it won't happen on Alaska Railroad. I believe we've taken a look at marketing and we've talked a little bit about the distribution of the revenue. One of the areas where we provided service and we don't make money. In fact, we subsidize it by freight revenue and that's the passenger route. We had some goals in our passenger business and that's to prove the reliability and the continued economical purpose of the end, so the people will go out. We want to improve the quality somehow. Somehow we've got to get the new equipment and we've got to have continued passenger service and we'd better have something people can be proud of. None of us can tolerate the present level of our passenger service with the equipment we had.

Chairperson: Might I interject one thing. Self-propelled cars, are those the bud cars that?

Robinson: Yes, they are, they [indiscernible].

Chairperson: Yeah. When we get different names for different things, sometimes you're not sure where you are and you do have two of those at the present time?

Robinson: No. We have two that are on order. The first one will be in next week. The second one about the middle of January. We plan to take open house on January the 6th and have everybody come down and see the new car. You want to be sure you're in town that day. That's Monday.

Chairperson: I know. I'm heading for Juneau that day. Maybe I can stay over an extra day. Will you come and pay my hotel room.

Robinson: We'll give you a ride.

Chairperson: Are these going to be put in to service to Whittier or are you planning a valley type, because I know we discussed that before, what your plans were in that area, as long as we're on the bud car situation.

Robinson: We plan to have one converse the same route as our regular passenger train service from Anchorage, running from Anchorage to Tenalo Point. The purpose of that is to free up our express service between Anchorage and Fairbanks. Free up that service from the local stops that normally will be made. The train will run actually ahead of our regular passenger train and make more stops and [indiscernible] bush. One thing if you notice that I've forgotten is the senior bush [indiscernible], that will be,

actually, that will include service to people who have no other means of transportation [indiscernible].

Chairperson: Will you be able to carry the groceries on this round?

Robinson: We're going to do that. Well, the bud car has plenty of room for that in cargo space, half passenger, half cargo space. However, the bush freight, we have another scheme that we were looking at for that. Again, we'll give better service. A point to mention is that [indiscernible] passenger service is in a state of change from about February through [indiscernible], of things that we're studying. For example, flat car service, a little pair of tweezers having a train station at Whittier and making a lot of Whittier [indiscernible] and back, and providing a service, improved service [indiscernible] and operating below cost.

Chairperson: You're talking about flat cars here now where they move the cars because I thought rather extensively on the bud car service to Whittier and I can't see where a bud car would do any good down there inasmuch as people have to have a vehicle. You're not going to get anybody to come into Anchorage on a bud car and carry all their groceries aboard and then try to stagger around Whittier with them. It's just uncommon sense when you know the area and stuff. You are talking about improving the shuttle service then?

Robinson: Improving the shuttle service, in fact, we have [indiscernible] the community of Whittier and they've given a lot of good ideas like scheduled changes and marketing. We're going to incorporate everything we can and that they want. If all the carrier was suggesting was [indiscernible], it's very likely [indiscernible]. We're coming to times about new Whittier service too. It's really going to be a plus and I think the people will be happy. There will be in accordance with a number, our typical number of car special trans that we have. Another one that you may be interested in is the Seward excursion. This is [indiscernible], this is a weekly train. During the summer time we'll have it on Saturday mornings, each Saturday morning. It will be in Whittier around noon and then lay over four hours and come back to Anchorage. Everybody we talked to, we talked to Harry Deems with [indiscernible] and he likes the idea. He thought it was good. He said the only problem we might encounter with this is that people may like it too well and we may have to.

Chairperson: Probably have to put a couple of buses on there at the railroad yard to get them downtown.

Robinson: No, I think what we'll do, this is the bud car we're talking about. We'll run on Saturdays, we could run it on the week [indiscernible]. As I indicated to you the whole passenger train is kind of [indiscernible] to Alaska and these are the things we're kind of planning on rather [indiscernible]. They sound good to us. [Indiscernible] improvement and both the profit and the service to the public, particularly, [indiscernible] we'd taken some real knocks and [indiscernible].

Wendy: I would just like the Committee members to direct their question, question 19, outlined question 19, but I guess I got a little bit enthusiastic. I think I'd be offering daily schedules to Seward.

Robinson: We're trying it out.

Wendy: I just don't want people to get up and think that.

Robinson: Reservations and ticketing area, that's inefficient today. We inherited a system that was pretty much out of date and we've been struggling with it for a while. Now we're going to put in a modern computerized system. It will take care of the [indiscernible] of the people who type reservations get them. It's supposed to be an airline type of system and we will do that after [indiscernible].

Chairperson: All right. Does the Committee have any questions for Mr. Robinson? If not, I thank you for your presentation.

Davis: Madame Chairman.

Chairperson: Yes, go ahead, Mike.

Davis: I have a question or maybe just a, I don't know how to put it exactly but I enjoyed the testimony and I've just got a question on marketing policy and on the advertising budget and I certainly can understand the aggressiveness of the Railroad to get out and hit those markets and I guess my concern, I suppose, is we have this entity that we've [indiscernible] asked to run as a private corporation and to show a profit and I think many of us were certainly in favor of that. I guess on one hand I see that a rather large corporation revisits the state and they don't have to be predatory to do a good job and I [indiscernible] and it's certainly an influence in driving down the rates. I see the [indiscernible]

economies of scale and I certainly [indiscernible] them for that but I can see an inherent conflict there between a small business person versus someone with their hand out for a budget of \$5 million. So, I can understand where some people are coming from when they say that they made their rates competitive. I don't know if you have any comments on that. I certainly don't have any criticism for you people that are trying to run the best corporation that you can and yet I see by doing that, as you say, a lot of the working rates were very high at one time and now they're certainly not now. Do you have any comments on that. I can't exactly say that there's really, really other than vicariously, but do you have any comments or anything that you might [indiscernible]? I'd appreciate your thought.

Robinson: I think I could comment on that and I can appreciate that a small business person who isn't as versed because the Railroad has been a direct way of life be upset about that. There's two things that I think we should keep in mind. The railroad is becoming competitive, has been following the race rather than leading in many instances. We haven't necessarily been a leader but where we've had to be competitive, we have been aggressive and come in at a market competitive price. Now we've been able to make money at this and I think this is where our system, harsh as it may be, is right because the people who would benefit from this sort are the consumers. They use the transportation service. If we can be competitive and get the business, we think we ought to deal with the goods and the most cost effective producer should be the one that gets the business. Again, I am sympathetic with those people who have been in long haul trucking and perhaps have not been able to provide partly as a result of our activities. One final comment on that, the same thing has happened throughout the lower 48. Railroads have become aggressive. They've become cost effective. They've made a profit over piggy back [indiscernible] and a lot of long haul truckers who were formerly competitive blame[?] us because they lost the business and now their customers are shipping their trailers on the railroad and we're doing the same. We're hauling for quite a few truckers.

Chairperson: Do you have any further questions, Representative Davis?

Davis: No, I don't have any questions. I could just see the dilemma that would explain why. It's not certainly anything that we would have anticipated but by taking the railroad it doesn't really matter

whether it was private corporation or if it was controlled by some other firm, they're going to basically be running the same kind of an operation. I appreciate any comments. Thank you.

Chairperson: Thank you very much, Representative Davis and thank you Mr. Robinson. Mr. Turpin.

Turpin: I thought I'd talk a little bit to you about industry subsidies and I guess this is probably being generated to a great extent by the trucking industry now. At least I've heard more from them than others, who are somewhat dismayed by the fact that they feel it's unfair competition for the Railroad not to pay taxes and still compete with them. We think it's rather ironic that the trucking industry is doing that because they're the most subsidized industry in the state. I don't have Alaska figures on that but I have a little chart from the state of Washington that has some very interesting data and also the state of Illinois has some other that is very similar. We may have this in Alaska, I'm not sure, but it might be something the Committee would find of interest. In the little table you have in your book breaks down the cost of the highway construction/highway maintenance and according to each class of vehicle that uses them. They found a very interesting thing on highway maintenance and operation and construction. The automobile costs about \$94 per year to operate for the state to pay the maintenance. The automobile owner pays about \$64 in taxes, or about 68% of the automobile cost to the state is actually paid by the owners. It goes through all the different types of things. One interesting thing is the taxes which pays, or rather fees for operation, pays almost twice its cost in the state for operation on the highways. When you get down to the truck trailer and look at a five-axle truck, you can see that their cost to the state, or they pay about 47% of their operating costs to the state and their taxes, which means that the trucks are subsidized by a suitable amount by highway maintenance costs. In this state we have no absolute data on most of the construction; however, one interesting example that I'm very familiar with is the Haul Road that goes to Prudhoe Bay. That costs the state over \$8 million a year just to maintain that Haul Road. I think it's \$8.5 million for 1986 and that road is exclusively used by trucks. You're not permitted to drive your car on it even if you wanted to. So it's an entirely complete subsidation of the trucking industry by the State of Alaska to the tune of \$8.5 million a year. The other highways are the same way.

Pignalberi: On the Haul Road, the trucks aren't all subsidized, you could say that that's a subdivision of the oil industry.

Turpin: No, I don't think you'd say that. The oil industry, for the most part, buys a lot of their supplies and equipment and, of course, Aleyeska certainly uses the road and built it and gave it to the state. It was \$122 million in construction plus another \$32 for the Yukon River bridge, which came from the federal government. So once you get into ...

Pignalberi: What about all those trucks that are going up to the Slope.

Turpin: Oh, but those trucks are paid for their haul. That's an income received by the truck. The advantage that trucks have over air traffic, for example, for the same amount of haul, that gives a truck quite a competitive advantage. He doesn't have to pay anything for maintaining his highway. While we're talking about that, how do you explain the 47% trucks pay on average highway income? And that's a direct subsidy to trucks.

Pignalberi: I would say then that you want to take a look at the airport maintenance also. The point is that that is the investment the state has decided to make to support that industry which, I, for one of course, fondly concur. I don't think that's a direct parallel with the competition from trucks and the railroad.

Turpin: Which leads me to get to the point. I'm coming to a point.

Pignalberi: But where the situation in Oregon or Washington, wherever this data is from, how we can extrapolate the situation there to the situation here and the Haul Road is an anomaly on the entire highway system in the state. So I don't think it serves to give your example.

Turpin: Well, I don't accept your point; however, they have been made. In the first place, I have only the data from the state of Washington which is reasonably close to the state of Alaska as confirmed by data from the state of Illinois. There is no data to my knowledge available for the state of Alaska or I would use that. My only point is that the trucking industry receives from the state substantial subsidies and I agree with you. I wouldn't object to that. That's why it still exists. Thus the trucking industry receives subsidies from the state of Alaska by not paying their share of the highway maintenance.

Now that's my only point and I don't disagree an airport for the same thing. But here is an industry that says it's unfair because the railroad doesn't pay taxes and they're not paying nearly enough taxes they should be paying if they were paying their own taxes.

Pignalberi: I just find it curious that now that you're with the Railroad that you're proposing that we increase the trucking rates for the North Slope which have been passed down the oil industry because of that high ground.

Turpin: That was just an introduction that I was going to make. Then I wanted to get into some of the other things.

Davis: Frank, can I interrupt you before you do that. Are you still on the introduction?

Turpin: Sure, Mike.

Davis: Well, Frank, I couldn't let that go that the oil companies gave that Haul Road to the State. I believe they took it off their tax bill. Isn't that correct?

Turpin: No. They did not. I signed the order myself. That was part of the investment on the pipeline. It didn't come off the tax bill. Now there were some reasons for signing it. The state agreed to maintain it and keep it open and they have. That's why they spend \$8.5 million a year.

Davis: Frank, well, we talked about that last night. It was my understanding that that was credit that they received for the money they put in that Haul Road.

Turpin: I don't believe it was.

_____: The only contribution they had was [Indiscernible] and didn't qualify. That would not pay them.

_____: Is it part of the rate base for pipeline?

Turpin: Part of the rate base for the pipeline so you're getting a return on investment.

Davis: Well, I was trying to get off to a point that I just didn't, couldn't let it slip by.

Turpin: We'll have to settle this one in a smaller group. I don't think really, the only point I'm trying to make is the trucking industry does receive quite a

huge subsidy chunk. Now we'll argue the merits of that, I don't have any argument against that. I would like to talk a little bit about what the Railroad receives and does for the state. Madame Chairman asked, before you were in the room I think, what we did receive. We actually, other than a tax free status, there is nothing to my knowledge in the way of services that we receive from the state without paying for it. There are a number of services that we have had to pay for that the Railroad formerly received from the federal government. [Tape end]

TAPE 5, SIDE A

Davis: You ought to see if Mike Szymanski'd be shy of a mike before.

Chairperson: Oh, that's because we didn't put one in front of him.

Szymanski: Didn't take you long to get back to Fairbanks, did it?

Davis: Fire away.

Szymanski: Where we at, Madame Chairman.

Turpin: We're talking about industry subsidies.

Szymanski: Are we on this 1:30, I've been looking and our agenda shows 1:30 supposedly a presentation Alaska Railroad Management. Obviously it's not 1:30.

Chairperson: That's where we're part of right now.

Szymanski: Okay, that's all I want to find out.

Turpin: I'll try to make this very short, but let me mention a few of the services. There were a great deal of legal services that were picked up by the federal government. All insurance, including tort claims, that type of thing, you heard Marv talk about. That's \$1.4 million. There were a number of administration plans that the Railroad did not have to do. The benefit system, the OSHA, the safety, the EEO and also Salvaid Administration. That was all picked up in effect by the Railroad. These kinds of things we're paying ourselves. Now statewide, in fact, we are giving quite a few things to the state. And one of them you've heard us mention before. We feel that the \$2 million that we absorb every year on our passenger service. See we lose \$2 million a year operating the passenger trains and that really is a great benefit to the state. Something that definitely

should be done and we are very much in favor of it, but in every other locality with a private railroad operation, the passenger service is subsidized. This is worldwide. There is no passenger service that is not subsidized by the group that benefits from the service. In this case, the state receives that service without paying any subsidy. The railroad is in effect paying \$2 million a year.

Szymanski: Are you proposing we trade taxes for lives.

Shultz: But, Frank, you were just talking about increasing the level of passenger service.

Turpin: Dick, we're not against passenger service. I think it's great for the state, it's a contribution that the Railroad can make that is very positive and we want to do that. If we were a free enterprise, paying taxes, then I feel the state should reimburse us for those costs on passenger service. I'm just saying that it ought to trade both ways.

Chairperson: In other words, Mr. Turpin, one of the things you're saying is that passenger service would be a service that's offered in lieu of taxes?

Turpin: That would certainly be one way to consider it, yes. And that's \$2 million a year. Now we have a great amount of permits and property that we let all the municipalities where we own property use for their public purposes. For example, there are four parks in Anchorage on land owned by the Railroad which we receive a total of \$110 a year revenue, which is just the money to pay for the fees. This would be at least a \$200,000 payment that the municipality of Anchorage would be making to the Railroad were we a private operation and paying taxes.

Szymanski: Thank you, Madame Chairman. I'm not flip or anything but I think you're hitting on a good point and I appreciate your being here today because one of the reasons I stopped by the hearing today is when I knew that you were going to be here and have this opportunity to kind of find out what's cooking on the Railroad. But if I hear you correctly then, if we could reverse this next legislative year, take the exact tax exemption away, make you available for municipal, state and local taxes so that they apply the same mill rate to you that they would the building at ARCO and the rest of them here in town, you'd have no problem with that in exchange, you're saying basically to the state, we'll pick up our subsidy portion on passengers.

Turpin: If all of the services were paid for that the Railroad provides at the market rate, I personally think that we probably would end up with more money than we would be paying in taxes.

Szymanski: Could we do that? I don't know any reason why we couldn't.

Turpin: I think you would have to open up the bill to do that, but sure that could be done. However, let me point out what happens to your tax money today or the money that you would be paying in lieu of taxes and paying as taxes. We estimate that the tax bill, and it would depend on assessments and other things, would range somewhere from \$1.5 million to perhaps \$3.5 million a year to the Railroad. Now that would be paid out of the operating surplus, which Marv told you earlier was about \$7 million this year, so that instead of putting all of that \$7 million into the Railroad to modernize the Railroad, buy new equipment and do those things, the \$3.5 million would go for something else. It would go to the municipality of Anchorage to do whatever they needed. The Railroad then would take much longer to build up into a modern railroad and into having these things that I think the state really needs in a railroad because we would have less money to put into the Railroad. It would have no impact on our tariffs or on the way we operate.

Szymanski: Well, I would think, Madame Chairman, I wasn't thinking about it from the tariffs perspective but what I heard you saying is you'd rather run it like a business in that way, where you'd be treated as a business, where there would be no subsidy exchange going on and you'd be eligible for local taxes, state taxes, business taxes. We reinstate gross revenue tax, whatever, you'd be there. You'd be ready to pay with everybody else. You'd throw it into your rate base eventually because you're going to have to build up a capital fund and everything else. You're going to have to run it like a business. You have your position that you're testifying today. You would support that position.

Turpin: We would have no problem with it. I don't know what the total impact would be until I knew more about what all the taxes would be and what could be charged to the various services. But I'm trying to make the point that the Railroad would not be, if we were paid in the same way that we are charged then it would not be a crippling blow to the Railroad and it certainly would have no impact on tariffs or competitiveness. If anything, it would probably make us

more aggressive and more competitive because we need the cash flow.

Szymanski: No question about it. If you eat \$3.5, you go ahead and pull \$3 million out of your capital fund which you're building capital, I mean rolling stock and anything else with, and you got to make that up somewhere. I mean if your fund has to be maintained at \$7 million, you're going to have to do it with increased tariffs, you're going to have to do it with other production costs. You're going to have to do it some way.

Turpin: No. We likely would be to increase tariffs, because that would mean we would lose market shares. More likely we would decrease tariffs. If we could decrease tariffs 10%, increase market shares 25%, then we could have a higher net cash flow and we would be better off.

Szymanski: Madame Chairman, I really like the idea. I think we ought to pursue it even more so, particularly during this next session.

Chairperson: I think its [indiscernible], Mike. Would you like to take that on for a project?

Szymanski: I'd love to work with Frank on that one.

Turpin: Bring your \$2 million when we meet.

Szymanski: You're getting it.

Pignalberi: Frank, can you just tell me why passenger expense, passenger travel is so expensive. It seems to me, and I really plead ignorance as I do in many things, if you got a string of 40 freight cars going up to Fairbanks which is identical to a passenger car, take them along for the ride. The incidental cost has got to be ...

Turpin: Well, we've got to pay arbitraries for that. In the first place, freight trains do not run on a schedule. We do have some now that run on schedule, but freight trains for the most part do not run at the hours that are desirable for passengers. The second problem with that, if you hook the coaches on the back of a freight train, it would be a very rough ride. It's not an easy thing to ride a vehicle on the rear end of a freight train. A long train and you have all the working with the cars. It would be unsatisfactory in many ways. In the wintertime you have the problem of having to heat the passenger cars and you don't have any heat as a rule. You

have to have another car to provide the heat and power. It's something that passenger service would be profitable if you had a full train every day but unfortunately there are too many days where you have just a handful of people riding and you still have to provide the full service.

Pignalberi: Put the passenger cars up front.

Turpin: Well, that's what you could do, of course. It's been tried worldwide and no railroad, just absolutely none, operates a passenger service profit. We're trying to find ways of getting ours as close to that as we possibly can; to reduce those losses, but we have a long way to go.

Chairperson: I would like to ask you one question, Mr. Turpin, and this discloses my vested interest. I see in here where you've provided land for four parks in Anchorage. What have you done in the communities of Seward and Whittier to make your presence there known? As far as the Railroad is concerned in Whittier, the City of Whittier gathers absolutely no, can generate no funds whatsoever because the land is owned by the Railroad and the City doesn't have any power whatsoever to generate any funds from the use of the Railroad. Would you be willing to give, you're going to love this one, the City of Whittier.

Turpin: I think per capita we probably contribute as much to Whittier as we do to Anchorage.

Chairperson: In what fashion.

Turpin: Per capita.

Chairperson: Per capita, very possibly.

Turpin: I know we do in Seward. We have one little park in Seward that we contributed to the City or we let the City use at no cost, and I'm not real sure about Whittier.

Chairperson: I don't think there's, from what I have been exposed to, there's absolutely no generation except for the crews that roll on, roll off situation when they go uptown and spend, that the City of Whittier can generate anything from the Railroad and yet their life is dominated by that Railroad and I recognize that we say per capita, but quite frequently per capita is a misleading thing inasmuch as some communities have a huge per capita, some have a small but they're just as important. But I was just curious if the Railroad has thought of any way.

Turpin: We pulled Anchorage out only because that's the easiest to do.

Chairperson: Right. It's so easy, it's become the, well, sometimes narrative to some of the rest of us who don't live in Anchorage. But I was curious as to if there was any plans or anything like that to the small towns that you do serve definitive by the fact that you're there. Interesting question.

Turpin: I can't answer Whittier, so I really don't know. I am familiar with some of the things we do in Seward and Fairbanks.

Chairperson: Do you have something more?

Turpin: No, I thought for a short subject, I took up enough time.

Szymanski: You may have covered it earlier and I apologize but maybe we can talk off the side you have, but the overall status of the Railroad is healthy. It's doing well and so forth. In a recent newspaper article I read something that there were some questions with and concerning labor unrest on the Railroad. Have you guys talked about that at all.

Turpin: That's the next subject.

Szymanski: So, you're going to cover that.

Turpin: We had planned to, yes.

Chairperson: So you're here on time, Mike.

Szymanski: Right on.

Turpin: Larry Wood is going to review this.

Chairperson: Thank you very much, Mr. Turpin. Mr. Wood would you identify yourself for the purpose of the record, please.

Wood: My name is Larry Wood. I am Chief Counsel for the Alaska Railroad Corporation. Representative Cato and members of the Committee, thank you for inviting us here today. Mr. Turpin asked that I cover labor negotiations and specifically one particular set of negotiations that we've been having recently. I'll try to review that as quickly as I can. If you have questions, be sure and feel free to ask me. I think one of the most important assets of the Alaska Railroad are the people that work there. I think they're the people that run the trains. I think

they're the people that put them together. They're the people that do the administrative and accounting tasks and they're the people that manage the Railroad. Us, the people you are talking to today. The federal legislation which is called ARTA, the Alaska Railroad Transfer Act, and ARCA, which is the State Act, the Alaska Railroad Corporation Act, took these things into mind I think when the Railroad was transferred into state ownership. And specifically, with regard to the labor force, the folks out doing the labor and ones that need counting on for some administrative office, we decided that during a two-year period following transfer, seven labor agreements, might be bargaining agreements, would be renegotiated by the management and by the labor unions. The reason for that I think is they wanted some promise, some commitment, Congress did, that there would be an ongoing process resolving any differences of opinions having to do with this new change in [indiscernible]. ARTA envisioned and ARCA required that management, the Board of Directors and labor leaders get together and decide on some procedures. How is this going to be done? We have seven agreements, five bargaining units, five unions representing our people, and only two years to accomplish a very important task. And I think that many of you that have been involved in labor negotiations know that it can be a long process. A give and take situation. There've been differences of opinions. It can take some time. So I think last spring we got together, management and unions, and agreed on a schedule. That was approved by the Board of Directors and through part of the summer, at least, drafted up the schedule that we had agreed to. During this process, however, it became apparent both to the unions and management that a lot of the areas that we were about to talk about could be discussed jointly, in common. So in August there was another agreement reached that we would do just that. We would attempt to negotiate a master agreement with all of the unions participating. Many of our union leaders are here today and I am sure that they may have an opportunity to give that side of that story as well. As we begin that process another agreement was struck and that is just what these common areas were. I've made a list of those for you in the booklet that we handed out. There's 28 items and they range in things. For example, the preamble section to rail passes and from seniority to pension, to recall provisions to discipline. So you can see it's pretty much across the board program that we've developed, the unions and management, to try to put together a master agreement. Now with any union or any group of employees, you're going to have difference. This may be recognized to a certain

degree. You're going to have to sit down at some point in time and negotiate the special differences with the specific bargaining units. So that's taken care of and where negotiations that should be conducted once this master agreement was put together. I think that's an up and down process. I think that personally I can say I've been very impressed by the degrees with which we've been able to sit down and talk. I think there's some mutual respect for each side and various opinions and there's always some differences of opinions. I've personally not been involved in the common areas of discussion as much as other types of discussions that have been happening, but I do know that there have been some ups and downs. I believe they've been meeting every other week now trying to reach agreement on several of these items that are listed. In fact, all those items that they put that together. One of our unions in the management of the Railroad have had a separate controversy that has been brought up. Although Title V of the U.S. Code affects, affected all of the lengthy bargaining agreements. I think one of our unions, United Transportation Union is affected the most by it. Title V you hear bantered about and what we're referring to is Title V of the Civil Service Reformat in 1978. The key to understanding this controversy, I think, has to do with some language refined in ARTA, the federal law. It said that during this transition period, this two-year period of time, the contracts that were in effect shall continue. When you examine the words what contracts were in effect, you got to take a look at the contracts themselves and decide what provisions were in effect and which ones weren't, and that's where we have the separation of opinion. Under Title V of the U.S. Code, there are certain things that were prohibited by federal law and one of those had to do with the delegation or negotiation way of management rights. That's another word that you see bantered about. What that really means is the right to define work, decide what work is to be done and decide who's going to do it and that can take on many different appearances. I want to talk about a few of those in just a moment. There reached a point in time where we were not able to reach an agreement with regards to what provisions were in effect. How did Title V impact the agreements. The federal railroad had had some success. I have to admit that there were some differences of opinion, but we have at least one pre-transfer case from the Federal Labor Relations Agency that indicated that Title V did seriously impact this, what I'll call the UTU contract. For those that may not know, the UTU Union are the folks, the trainmen and the enginemen,

that actually are out there in the field running the train. When it became apparent that we could not reach an agreement, it was decided by both sides, I believe our side suggested it, but eventually there was some agreement that we would try to get this resolved in court. We would try and get the court to answer a very difficult question. You've been probably reading bits and pieces about that for the last three or four months. The examples that I want to point out to you, again those are listed in the report that you should have, are just a few. There's many more that I can give, but I think for the sake of brevity, let me just talk about what management rights is about. How it affects the UTU contract. When we talk about defining work and assigning work, there are some work rules that were formerly included. This is again our position, in the agreement that we saw when transfer took place. As an example, I've got one listed here called "Hooking Up Engines." Road freight crews were paid one hour's time, that is one hour's wages, for hooking up or picking up locomotives. In other words, the assignment of that task was being penalized. Management's right to assign that task was penalized by what Mr. Turpin referred to as arbitrary, an arbitrary penalty. Two classes of service was something that Representative Pignalberi referred to recently momentarily, a minute ago. This is where employees were paid an arbitrary amount and required to perform a class of service different from which they are assigned. An example would be taking a business car or a passenger car and hooking it onto a freight train. You would have to pay an extra day's wage for the crew. This is another arbitrary. A means of disciplining the management for assigning a particular task to the field crews. Air pay is another example of trainmen who couple air brake hoses and terminals are paid one hour's pay. Through contest I have written here, it's a very important notion. Of all of the arbitraries, I personally think it's the one that best symbolizes this difference of opinion and through constants has to do with the union's prerogative under the agreement to decide or to have a veto right on just how many men are assigned to the manning of a train. We have different trains running different size crews. We have on train that is running a freight between Anchorage and Fairbanks now with two men. The contract through constants agreement that we took a look at it would be a transfer call for five in some circumstances. So you have a long disparity, a wide range of the numbers of men. Frankly, we feel that the assignment of crew size ought to be a managerial role. It's very kin to citing how many plumbers might fix your

sink and that sort of thing. Now I think management has to recognize though that beside efficiency there's something else that plays a major sequence and that's safety. You don't want to be making assignments that are unsafe. I also have listed switching at Whittier which called for employees on road freight jobs, that is being assigned to running down and picking up a train at Whittier and it can require them to do switching, they must be paid a minimum of four hours pay. The last example that I've go here has to do with other than shuttle equipment. If you were required to handle freight cars not part of the regular train, the Whittier shuttle crew received an additional arbitrary payment. The last issue that Mr. Turpin asked me to address just momentarily has to do with our efforts, the recent task to negotiate a resolution to the litigation that we've had with the UTU.

Szymanski: Before you move on to that, I would like to get a little clarification. The points which you just covered appear to be points which you would normally find in I guess a collective bargaining agreement if they were negotiated. Are you saying that none of the points that you just covered were ever agreed upon in a collective bargaining agreement?

Wood: I'm saying that there was an agreement at the time of transfer that have those provisions in it. Title V of the Civil Service Reformat, in our opinion and in the opinion of the Federal Railroad, some of the folks that were there, and the agreement that we share is that those provisions violate federal law in that they improperly delegated or negotiated a way to management's rights to assign work, to define work and to assign it.

Szymanski: And who did that? The federal government?

Wood: The Federal Railroad.

Szymanski: The Federal Railroad did that. I mean they performed that dastardly deed of giving away those items. Right?

Wood: Go back to the first step we left off and that is we're looking at the language, what agreements were in effect. What we're taking a look at are what provisions of the agreement were in effect.

Szymanski: Okay, but I'm sure trying to figure out where I'm at. I've got to look at things almost like I could picture them, right. Basically, I look at this tablet as the day I'm transferred supposedly some

guy said to you being the labor guy and the attorney for the Railroad. Here's the labor agreement that's in effect. Right? And you pick it up and they look at it and they say, "yeah, it look's like it, whatever." We worked on it, we agreed to it, whatever. Are the provisions that you just discussed in that agreement?

Wood: Yes.

Szymanski: And, was it the understanding of the parties involved that that agreement would continue for two years before it was renegotiated.

Wood: The inner setting of a federal government passing legislation was that the contracts which were in effect, the agreements that were in effect, that's what we're taking a look at. See the thing that maybe I didn't explain very well has to do with the controversy of the legality of certain provisions in those contracts. That's the issue we've asked the State Superior Court to answer. Very akin to what we find in the state law. There's a state law that's very similar to what we find true under Title V and it has to do with managerial crippling prerogatives by work assignment, and there is case law.

Szymanski: Okay, let me ask you another question. I can't understand where you're coming from. Basically, you're saying that you now are the new owner of the agreement. You looked at it and said that there's some illegal provisions in this thing that's got handed me. My question, is then of the provisions again that you say are in there, are you honoring those provisions until the court deals with them or until they're renegotiated, or have you arbitrarily removed them?

Wood: In August or July, there are two things that took place. When we took a look at the contract, let's keep in mind that I don't want to, you don't forget the point that even before transfer there was some uncertainty. There was at least one federal agency decision that substantiated the argument that this corporation is facing now. So don't take it for a given thing. Certain things were believed to be in transfer.

Szymanski: I've no problem of you describing that, just answer the question with regards to those provisions. Are they be honored or are they not being honored?

Wood: With regard to the arbitraries, what we've done there, is that in August, actually before August, there was a new train put on the tracks on the area

of [indiscernible], which is the two landfast trailer and flat car train that you've heard quite a bit about I presume. That train does not have the three-man crew that is called for in contest agreement with demand. Now, in making the decision to put the two men on the train, we took a look at the legal position I just described to you and the problem area. You've got to make your actual practice compatible with what your legal position is. Otherwise the courts may just think that those arguments are weighed and, again in August, in considering the issue we further realized there were arbitrary payments being made which penalized, which require the management for making decisions which we really considered to be management prerogative and those provisions were illegal under federal law. We can argue state law but where we're concerned about today has to do with federal law.

Szymanski: So what's your answer?

Wood: My answer is that, we've gone around and around with the union and ourselves arguing about our position.

Szymanski: I'm not arguing with you. I just want to know whether or not you are or are not abiding by the provisions.

Wood: Maybe I didn't go far enough.

Szymanski: Are you honoring those positions now until they're overturned by the court or have you taken.

Wood: Maybe I didn't finish my statement. In August, we took the penalties that were being paid and began making a deposit in a bank account to preserve the money, to safeguard them, while this issue is being decided in court. If the corporation loses this issue before the State Superior Court, the judge you know is recognized, that the payments will be made at that time. So I guess the answer is both yes and no. No we are not making the payments directly to the men, but yes the money is being put in a bank account should we not be successful in court.

Chairperson: I would like to make a statement here. When the corporation took over the Railroad and irrespective of your legaleeze, which is expert, ARTA did say that you would honor the contracts that were in effect, irrespective of their legality.

Wood: It didn't say that.

Chairperson: No. But it didn't not say it either.

Wood: The dispute has to do with the train.

Chairperson: Right, but it said that you would take over for a period of two years and honor the contracts that were in effect at that time. That's our language, is it not?

Wood: Well, Madame Chairman, when you read it, but yeah that's true, shall be in effect. But the issue has to do with which were in effect and which were not in effect. This is a point that I maybe should make again. There was some uncertainty about it before transfer. There was at least one federal agency that agreed, for example, when the case had to do a piece of luggage, I think it was a rifle, put on a passenger train by train masters and the union timeslipped that and timeslip is lingo for demanding a full days pay for a baggageman. Well, the management, the Federal Railroad, took that to task and they debated that and they won that issue. It violated Title V. That's one indication that there was, and is, uncertainty about this particular phrase. We can argue about it, but we're letting the court decide now. I wanted to.

Szymanski: I don't think we'd want to argue about that.

Chairperson: No, I don't think we want to get into the argument. I think what Representative Szymanski and I both wanted to say was the fact that in the ARTA language that it does say that you shall honor what contracts were in effect at that time. I agree that very possibly to let the court decide. I'm not sure I agree with you arbitrarily taking away the arbitraries.

Wood: Again, there comes a point in time when you've got to make a decision. You have a legal position and you're not following that actual package, you have a labor problem. There is an issue. The union frankly has made that argument in court. Even in August it was too late to raise the issue but at this point and time, they have made it clear to the court that they would prefer them to rule on it. Let me end on this note.

Szymanski: I don't want you to end, so don't think that you, before you give your summation. Madame Chairman, I have a couple more questions. Are they fully funded contingency accounts?

Wood: There's enough money to take care of, should there be arbitraries that are required to be paid, yes. It's funded.

Szymanski: There's no potential liability under them that's hanging out there. I don't want to see you guys lose, or potentially lose a \$4 or \$5 million lawsuit and then come rolling back and squawking you need money.

Wood: Well, no. The money's being put in the bank account.

Szymanski: My question was, so it's fully funded contingency account to cover anything that may be there. That's one point and you're saying, yes, they are. The next question I have is.

Wood: That was required by the court.

Szymanski: Sounds good to me. The other question I had with regard to your interpretation of the two-year period that's in ARTA, from your perspective, are you bound beyond the two years to maintain a labor agreement.

Wood: That's a good question. There's another portion of ARTA.

Szymanski: What's your legal opinion, you're the attorney?

Wood: Oh, I don't have to have a legal point being that the law makes it very clear. It says that the contracts will be renegotiated. So there will be new contracts and that's the process we're involved in right now.

Szymanski: If at the end of two years you do not have a new contract, do you feel bound to maintain the existing?

Wood: No.

Szymanski: I had a feeling that you were going to say that and that's one reason when we wrote this law in the Transportation Committee, which I sat on at that time, I felt that some guy was going to sit in that chair two years later and say the same thing. Nobody in the Committee had any clarifications. Our intent behind it, there was no question about it, and what I understood to be the intent, I asked the feds on it, was you guys had two years to do it, but there was no way that you were going to irradicate, decertify, eliminate the union at the end of two years.

Wood: Let me add this, too. ARTA also said the parties can agree to extending the time. In fact, I have to pull out our schedules for negotiations that we entered into last spring, but the way we had it set up required that the two-year time would be extended.

So it's something that can be mutually accommodated. The reason I said that is because I think people should be aware that there is a two-year period of time to negotiate these things and we've been, both sides I think are working in good faith to see that accomplished. That's where I believe all of the unions. I don't think ARTA ever presumed that we would continue indefinitely with the same agreements that existed in 1985.

Szymanski: No. And all I'm saying is that if you don't reach an agreement at the end of two years, the existing agreement will be maintained indefinitely until you come up with a new one.

Wood: The parties can agree to do that.

Szymanski: If you don't worry, I don't know that the, in other words, you can't blackmail the other party into binding[?] off on the 11th hour of some provision. If they want to dig in and say, hey, we're not going to agree.

Wood: There's a whole, Representative Cato would remember this. There is a whole scheme set up in ARCA, the state law, which requires certain steps. I mean if we can't reach an agreement, certain things happen. We've got agreement, you've got a mediation requirement there, there's arbitration, I think it concludes in compulsory arbitration, or not, reckoning agreement, I guess they're all in there, but I don't have my ARCA with me in front of me at this moment, but there's a whole scenario of things. I think the state legislature did a very good job of making sure this was taken care of. We're not talking about something that was taken care of.

Szymanski: I think we agree now.

Chairperson: Okay, do you have any further comments?

Wood: Yes, I do. I have one last page, I don't think I'll go into detail like I had it set out originally to do. We had made, I think, a very, absolutely good effort on both sides recently, the UTU and ourselves, trying to resolve the issue that I tried to explain to you and I hope I did that successfully. I sometimes get carried away and maybe I'm not as clear as I should be, but we spent the better part of eight days over the last three or four weeks trying to nail this thing down. Recently, as recently as last week, we did not reach an agreement. We mean we didn't contact the court and let them know that the union would just as soon have that resolved

there. We've been willing to talk about the various issues, let me tell you what the key issues are. The constants agreement and the type of compensation system that would get away from the type of arbitrary penalties, which really do restrict and penalize managerial [indiscernible]. Thanks for your time. I'm sorry I went too long.

Chairperson: There's a gentlemen in the audience that wishes to be recognized.

Wash: Chairperson, my name is Jim Wash. I'm a member of the UTU and I wanted to address a question to Mr. Wood as to the list that he presented to the Committee and is this a comprehensive list of all of the arbitraries that you?

Wood: No, those are just examples that I picked out that I think best illustrate the type of controversy we're talking about.

Wash: I have one in mind which is an extra board guarantee.

Wood: The extra board guarantee, well, if you want to explain it, go ahead.

Wash: Extra board guarantee is a provision in the contract that states that men will be on call for duty 24 hours a day, seven days a week and subject to penalties if they miss a call. If they're called and perhaps they're not by a telephone. This is a situation where they guarantee this man a day's pay whether called or not. I think this is one of the main issues that they overlooked in his explanation of these things that he picked out.

Shultz: Just on that, I don't know why we're getting off on this thing.

Chairperson: No, we don't dare go off onto various.

Shultz: But I do have a question. Okay, I'm trying to think this through. But why would it be, if a person is required to sit by the telephone and wait seven days, why is it even necessary? There's enough people working and they need someone, they just pick it up, if you're not home, call somebody else. If they're not home, call somebody else. If you missed it, you missed it.

Wash: Well, they do this but they penalize you for missing it.

Shultz: But no penalty. I mean you just don't get paid.

Wash: And if you miss, you don't get paid, you get set back to the bottom of the board, which may be seven guys. You miss a whole week's work if you don't get paid. But you provided yourself the availability.

Chairperson: Yeah, if I might interject. I think up possibly to take up separate items in this oversight and I don't mean to cut you off, that isn't the point. I'm glad that you did explain the extra board situation to us. But if we go off on every detail, we're going to be here until tomorrow morning.

Wash: Right, this was not my point. My point was that is this a conclusive or an all encompassing thing of things that are being cut or if some of the things that they haven't stated are still on record as.

Chairperson: Yes, and evidently Mr. Wood has assured us that they were just examples that he's picked out and that there are other things such as the extra board that will be considered.

Wood: I can give you the full list that was presented to the court.

Chairperson: Thank you very much for your input.

Wash: Thank you.

Szymanski: Before we, I see we're wrapping up here or something. Let me ask you, are we going to talk about the gravel hauled at this session?

Chairperson: No.

Szymanski: Okay. I'll cover that later unless Frank wants to talk about it.

Pignalberi: What do you have in mind?

Szymanski: I just want to know what the impact potentially could be to the Railroad.

Turpin: It would be 7% of our revenue.

Chairperson: Would somebody from the Railroad give Mr. Szymanski one of these little dealies and then that explains.

Davis: Madame Chairman, can you send me a copy of one of those dealies, too?

Chairperson: Little dealies. All right, will do so, Representative Davis.

Szymanski: They're a hot item, Mike, so we're going to have to charge you.

Chairperson: So that pretty much sums up. Oh, wait a minute, Representative Pignalberi had a question.

Pignalberi: Mr. Wood are you the gentleman that I might talk to about preferential hiring of Alaska residents for jobs at the Railroad.

Wood: Well, I guess I can help answer the question. That issue has been thoroughly discussed among many of the sessions at the Railroad. Perhaps Mr. Turpin can address it. If I can help, I certainly will do so.

Pignalberi: I got a pretty good report earlier this summer about the percentage of Alaskan residents that have all been new hires is a high percentage of Alaskan residents. Then I had a constituent who has called me and said they were trying to get a job in the gift shop or something and had gone to somebody from the lower 48. She didn't believe. I gave her the report that you provided me and she just didn't believe it. It lead to pass how you determine residency. What your current figures are.

Wood: We use the fact if a person has received a dividend from the state, then they're a resident. Am I right on that, Jim? We went to six months at one point. So either six months residence or a dividend.

Pignalberi: Can you, I guess you're almost totally unionized in the operation. Do you have any difficulty getting Alaskan residents through the unions?

Wood: Well, I guess the one union that we have recalled a large number of people, we need to do this in the summertimes when we add extra trains or the UTU, the trainmen and enginemen, and the AFGE, which are the track laborers. We try to call people who were former employees and what happens, a person will have six months work and he will know he won't be needed again for another six months. Very few of them stay in Alaska to wait until the next six months. So we called back a number of people who have recall rights from various places in the lower 48. I have numbers on that that I can give you: I just don't happen to have them with me.

Pignalberi: I would like those numbers. Are you obligated to give some reference to people that have worked for the Railroad before.

Wood: Some people we are, yes. We try to do that if we can.

Pignalberi: When do you get to exercise preference and hire an Alaskan in that situation?

Wood: Well, those two unions, I guess with the UTU union, the trainmen, we plan to have a training course in February that will enable young Alaskans to get the training they need to become brakemen/firemen and then pass the entry into them. Last year we were caught very suddenly and we weren't able to do that. So we have that in our plans and it will start, I think it was somewhere like.

Pignalberi: Is that here in Anchorage.

Wood: It will be in Anchorage, yes.

Pignalberi: Thank you.

Turpin: I have one more, if you want it. One more topic, a very short one. All of mine are. This one has to do with Caboose Legislation, which I think your Committee will be hearing. There are two charts that we had in the book that I thought you might be interested in some of the statistics of the Caboose Laws. You may already have this. There are three states that now have caboose laws, Virginia, Montana and Oregon and one has a bill pending, Wisconsin. There are two states where they're being challenged and then one state, California, its Caboose Law was vetoed by the governor in October. There are no federal regulations that require cabooses. The next chart is one that I really wanted to talk about.
[Tape end]

TAPE 5, SIDE B

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TAPE 6, SIDE A

Turpin: So it was certainly no greater, and slightly less, but I don't know whether that's significant or not. I guess that the only point that I wanted to make here, that we have found no justification for the safety factor of a caboose on a train. We have two trains that operate without a caboose today.

Chairperson: All right. Are there any questions on this? I think that some people here are going to present talk on cabooses and I'm sure as you said that that will

come up before our Committee and we'll probably have you down there talking about them, too.

Turpin: I'd be delighted to. I always like to go to Juneau.

Pignalberi: Frank, could you send us a copy of the most recent financial statements?

Turpin: Absolutely. We won't have the year-end until some months, until all the auditors get through with it, but we could give you a preliminary year-end in about three weeks.

Pignalberi: You don't need to make a special update.

Turpin: Well, we'll be doing it for ourselves.

Pignalberi: Do you post every 30 days?

Turpin: Yes. We present this to the board every week.

Yetter:[?] I might ask, we've been sending quarterly financial statements to both Committees. If some of you haven't been getting them, I need to know that. We're trying to do that on a quarterly basis.

Wendy: They're coming. In fact, the most recent ones I received are in the back of your packets.

Turpin: Thank you very much.

Chairperson: Thank you.

Turpin: It was nice seeing you again.

Chairperson: Mr. Turpin. I would like now to call on Jerry Valinski who would like to present to the Committee some ideas on caboose legislation. You have with you, and I don't think Mr. Szymanski has one, Representative Szymanski, and Mike we will also send one of these to you in Fairbanks, The Alaska Railroad Caboose Issue, prepared by the UTU.

Valinski: Madame Chairman and members of the Transportation Committee, knowing that this Committee was going to hold their hearings, we put this together quite rapidly and we won't have any extensive testimony. But we did put, most of the issues that are taken up in our brief here is basically still in drafting and we'll be getting the finished product to you by the time you're in session. I'd like to just briefly go over roughly what we've got here. Remember labor or railroad in many ways admires what the new management on the Railroad has been able to produce for us.

Because ultimately the employees of the Railroad get the spinoff by good management. The caboose issue though is a different issue here now. This is something that we may disagree on. Yes, many railroads in the lower 48 are running cabooseless trains. We are presently running two cabooseless trains on the Alaska Railroad. As a policy, United Transportation Union, pardon my voice, I've been talking a lot lately, has set policy that we do believe that short trains can run cabooseless and run safely. What a short train is may differ between United Transportation Union and the management of the Alaska Railroad, but that is something we will be debating in Juneau this coming year in session. I could go on and on and on on the reason why, but the time is brief. Hopefully you can find time to go through some of that. I would like to ask Mr. Turpin to update though his notes a little bit, there are more than three states that have caboose legislation and I'll point these out. You have the state of Montana, the state of Oregon, the state of Nebraska, the state of Virginia, New Mexico does not have a state law but they have a regulation for the requirement of cabooses, which all of these laws that have been passed and regulations are in your packet. Regulations right now are being wrote in the state of Texas. There will be 18 states this year that have already introduced legislation as far as the caboose requirement. In Canada, the Transportation Committee is holding further studies after the first set of studies that they had on the use of ETU running cabooseless trains. I would like to say that they're failing as I hear but I don't have any statistics on that yet. The statistics that I do have for failure though, you'll find in here are from a company that actually builds them. One of the companies that builds these end of train units is Union Switch and Signal Division and this is their report on the building of the caboose and where it's found where it has failed on them in their tests that they've run. Because this thing has really come upon the industry quickly and a lot of time has not gone into developing them, but there is going to be quite a future they feel in the use of ETUs, end of train unit. The statistics that I have here on the Alaska Railroad briefly for one month period that you'll find in the same packet, that roughly the unit that we're using has failed almost 50% of the time and this has been documented by groups actually using them. Like I said, I don't want to go through all of this at this time.

Pignalberi: What does that mean, what's failing and what's the ramifications?

Valinski: Well, the failing is that we believe that for one thing it's in violation of a federal code which we have provided there as the unit has failed almost 50% of the time before it reaches Fairbanks. It does not hold up under the conditions that we have here. Now maybe this is just a problem with the unit. I understand the Railroad is preparing newer units, more sophisticated units that more than likely will probably have a better track record.

Chairperson: Jerry, by units you mean the end of train units.

Valinski: Yes, the unit that is placed on the rear of the train that by federal regulations required for a marker light back then.

Chairperson: It's not necessarily a caboosé?

Valinski: No, it's about a 40 pound box.

Chairperson: Oh, okay that's the clarification we needed.

Symanski: I have to run. I'm supposed to be in Glennallen at 6:00, so I hope the troops are heading this way, while I'm going that way. But I would appreciate and I apologize for having to go, certainly when you get down to Juneau I would like to hear more on this.

Valinski: And, when we get down there we'll also have a video for you.

Symanski: Great, thank you.

Chairperson: Bye, bye. Thanks for being here today.

Valinski: Once again, I'd like to point out also that the use of cabooses is purely a safety issue as far as the United Transportation Union is concerned. This has nothing to do with the management trains. Right now in Alaska, the Alaska Railroad is probably the leader in crew constants of any railroad in the nation. Union Pacific, Burlington Northern, Santa Fe, Southern Pacific can't even touch the crew constants that we presently have on this [indiscernible] right today. What does that mean? That this issue in no way has anything to do with jobs.

Pignalberi: When you say that Alaska is the leader in crew constants, what does that mean?

Valinski: Okay, crew constants is how many members would be on the train obviously down the main line.

Pignalberi: Does this mean we have more people on our trains than anybody else does?

Valinski: We have less. We are the leader in crew constants as far as the shortness, how many members will be on a run. At this date, I would say, just on the verge of a 100%. If you have one job on the Alaska Railroad that goes over three numbers on the crew. At times in the winter you might have an additional brakeman on a certain yard job at times. But for the most part, we have fully attritioned on the Alaska Railroad and have become the trend setter in crew constants. That's one of the things we wanted to point out. This is not a jobs issue, this is strictly a safety issue that concerns not only the people we work with, but the public that we serve and we run these trains through. Like you're going to the amounts of hazardous materials that we move with no caboose back there, a car derailling would go undetected for miles and then derailment potentially because I don't even want to say what might happen. I have statistics here, I have everything here that I could possibly lay my hands on that these things do happen. They happen more often than not. We feel with a man on the rear of the train observing the rear portion of that train, observing behind the caboose, if there are any problems that may come up during that trip, that we can stop and help prevent. We're not going to stop all derailments or all problems with the train operation, but just the ones that we do catch, we feel is very important to the operations of this railroad. I also have a goody that I, Bette I think you may have it already, but I got another one for you.

Chairperson: All right. Real fine. Perhaps, Jerry or maybe Mr. Turpin can or somebody. It's running through my mind and I think it was three years ago that we passed in the legislature from a five-man crew to a three-man crew. Now does that relate only to the White Pass, Yukon or did that relate to the Alaska Railroad also.

Valinski: Well, I didn't really want to enter that type of thing, but when that was in Appeals, see we had already had the crew constants on the railroad and what it would have forced the railroad to do is to put additional personnel on trains again if that law had stayed enacted, which the UTU did not oppose.

Chairperson: It was just running through my mind and I just couldn't pinpoint it.

Turpin: By the way, it was the Brotherhood Railway Train when we had that legislation pass many years ago.

Chairperson: I remember. It was at the time of the consternation over the White Pass, Yukon Railroad that we were so concerned about which since that time has gone defunct. We're still concerned. Mike in Fairbanks, do you have any questions you'd like to ask Jerry Valinski.

Davis: No, I'm real [tape noise] caboose that I know much about. So I'll be interested to learn more about the issue. Thank you very much for providing the opportunity.

Chairperson: Okay, real fine. I think Mr. Valenski will supply you with reams of information that you'll be able to digest.

Valenski: I hope you read it.

Chairperson: Thank you, Jerry. No, we haven't asked for questions. Would you like to.

Pignalberi: Frank, it's been of some note that the number of moose killed on the railroad between [indiscernible] and Wasilla seems to be increasing.

Turpin: It hasn't been increasing.

Pignalberi: It hasn't been increasing, decreasing.

Turpin: Well, there are many years that were greater than last year. So I haven't really looked at it to see. I don't think there's been any trend. Could I give you some figures perhaps on that.

Pignalberi: Sure. But I just wanted to know if, I read something in the paper a few days ago where I got the idea where management's throwing its hands up saying we really can't do anything about it and I just can't believe in this day of modern technology, we can't figure a way to scare those babies off the track.

Turpin: Well, we have several programs under way, one with the University of Alaska which is trying to find the same type of device that you drive rats out of a house with, you know the ultrasonic waves are emitted and they tell me that they can emit those for as much as a quarter of a mile away, which maybe will get a moose to start moving in the right direction and when the train does come, he will miss it. That has some promise, I don't know. We have worked with Canadians, Canadian railroads have exactly the same

problem and they have not solved it either. We, of course, work very closely with Fish and Game in exchanging ideas and neither of those two groups can come up with anything. So it's just something that has been going on ever since the railroad has been running.

Pignalberi: But you still have a ways to go.

Turpin: For example, one thing that's not too well publicized are the highway kills every year. There were 450 last year, highway kills within the state and, of course, the trains killed, which gets a little more publicity is nothing to pass off, but there are other things that happen to moose as well.

Pignalberi: It's just such a condensed area.

Turpin: We've had none this year. We got three mules. I guess we did get two moose last week.

Pignalberi: Of course, you know we're going to build an \$300,000 overpass.

Chairperson: Tennessee would turn over in his grave if he heard that you got three mules, wouldn't he?

Turpin: I agree. Yes, that was so fortunate, but the mules are a lot like moose when it comes to dodging trains.

Chairperson: The point and time has come now for some comments from the audience. I would like to declare maybe a five minute recess, in case somebody has a few little duties they need to take care of and then get back here and we'll accept some comments from the audience. I do want to thank Mr. Turpin and his people from the Railroad giving us this oversight. I think it's been very, very helpful and will help us in determining because we are hearing more consistently I'm hearing more legislators, more constituents and various things like that about the Railroad and this will help us determine whether or not we need to enact any legislation, either favorably or unfavorably towards them. I think all of us believe, like I do, the less laws, the better and one of the problems or one of the duties of a legislator is to not only pass good legislation, but to keep bad legislation from passing. So we need to take all those things into consideration. I do want to thank you, Frank, for you efforts and your help in being here today. We'll take now about a five minute recess.

Chairperson: This place is a maze and it takes you the length of the time of the recess to find the bathroom. Unfortunately.

Chairperson: Mike, are you still there in Fairbanks.

Davis: Is the five minutes up yet?

Chairperson: Honey, it's been up for a little while. I said this place was a maze, it takes you half an hour to find the bathroom.

Chairperson: Whoever transcribes this tape is really going to get a few blows, aren't they. I think now we'd like to open up the meeting and we're not going to continue for too terribly long, so I would request that anyone who wishes to make any comments try to be fairly brief. I would like to open up the meeting for ideas and comments of various individuals to the Committee for their consideration and even though some of the members of the Committee aren't here, remember it is on tape. They will have access to those tapes when we've transcribed and they will have the minutes of those tapes. So it isn't as if they won't know what is being said. Is Mr. Quinn in the audience?

Quinn: Yes, I am.

Chairperson: Did you wish to make some comments.

Quinn: Please. My name is Bill Quinn. I am the General Chairman for the Brotherhood Railway Carmen, one of the seven unions of the railroad and there's all these things I'd like to comment on, but time being what it is, I think I'd just like to say generally that when we were transferred from the federal service into the state railroad, we all expected that our benefits wouldn't be the same. Now this was what was guaranteed to us not only by the government but by General Riley, head of the FRA, Bill Loft is the Assistant Director, and this was to include compensation, contracts, general working provisions, everything involved at least for the two-year period and then from that time we would negotiate new contracts so we could cover these provisions. I think the Railroad in doing what they did as far as the UTU contract, which doesn't affect us directly but we work hand in hand with these people day by day, and setting a dangerous precedent, not only for this set of negotiations but any negotiations down the road because we felt when we came across from federal service, we did have valid contracts. We were working under those provisions and when the

Railroad decided seven months into our transfer period that the contracts were illegal, even though it may be a legal question, I think it could turn out to be more of a moral question than a legal question. We're also required with the Railroad, or will be if we don't reach a settlement shortly as far as the compensation issue, Workmen's Comp., people being injured on the job, because we feel that that was another issue that wasn't correctly addressed in the transfer documents from the federal or the state. But, again, we were satisfied with that transfer. We would be covered for two years at least as far as benefits. We feel that we aren't being covered for those benefits and I just think it's a bad situation when an employer has to go to court with their employees, people who make the bread and butter for the Railroad, itself, to settle a question they can't settle among themselves.

Chairperson: All right. Any further comments or any questions of Mr. Quinn?

Davis: Madame Chairman, does Mr. Quinn has some written testimony?

Chairperson: Not at the present time, but I'm sure he'll supply us with it.

Quinn: I will.

Davis: Madame Chairman, I certainly would like to hear this side of the story on this whole issue, so if he does have anything in writing, I'd be glad to see it.

Chairperson: Fine, Representative Davis. Wendy's making a note right now and she'll transfer that when we get the information, that she will get it to you.

Quinn: If I could make one more comment. Railroad has made a good profit this year and I'm sure it has to do a lot with the men and skills that weren't brought on since the transfer of the federal system was pretty competent over all as far as assessing the money situation and the accounting toll that was spent and what was not spent. But beyond that, I think it should be noted, my members in fact told me I would be here to note this, that part of the profit that will be reported by the Railroad this year in light of the fact that the Railroad is exempt from matching contributions in any retirement program to certain temporary employees. Approximately, by my calculation, in ours we have approximately 160 employees full time on the Railroad who have no coverage under any retirement system whatsoever. In my estimation, and these are my estimations,

range anywhere from 3600,000 to \$1.1 billion will be saved by the Railroad by not having to match contributions and, of course, this will be a negotiating item that is on the table or will be as we negotiate this contract. But I think it's important to note that they aren't covered now by anything.

Chairperson: All right. Thank you very much, Mr. Quinn. That's really food for thought. Do we have anyone else from the audience that wishes to make any discussions. Would you come forward please and give your name and occupation.

Rivera: My name is Ed Rivera. I'm with the AFGE, equipment operators of the railroad. In the last year we've seen a lot of changes happening to the Railroad. There have been good and bad. These changes are creating a moral problem on the Railroad right now that's pretty shaky. I don't know if it's due to the unknown factor of where they're going to be in a year or if it's the change itself. But I know our contracts have been violated. We really don't know the long range picture. We've been somewhat stalemated in negotiations and we are at a point where the people I represent would like to ask the legislation to look into the day to day operation and the treatment of employees and the loopholes in the ARTA transfer act and how they're being manipulated is a whole different scheme of what we were told at transfer time. That is basically the statement I'd like to make.

Chairperson: Thank you very much. Representative Davis, do you have any comment on this?

Davis: No, thank you.

Chairperson: All right. Representative Pignalberi, do you?

Pignalberi: I would just like to ask if you feel that the management of the Railroad is listening to you? Do you think that profit goal that has been thrust upon them, it's a good goal so there'll be some areas of difference between labor in breaking with the past work practices and provisions? But, are they listening to you? Do you get a chance to talk to management at all and just tell them how you feel? I think you're entitled to some feeling of job security, to know whether or not that job's going to be there in a year from now. If it's not, they ought to tell you.

Rivera: Well, that's a good question. Yes, they'll listen to us but the final output seems to be to pursue

this at an arbitration level. This Railroad a few years ago was like a big family. We didn't pursue anything outside of it. Most everything was resolved inside of it. Anymore we put on so many new people that do not realize Alaska or this Railroad as it was, how we'd like to see it to continue being and we're pretty much lost as to what to do about it. You're looking at an outfit that's got second and third generation people working for it. It's probably one of the oldest industries in the state yet we're, I guess we're like a parachute that's just had the strings cut off of it, just floating around up there with no direction. That is the general feeling of the employees right now. It's really interesting that I'm a voice between the employee and management and there's a lot of intimidation out there, where somebody like you was to walk around and talk to the employee, I think you'd find out the other side of the story.

Chairperson: Thank you very much.

Rivera: Thank you.

Chairperson: We'll probably do exactly that. Mr. Rule would you like to come forward. Would you state your name and occupation please for the record. Not that I don't know it.

Rule: I'm Dan Rule and I'm owner/operator here. I've been in the transportation business for nearly 29 years. I'd kind of like to hit this from a different side. They've been telling us all day, well actually I shouldn't say anything about these guys, I didn't know these gentlemen were doing so many things for me but since I'm staying home about 75% of the time because we can't haul any freight, I think I will anyway. They've been stating here how some of the trucking companies are using them. That's exactly my point. When they start that, then that puts me out of work. I've had to work the last two winters or the last winter mostly all out of Fairbanks and against probably a third of the time in the past. We came and talked to them here at a board meeting, I believe was in June, and I talked to John Gray the marketing manager in the board meeting and he told me that there was no way in the board meeting he'd mentioned it, there was no way they could compete with our services. He also said the prices had lowered considerably in the last year and were going to lower considerably more. I've just today found out how to go about getting a transcript of that meeting so that I'd have that, but we've got several things that my group is a little upset about. I

think a conflict of interest is one of them. I believe a man that's a commissioner in the Railroad that also heads the D.O.T. that can make any kind of change with us that he wants, such as lightening our load by pulling lift axles and that, is a danger to us. I believe that probably one of the larger shippers in the country is the Chairman of the Board of Directions. That seems to be a conflict of interest, possibly its not, but it seems to me it would be. We haven't. We've heard figures on their profit and all that today. It's my understanding that that figure is an overall figure of everything the Railroad has, the properties and everything. I don't believe they're showing a profit if we could see the actual books on it in the freight business and I believe it is predatory pricing regardless of what they call it. I don't believe they can operate that arctic fox with several empty cars every night like they do for the price they're charging. I just don't think its happening. There're several other instances, again that we can't prove because we can't get into the books to prove anything. SOHIO got a shipment of pipe into Prudhoe just before breakup last year. They told all of the companies, including the one I was working for, they said well you're going to have about 20 loads of this so we'll load them, you can belly wrap them, we'll set them off with the big fork and you'll only make one pick when breakup's over. It isn't that they didn't do that. SOHIO I don't believe ever paid a penny to [indiscernible] on it because the Railroad was left to notify the trucking industry so it wasn't SOHIO's fault they didn't call us. I can't prove that, again, because we have no access to the books. The Staggers Act, I realize, gives the railroads a lot of latitude, but I think the owners of those railroads can find out something about it and we are the owners of this one. We've really got a problem here because we don't know what we're competing with. We can't find out. No matter where you go, there's no figures available to you. I've heard prices from some pretty good sources so low that I couldn't even much more than buy the fuel for going up there. But I don't believe they can run the train that cheap. I think we need some changes in the Alaska Railroad Act because we have a unique problem. We are the owners of it. You are and I am and everybody in this room is. I think we should have a little more input and I think we should have a little more access to find out if really and truthfully the freight end of this thing is making money. I can't read my own notes so that must just about be all that I've got, I guess, apparently.

Chairperson: Representative Davis, do you have any questions for Mr. Rule?

Davis: No, I don't have any questions. Just to go back to the times of the deliberation of the Alaska Railroad and when we were studying the falcons in all the deliberations where people wanted to run a business and I know what he's saying about the Staggers Act, I mean it's a broad act from my understanding of it and it gives a lot of discretionary call to the Alaska Railroad. There's probably something we could do. I don't know if there'd be legislative support for going into the Railroad Act, but it's certainly something that we should think about and discuss because I can understand where you're coming from.

Chairperson: Okay, thank you very much, Representative Davis.

Pignalberi: No questions, thank you.

Rule: I've got one more thing that I did fail to mention. The Governor's told me, several legislators have told me, well, it's controlled by the I.C.C., go see the I.C.C., they'll take care of it. I talked to Roy Erheart from the I.C.C. and he says the only thing he can check is LCL rates and one car shipment rates and that. There's nobody in this country at least from the I.C.C. can find out anything about any contract prices or anything either. That's just a dodge that the Governor gives me to get me off his back, go see the I.C.C. because the I.C.C. can't do a thing for me in this case. I've tried.

Chairperson: Okay, thank you very much for bringing that to our attention.

Rule: Thank you for having this. It's been informative and I'm really happy that you had it.

Chairperson: All right. Further comments? Mr. Grey.

Grey: My name's Buddy Grey. I been connected to the Alaska Railroad for eleven years now. I'm also Vice President and Legislative Representative for the UTU. We've heard about Title V here. In 1978 is when the Civil Service Reform Act came to be. We turned around in 1981 and we signed the Crew Constants Agreement. If they feel it's illegal now, why wasn't something done about it before transfer. The moral on the railroad due to Title V is just, it's been devastating. I don't feel secure in my job any more. Somethings got to be done. I'm just not sure where to go with it. These rules were Crew Constants was illegal in 1981, then why was it ever implemented.

Chairperson: I can understand what you're saying and I think that's one of the things that we're very definitely going to have to look into as far as intent as concerned and I can assure you this Committee will do so.

Grey: Thank you, Madame Chairman.

Chairperson: Thank you Mr. Grey. Yes, sir. Yes, would you give your name and occupation.

Henesey: My name is Donald Henesey. I'm a retired owner/operator. I am unemployed. May I read this in or would you prefer I not to for time sake? I would like to read it in.

Chairperson: Go ahead and read it in.

Henesey: This is an initiative petition to amend certain portions of Alaska Railroad Corporation Act, AS 42.40.010-AS 42.40.990. The specific amendments to the Act are as follows:

1. To amend AS 42.40.100 Management by the Board to read as follows: Operate the Alaska Railroad Corporation as a common carrier subject to the jurisdiction of the United States Interstate Commerce Commission consistent with 45 U.S.C. 1207 with the exception that for freight moving and intrastate commerce, the Alaska Railroad shall act only as a freight forwarder. Water carriers or other carriers to or from Alaska shall be the prime carriers.
2. To amend AS 42.40.100 - Management by the Board by adding a new subsection #10 to read: The operating area of Alaska Railroad Corporation shall be limited to the geographical boundaries of the state of Alaska.
3. To amend AS 42.40.100 - Management by the Board by adding a new subsection #11 to read: The Alaska Railroad Corporation shall not extend credit to any prime carrier beyond 60 days.
4. To amend AS 42.40.120(e) - To delegation to read as follows: (e)(2). Establishing specific rates, tariffs, divisions and contract rate agreements. No rates or equatus shall be of a predatory nature to other modes or routes of transportation.
5. To amend AS 42.40.030 - Tariff office to add a new subsection b to read as follows: The

Legislature, in joint session by majority vote, may demand removal of a member of the Board of Directors.

6. To amend AS 42.42.020(b) - Public disclosure of information by deleting the language that is in the [indiscernible]. (b). The Corporation may by rule designate or withhold public disclosure on matters of a privileged or proprietary nature. Those matters include personnel records, communications with and work product of legal counsel. The bracket part reads: and consistent with standards and practices of the United States Interstate Commerce Commission for the protection of these matters other information including proprietary information associated with specific shippers, divisions and contract rate agreements.
7. To amend AS 42.42.007 Audits by adding a new subsection (c) to read as follows: Within 90 days following the end of the fiscal year a citizen or group of citizens, at their own expense, may demand an independent operation and financial audit, including the allocation of funds for these agreements. This citizen group must notify the Board of Directors of demand 30 days before the end of the fiscal year.

A week ago Monday we started printing these up and giving them out. We have 28,300 signature lines scattered throughout Alaska at the present time. The City of Valdez endorsed this initiative Monday night at their counsel meeting and the City counsel is in the process of pushing these initiatives through Valdez and Cordova. We feel, the group of us feel, since the secrecy was illegal prior to deregulation, every common carrier making a rate contract had to publish it, give the other carriers 30 days to accept or reject it, argue it. Since they got by from 1936 until 1980 about under those conditions in private enterprise, it seems to me that the Alaska Railroad should be able to operate under that now. That's the biggest thing I have to say.

Chairperson: Thank you very much, Mr. Henesey. Boy, I see where I better get home and find out what's happening at home. I haven't been there for a couple of months. Is there any, Mike, do you have any questions on this? We'll also see to it that you get a copy of this in Fairbanks.

Davis: No question. I'll just look forward to those amendments.

Chairperson: Okay. Representative Pignalberi, do you have any questions?

Pignalberi: I'd like to know, Mr. Henesey, what you plan to do with this. Are you going to circulate this?

Henesey: We have started the process of applying to the Lieutenant Governor for the regular initiative that you get a hundred signatures and set the books up for it. On a time frame, that would be next spring sometime before he would get the books back to us. We'd make it a 1988 initiative on the ballot. We are attempting to get the required number of signatures before you meet this next legislative session. It's a tough schedule, isn't it? A thousand signatures a day, but we think we've got it. Like I said we've got 28,300 lines on the streets. All the way from Prudhoe Bay to Ketchikan. If we are successful, somebody representing us will be knocking on your door with 21,230 signatures. Should we fail to obtain that many, we will have the regular process to go through and we'll have the name and address of whatever number of signatures that we get so we can start right in there with some kind of regular initiative.

Chairperson: Mr. Henesey, does this group have any certain name or anything like that?

Henesey: Yes, Alaska Railroad Initiative Committee.

Chairperson: Alaska Railroad Initiative Committee.

Henesey: We thought we ought to call it what it is.

Chairperson: Yeah. I have no problem with that, it's just that it wasn't on the paper.

Henesey: Oh, I'm sorry. Well, it's on the, I'm sorry, it's on the front cover. We'll get you one before. We had a cover going over it that, we'll get one to you before we leave.

Chairperson: All right, fine. I was just curious about whether the group had a name.

Henesey: We will be filing with A.P.O.C. and going through the whole procedure.

Chairperson: All right.

Pignalberi: Has the Railroad management had a chance to look at this and comment on it?

Heneseey: Not to my knowledge. Like I said, the day after Thanksgiving, the beginning of the Steering Committee left and worked out the rough draft which I then presented to some people of Alaska Carriers, [indiscernible] people of Homer to get their feelings and they came back positive. So we went back then and got a lawyer to draw it up fully and properly, because I understand that is extremely important on an initiative, and from there we started sending it out and it's gone like wildfire.

Chairperson: All right. Thank you very much. Are there any questions for Mr. Heneseey? If not, thank you very much for your contribution and we will certainly take note of it.

Heneseey: May I slip my other hat on for just a moment. As an individual, I'm entering that as an individual, not because all of those ideas were mine and I dreamed them up out there because I had nothing to do with retirement, but they are all of the things that was brought up at various times and I kind of incorporated them and without getting permission of the Commission or going through a procedural thing that the Initiative Committee endorses this, I did want to introduce it to you. So may I read it?

Chairperson: Yes, go ahead.

Heneseey: It's written in the form of a letter to the editor of which paper we're going to use it on: I have been reading with great interest recently of the profits and wonderful accomplishments of Alaska Railroad. I agree that it is good. The problem is the railroad instructions are to build a wild railroad to sell to a private enterprise. Section 42.42.60(b), every five years the annual report shall include an analysis of a potential sale arrangements or by the corporation may be transferred into private ownership. Analysis shall include documentation of at least three offers to sell the corporation initiated by the corporation during the last five years. To accomplish this you would have to have a railroad that was offering like a private company, including all taxes, labor arrangements, maintenance and safety records. Under the present structure, a private corporation must subtract all those costs from the present reporting profit and show a net loss of about \$500,000 to \$1 million. They would have to get equal tax breaks or drastically raise rates creating ill will in Alaska. The Alaska Railroad should operate like a private carrier paying appropriate property taxes to municipalities where they operate. Probably \$7 to \$8 million.

That is in contradiction with what was given to you earlier but if he's getting taxes on 385,000 acres for \$1, he ain't paying what I'm paying per square foot for my lot. This would be \$7 million to \$8 million less than municipalities would need from the state. The Alaska Railroad should pay motor fuel and other operating taxes the same as a private railroad, approximately \$1 million in fuel use tax, I suspect. The Alaska Railroad labor agreements and benefit package should be tailored to the private sector to avoid transitional problems in selling. The purchasee company will be hesitant to pay a 20-year employee any retirement for unreceived services. If the Alaska Railroad can meet these obligations and show a 5% profit on revenue, there would be no problem finding buyers and no complaints of unfair competition. [Tape end]

TAPE 6, SIDE B

Henesey: That would be only fair and leave us with the possibility of escape.

Chairperson: Thank you very much, Mr. Henesey. I appreciate it.

Henesey: Then there's one other little correction I would like to make on Mr. Turpin's statement. He brought you a report from the state of Washington on how much percentage of the cost of maintaining railroad cars and trucks paid. I don't dispute his statement. The only thing was that you use state, county and local roads as the state of Washington, not the interstate highways. In Alaska we have practically only interstate highways. So the comparison would not be true for that reason. The interstate highways throughout the United States, since 1954, has made so much profit off of their taxes that they took money from the interstate highway fund to build the bike trails that became later mandatory. Trucks more than pay their way on a highway.

Chairperson: All right, thank you very much for your statements. Is there anyone else in the audience that cares to make any comments?

Jones: Madame Chairman, my name is Dennis Jones and I'm an owner/operator.

Chairperson: Yes, Dennis.

Jones: I have just a couple of questions and I'm not quite sure how to phrase the one. Through the understanding Seaway's in pretty bad financial shape. I would

like to know if there's anything to keep the Railroad Corporation from, if Seaway owes them money, to keep them from taking stock and ending up with ownership of a failing barge line. It's a rumor that that could happen or might happen or that they're going to push it to the legislature and I'm like a lot of people, I don't feel the Railroad's making money. I damn sure don't want a sinking barge line added on top of it. If it's not a possibility, I'd like to know about it and if it is, I would like to know about it.

Chairperson: Dennis, we'll research that. I have a few ideas running through my mind but I'm not sure of they're accuracy as to what the corporation can do in that aspect. If I, Mr. Wood, would you like to. It seems to me that they're prohibited from owning, are you not?

Wood: Well, that would call for diversification of services which would require Board approval and it would have to be reported to the Legislature, so there would be some oversight there.

Chairperson: Yeah, very definitely.

Jones: That was my question. Is there something you could do about it to stop it before it happened or approve it?

Chairperson: Yeah, very definitely. Yeah, there was something in ARCA that I was remembering but I couldn't exactly say on it.

Wood: There's a report requirement.

Chairperson: A report requirement. The Legislature therefore would be knowledgeable before the act happened. You're right.

Wood: If the Railroad diversifies its' services, it must report that to the Legislature.

Jones: A good answer to that question.

Chairperson: Thank you.

Jones: The next question to me, and I don't know if anybody can even answer it or if they will, is we've had a lot of testimony today from the employees of the Alaska Railroad. None of them seem to be happy and from the past history of what's been going on in the state in the last few years, a lot of the employee unrest can be caused, say has been caused by an

attorney that's been hired by several firms. Now, according to the newspaper, works for the Alaska Railroad and that's Mr. Thomas Owens and I would like to know who authorized hiring the man. If that's possible to be answered to me.

Chairperson: Would anyone from the Railroad care to answer that question?

Wood: The question was who

Chairperson: Who authorized the employment of Tom Owens.

Jones: Who authorized hiring Tom Owens to be a Railroad attorney, because I directly relate that to the problems with the employees.

Wood: I think if you were closer to the problem, the issue, I don't think that is the case. To answer your first question, though, the Alaska Railroad Corporation Act made allowance for the management of the Railroad to retain counsel to serve as its lawyer in cases that faced litigation wise or to obtain legal advise. My personal thought on it is that I think Mr. Owens is doing a good job and I don't ...

Davis: I can't [indiscernible].

Jones: I didn't ask, the question was who hired him and that's all I wanted to know.

Wood: You mean, which individual?

Jones: Who hired Mr. Owens?

Wood: He was hired by the management of the corporation. But you want specific names, times?

Jones: Yes, I would.

Wood: At the time that he was hired, the Attorney General's office was providing legal services to the Corporation. At the same time there was some need for labor services.

Jones: I'm not asking why or when. I want to know who. That's all I ask and beyond that I have no more questions.

Wood: I think Mr. Owens was recommended, labor counsel was recommended by the Attorney General's office.

Jones: I didn't ask who recommended him, I asked who hired him.

Wood: The contract was ...

Jones: This is the same thing we went through a little while ago. You can beat around the bush all day. My only question was who hired the man and that's just for my personal knowledge.

Wood: I signed the contract, the contract with Mr. Owens office. If you want to say that I hired him, technically I hired him.

Turpin: Well, I think the buck stops with me. Any kind of Railroad thing I either approve or disapprove. I approved the hiring.

Jones: That's what I wanted to know. That's my question.

Chairperson: All right. Thank you for your comments. Do we have any further comments from the audience. Any further questions from the Committee?

Pignalberi: For Mike Davis in Fairbanks. Mike, on its way to you is a brown booklet that is called the Alaska Railroad Caboose Issue that UTU provided to us and because of the hearings you have held on the hazardous substance issue in one of the back sections of that book it has some fascinating statistics about the number of loads of hazardous substance going back and forth on the Railroad. I just called that to your attention because I know you're interested in it.

Davis: Thanks a lot, Marc, I appreciate that.

Chairperson: Do we have any further comments, any further statements from anyone -- for this Committee at the present time? If not then we will declare the Committee meeting closed and we would like to express the fact that the Transportation Committee has staff year around in Juneau. We would appreciate your getting in touch with us. The address is Capital Building 128, Pouch B, Juneau 99811. At any time you wish to telephone, the phone number is 465-4858. There will be a member of staff present, unless they're out to the library or doing research somewhere else. In that case, you get an answering machine. We would particularly appreciate all the input from anyone at any time. It is extremely difficult to sit in a committee and try to decide something if you don't have input and so consequently this is what we ask for and we ask it from anybody that has an interest into transportation in the state of Alaska. That's the House philosophy, House of Transportation's philosophy, the Committee's philosophy and hopefully

you will all understand that we are open to remarks, to letters, to phone calls, whatever input we can get so that we can more readily discuss and attempt to make decisions that we have to make. I would like to thank all of you for attending today. I think we have come a long way and have learned a great deal. So I do appreciate everybody's presence and their input. At this time then I will declare, at 4:45, the meeting of the Transportation Committee, House Transportation Committee adjourned.

STATE OF ALASKA
THE LEGISLATURE

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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H. TRANS

1-21-86

7:00a.m.

1-23-86

7:00a.m.

TRANSPORTATION COMMITTEE MINUTES
DECEMBER 18, 1985

TESTIMONY FROM JOE SWANSON, DIVISION OF WEIGHTS AND MEASURES, DEPARTMENT OF COMMERCE, WAS NOT ON TAPE DUE TO AN UNKNOWN MALFUNCTION. THE FOLLOWING ARE THE NOTES COMMITTEE STAFF HAD AVAILABLE ON THAT SEGMENT OF THE MEETING:

Rep. Pignalberi asked Joe Swanson if he had asked the AG's office if Commerce legally have the power to stop the aircraft flying.

Swanson: No real power.

Rep. Pignalberi: State has enforcement powers so why wasn't the aircraft that recently crashed in Bethel not made to stop flying?

Swanson: Have to be careful not to overstep bounds. State troopers could have enforced this, however, the department has to be careful not to overstep bounds.

Rep. Davis: Does the department feel they need regs to enforce? When letter written to A.G. need to include requests from Joe Swanson as regards to making air carriers comply.

Swanson: It was his understanding that any problems would be addressed by Committee. He felt it was not his position to promulgate regs in the first year. Joe states cost about \$10,000 to promulgate regs, he did not have the money, staff, etc. to enforce or promulgate.

Rep. Davis: Offers his cooperation to help with funds etc.

Swanson: Need stop-use permit to stop an aircraft flying if not in compliance. Need to change this.

Mr. Swanson went through the changes the carriers are requesting in HB 133:

1. Limit of insurance to \$150,000/seat for 75% of rated seat capacity.
2. Need to change from class B to Class A misdemeanor if somebody flying without insurance
3. Would like authority to issue stop-use order if it is found an aircraft is flying without insurance.

Rep. Pignalberi: Asks Joe to consider between now and session to think about if what they are asking is too narrow. Maybe there are other things that the airline industry are violating and the division should be given a broader authority to enforce.

Swanson: Weights and Measures have tried to limit their scope to the legislation that was passed last year. Air carriers and Weights and Measures are both concerned about safety. However, this has not yet been addressed.

Last change in the proposed changes. Add helicopters to the definition of aircrafts.

Swanson: Have requested ?\$133,000 to do investigations, complaints and enforcements. Investigative position and one information person . Is in FY 86 operating budget.

Mr. Zundel...