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155

COPY



## CITY OF HAINES, ALASKA

P.O. BOX 1049

HAINES, ALASKA 99827

(907) 766-2231 • TOURISM (907) 766-2234 • FAX (907) 766-3179

Senator Dick Eliason  
P.O. Box V  
Juneau, AK 99811

March 11, 1991

Re: Senate Bill 155 - Alaska Marine Highway System

Dear Senator Eliason:

The Alaska Marine Highway System is the main, and in some places the only, highway in Southeast and many parts of Southwest Alaska. It is a vital year-round transportation link between isolated communities. The system's vessels are old and some are in need of refurbishment or replacement. I see that the new budgets do not include any funding for the refurbishment and replacement necessary for long-term continuous service. The ferry system draft plan dated January, 1990, supports as a priority instituting a vessel refurbishment/replacement program.

The importance of this investment is critical for the health of the whole Alaskan economy. Southeast supplies, via the ferry system, a significant portion of the tourists who go on to Anchorage and Fairbanks.

The Alaska Marine Highway System, when formed shortly after Statehood at the behest of the Southeast Conference, was put into place to be an extension of the State of Alaska road system. The ferry system is a vital road in Southeast, transporting residents, tourists, food, mail, supplies, cars and resources.

Please consider implementing the priority recommendation of the system's long-term plan, as it is practical and necessary. I encourage you to invest in Southeast's economy by providing the resources to rebuild our aging fleet of ferries. Maintaining a consistent level of service is crucial.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Frank L. Wallace".

Frank L. Wallace  
Mayor  
CITY OF HAINES

FLW/KMP

March 11, 1991  
Senator Eliason  
Re: AMHS  
Page 2

cc: Senator Curt Menard

ALASKA STATE LEGISLATURE SENATE

SENATOR RICHARD I. ELIASON

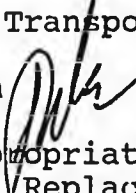
PRESIDENT OF THE SENATE  
LABOR & COMMERCE COMMITTEE  
RESOURCES COMMITTEE  
RULES COMMITTEE  
CHAIRMAN, SPECIAL COMMITTEE ON  
DOMESTIC & INTERNATIONAL  
COMMERCIAL FISHERIES



P.O. BOX 143  
SITKA, ALASKA 99835

P.O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4916

FAX (907) 465-4928

TO: Members of the Senate Transportation Committee  
FROM: Senator Dick Eliason   
RE: SB 155 - Making an appropriation to the Marine Highway  
System Vessel Replacement Fund

-----  
SB 155 proposes an appropriation of 45 million dollars to the Marine Highway System Vessel Replacement Fund which was created by the Legislature last session.

The Department of Transportation and Public Facilities estimates that it will cost \$29 million to replace one of the small feeder ferries, \$39 million to replace a mid-size ocean-going vessel, and \$102 million to replace a large vessel such as the Columbia. The average age of our fleet is about 23 years. It would cost over \$300 million to replace all of the vessels.

According to the Fleet Conditions Survey, which is to be released in draft form by DOT/PF soon, refurbishing our entire Marine Highway fleet to allow it to operate through the next decade could cost more than \$90 million.

The Marine Highway System provides enormous benefits to the lives of Alaskans themselves, the tourism industry, and the overall economy of the state. Maintaining the physical condition of the fleet is equally important to providing adequate operating funding for the system.

When the Vessel Replacement Fund was established last year, it was anticipated that annual appropriations would be made to the Fund. Governor Cowper's proposed budget for FY 92 did include \$45 million for this purpose. Unfortunately, the subsequent version of the budget proposed by the current administration does not include any funding for the Fund. Thus, the Speaker of the House and I, and a number of co-sponsors, are proposing that the Legislature make the initial appropriation to this very important fund by passage of the measure before you.



*Department of Transportation  
and Public Facilities*

# POSITION PAPER

BILL NO: HB 175 and SB 155

APPROVED: 

TITLE: An Act making an appropriation to the Alaska Marine Highway System Vessel Replacement Fund; and providing for an effective date.

DATE: March 7, 1991

In early 1990, the Alaska Marine Highway System commissioned a survey of the fleet in order to determine the level of investment necessary to maintain the ships in good condition over the next 15 years. The preliminary results show a demand for investment funds in excess of the historical allocation of federal funds. The capitalization of the vessel replacement fund will create an alternative funding source for the fleet, which will allow the Alaska Marine Highway System to continue to meet its mission of providing basic marine transportation to the coastal communities of the state. The Department of Transportation and Public Facilities supports the legislation.

The Alaska Marine Highway System Vessel Replacement Fund was created in 1990 for the purpose of financing the replacement and refurbishment of Alaska Marine Highway System vessels. The Alaska Marine Highway System consists of 8 vessels ranging in age from 14 to 28 years. Each vessel requires periodic refurbishment in order to maintain a safe and adequate level of service. This refurbishment includes all components of the vessels, including hotel and public areas, as well as major mechanical systems. In the last several years, vessel refurbishment projects have been primarily financed with federal highway funds. The system's share of the FHWA funds received by the state has been approximately \$9 million a year.

*For Further Information contact Katy McHugh at 465-3900.*

**DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES**

**NEWS RELEASE**

**FOR INFORMATION CONTACT: GINGER JOHNSON, INFORMATION OFFICER (907) 465-3900**

**FOR IMMEDIATE RELEASE**

FERRIES BOOST ECONOMY BY \$142 MILLION ANNUALLY  
#91-598  
February 20, 1991

State ferry operations directly or indirectly add \$142 million annually to Alaska's economy according to findings of a study made public today, Alaska Marine Highway System Director Jim Ayers said.

This results from the state's general fund investment of about \$35 million annually in the AMHS, Ayers said -- "a four-to-one return on the dollar." It grows through the multiplier effect of tourism spending, the impact on local economies of payroll and other system expenditures, and the movement of consumer goods between state supply centers and communities that otherwise would be dependent on direct supply from outside, with resulting "economic leakage" of dollars from Alaska.

The "often unrecognized economic impact of the AMHS on Alaska is an important secondary benefit for Alaskans," Ayers said. Overall, he said, "if the Marine Highway were a private employer, it would rank as the state's seventh largest, about equal in size to the National Bank of Alaska, Alyeska Pipeline Service Company, or Alaska Airlines."

In Southeast, he said, it "would rank at the top along with Ketchikan Pulp Company."

In return for the \$35 million investment, Ayers said, the system generates jobs for 915 Alaskans earning \$35 million in pay and benefits valued at nearly \$11 million. Additionally, the system spends \$17 million in Alaska on goods and services and another \$3 million on capital expenditures. "On top of this," Ayers said, "is the \$30 million spent yearly throughout Alaska by non-resident visitors who rely on the system for transportation."

(more)

Visitors traveling by ferry, Ayers said, "account for one of every eight visitor dollars spent in Alaska. Further, AMHS visitors contribute more per person in in-state spending than visitors using any other transportation mode. While the average Alaska visitor spends about \$570 per trip, the average AMHS visitor spends \$950 per trip. The AMHS transports to or from the state one of every twelve Alaska visitors."

During 1990, the ferry system carried over 410,000 passengers and more than 110,000 vehicles, increases of 27 percent and 44 percent respectively over the previous decade-ending volumes of 1980. Over 1989 volumes, the system posted a 6.45 percent gain in passengers (up from 388,501) and a 5.36 percent gain in vehicles (up from 105,536).

Ayers said, "Clearly movement of people and goods in isolated regions of maritime Alaska is the purpose and the primary benefit of the AMHS. But the benefits to Alaska go far beyond these most basic objectives." The system's operation "creates hundreds of additional jobs and accounts for millions of additional payroll dollars in the state's service and support sector."

All regions benefit from the system's operations through payroll and other expenditures, and visitor spending, Ayers said. AMHS visitors spent over \$8 million in Southcentral, over \$5 million in Interior/Northern, nearly \$2 million in the Denali/McKinley area, \$10 million in Southeast, and even \$300,000 in remote Southwest.

The impacts go further yet, Ayers said. "The state's leading economic researchers have estimated that one dollar spent in Alaska indirectly generates about 50 cents more in support-sector spending. This alone adds \$48 million of the \$142 million total."

The economic impact findings that Ayers presented were developed by the McDowell Group, of Juneau, economic and market consultants; the state's 1989-1990 Alaska Visitors Statistics Program, and system traffic and reservations personnel.

(more)

The summarizing highlights:

#### Statewide Impacts

- The AMHS generates jobs for 915 Alaskans who earn \$35 million in annual payroll and \$11 million in benefits.
- AMHS employees reside in 40 different Alaska communities, including 100 employees living in Southcentral communities.
- If the AMHS were a private employer, it would rank as the state's seventh largest.
- The AMHS carried over 400,000 passengers and more than 110,000 vehicles last year.
- The AMHS transports to or from the state one of every twelve Alaska visitors.
- AMHS passengers account for one of every eight visitor dollars spent in Alaska.
- While the typical Alaska visitor in-state spending totals \$570 per trip, the average AMHS visitor spends \$950 per trip while in Alaska, more than the cruise, air or highway visitor.

#### Regional Impacts

- AMHS visitor spending impacts all regions of Alaska including \$10 million in annual spending in Southeast, \$8 million in Southcentral, \$5 million in the Interior/Northern region and over \$2 million elsewhere in Alaska.
- Among Alaska's regional economies, the AMHS is most important in Southeast where 800 shipboard and shoreside workers are employed.
- When compared to Southeast's largest private employers, the AMHS ranks at the top, equal to Ketchikan Pulp Company.
- As a result of the AMHS, the cost of living in rural areas served by the system is significantly reduced, as is economic leakage from the state.
- AMHS operations and capital spending is important in many Alaska communities including Ketchikan, Juneau, Skagway, Valdez, Seward and Kodiak.

### ALASKA'S INVESTMENT IN THE MARINE HIGHWAY SYSTEM

#### Annual Investment

General Fund Expenditure on AMHS

\$35 million

(more)

Annual Return on Investment

Direct Payroll and Benefits for 915 Alaskans	\$46 million
In-State Spending on AMHS Operations	\$17 million
In-State Capital Expenditures	\$3 million
In-State Spending by Non-Resident Passengers (Visitors)	\$30 million
Total Direct Benefits	\$96 million
Indirect Benefits (multiplier effect on Alaska's support sector)	\$48 million
Total Annual Return on Investment	\$142 million

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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

NEWS RELEASE

FOR INFORMATION CONTACT: GINGER JOHNSON, INFORMATION OFFICER (907) 465-3900

FOR IMMEDIATE RELEASE

FERRY SYSTEM POSTS GOOD GAINS DURING DECADE

February 13, 1991

#91-597

**Juneau**--State ferries during 1990 increased passenger traffic more than 25 percent, and vehicle traffic almost 45 percent over 1980 volumes, Alaska Marine Highway System Director Jim Ayers announced today.

The system carried 413,561 passengers, compared to 325,241 in 1980 (up 27 percent), and 111,193 vehicles compared to 77,188 (up 44 percent).

"The gains demonstrate AMHS continues to be a very good investment for the State of Alaska and Alaskans," Ayers said. "The system, in addition to providing transportation to communities and areas not linked by land routes, contributes greatly and integrally to the state's economy and growth and to private-sector activity."

Over 1989 volumes, the system posted a 6.45 percent gain in passengers (up from 388,501) and a 5.36 gain in vehicles (up from 105,536).

"June, July, and August," Ayers said, "once again experienced the highest traffic volumes for the year."

Greatest passenger increases were in Valdez (39.87 percent), Pelican (33.40 percent), and Whittier (31.79 percent). Greatest vehicle increases were in Cold Bay (150 percent), Sand Point (115 percent), Whittier (32.01 percent), and Valdez (28.38 percent).

(more)

Except where temporary vessel limitations and/or peculiarities in traffic flow come into play, Ayers said, all ferry system ports of call posted volume gains.

On the Southwest route, a replacement vessel for the M/V Tustumena, undergoing refurbishment until June, has lesser capabilities both for passenger and vehicle accommodation. And while traffic counts were down for Prince Rupert and Hyder/Stewart, Ayers said, "These were counterbalanced by increased embarkations for both Skagway and Haines."

Ayers said the "dramatic increases for Valdez and Whittier as well as Cordova's 13.71 increase in passengers and 3.21 increase in vehicle traffic shows a positive rebound after a major decline in 1989 following the oil spill."

###



# City and Borough of Sitka

304 LAKE STREET . SITKA, ALASKA . 99835

The Honorable Walter Hickel  
Office of the Governor  
P O Box A  
Juneau, Alaska 99811-0101

February 28, 1990

**Re: Vessel Replacement Fund for the Alaska Marine Highway System.**

Dear Governor Hickel:

The Alaska Marine Highway System is critical to Southeast/Coastal Alaskans for basic transportation, economic development and regional interaction. State funding for the system has decreased over the past five years resulting in steadily diminished levels of service to Southeast Alaska.

The City and Borough of Sitka and the Southeast Conference urges the regular commitment of funds to the Vessel Replacement Fund created by the last legislature, which, accumulated over a period of years, will cover capital costs to rebuild or construct new equipment and facilities for the Marine Highway system.

Your second capital budget for FY92, to be introduced in March, is the opportunity to accomplish what you said you'd do when you visited Sitka last fall: "invest in Southeast's economy by putting resources in to rebuilding our aging fleet of ferries."

We call upon your support.

Sincerely,

*DK*  
Dan Keck, Mayor  
City and Borough of Sitka

cc: Assembly  
Southeast Conference  
Frank Turpin, Commissioner DOTPF  
Lloyd Jones  
Senator Richard 'Dick' Eliason  
Representative Ben Grussendorf

**Haines Chamber of Commerce  
Post Office Box 518  
Haines, Alaska 99827**

February 26, 1991

Honorable Walter J. Hickel  
Governor of Alaska  
Office of the Governor  
P. O. Box A  
Juneau, Alaska 99811-0101

Re: Vessel Replacement Funding  
Alaska Marine Highway System

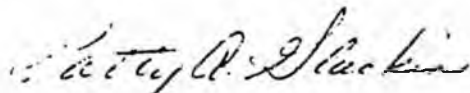
Dear Governor Hickel:

On behalf of the Haines Chamber of Commerce, I urge you to include in your FY92 Capital Budget adequate funds for vessel replacement to the Alaska Marine Highway System. This is an important capital project for all of us who depend on the ferry system.

There can be no doubt as to the importance of the ferry system to the economies of Southeast and Southwest Alaska. The maintenance needs of the aging fleet are well-documented in the Alaska Marine Highway System Plan, as are the growth needs of existing ports of call and demands for expansion of the system.

The enabling legislation is in place. Vessel replacement will be a popular and practical investment in our future.

Sincerely,



Patty A. Glackin  
President

PG/as

cc: Rep. Fran Ulmer ✓



ALASKA ELECTRIC LIGHT AND POWER COMPANY

(907) 586-2222  
612 W. Willoughby Ave., Juneau, AK 99801-1798

February 26, 1991

The Honorable Walter Hickel  
Governor  
State of Alaska  
P.O. Box A  
Juneau, Alaska 99811

Dear Governor Hickel,

This is to express my strong support for an appropriation of at least \$45 million in 1991 to the Alaska Marine Highway System vessel replacement fund.

The Marine Highway System is vital to all of Alaska, not just Southeast Alaska. It's fleet is aging rapidly. An opportunity exists now to put aside some of the windfall revenues coming to the State, in a manner which will spread some of the benefits over many years of service to all Alaskans.

Thank you for considering this very important appropriation.

Very truly yours,

James S. Webb  
President

BCC: REPRESENTATIVE  
FRAN ULMER



## CITY OF HAINES, ALASKA

P.O. BOX 1049

HAINES, ALASKA 99827

(907) 766-2231 • TOURISM (907) 766-2234 • FAX (907) 766-3179

# COPY

Governor Walter Hickel  
P.O. Box A  
Juneau, AK 99811-0101

February 26, 1991

Re: Alaska Marine Highway System

Dear Governor Hickel:

The Alaska Marine Highway System is the main, and in some places the only, highway in Southeast and many parts of Southwest Alaska. It is a vital year-round transportation link between isolated communities. The system's vessels are old and some are in need of refurbishment or replacement. I see that the new budgets do not include any funding for the refurbishment and replacement necessary for long-term continuous service. The ferry system draft plan dated January, 1990, supports as a priority instituting a vessel refurbishment/replacement program.

The importance of this investment is critical for the health of the whole Alaskan economy. Southeast supplies, via the ferry system, a significant portion of the tourists who go on to Anchorage and Fairbanks.

The Alaska Marine Highway System, when formed shortly after Statehood at the behest of the Southeast Conference, was put into place to be an extension of the State of Alaska road system. The ferry system is a vital road in Southeast, transporting residents, tourists, food, mail, supplies, cars and resources.

Please consider implementing the priority recommendation of the system's long-term plan, as it is practical and necessary. I encourage you to follow through with your statement of last Fall when you said you would invest in Southeast's economy by providing the resources to rebuild our aging fleet of ferries. Maintaining a consistent level of service is crucial.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Frank L. Wallace".

Frank L. Wallace

Mayor

CITY OF HAINES

FLW/SVJ



# Prince of Wales Chamber of Commerce

P.O. Box 497  
Craig, Alaska 99921  
907-826-3870

February 26, 1990

Honorable Walter Hickel  
Governor, State of Alaska  
P. O. Box A  
Juneau, Ak 99811

Dear Governor,

The Citizens of Prince of Wales Island are heavily dependent on the Marine Transportation System. It transports our food and most other products necessary to our well-being. We also depend heavily on it for individual transportation to professional services (medical, hospital, dental, legal and etc) that are not available to us on the Island. We ship most of the seafood harvested here on the West Coast via the ferry system.

The population of Prince of Wales is now over 7000 year-around with near double of that during the "working season" March to October. We have 5 major communities besides numerous logging camps and small unorganized settlements. We have become very dependent on the ferries to connect us to the services that we need.

You indicated earlier that you wanted to put the State's resources to work by upgrading our aging fleet of ferries and establishing a vessel replacement fund. In your recently submitted budgets you included only \$4 million of the \$7 million that is needed to meet the Division's need for FY 91 and you didn't mention the vessel replacement fund.

We found this alarming considering the condition of the vessels and the 2 day a week schedule that we are struggling with this winter.

The Marine Highway is desperately needed to support the present economy and to provide part of the infrastructure needed if we are to maintain and improve the economy of all of the State, not just Southeast Alaska. We felt you understood how important this Marine link was. Southeastern is not the only one who benefits from this Highway - the entire State does. \$8.4 million of the revenue going into Southcentral is directly attributed to the ferry system.



# Prince of Wales Chamber of Commerce

P.O. Box 497  
Craig, Alaska 99921  
907-826-3870

When you were Governor before, you had the foresight to realize the importance of this transportation link and contributed much to its development. We were expecting the same commitment based on your earlier comments.

It is a State Highway and we urge you to include the funding needed to maintain and upgrade it when you do your next capital budget for Fy 92.

Respectfully,

*Barbara H Permenter*

Prince of Wales Chamber of Commerce  
Barbara Permenter, President

*cc Frank Turpin, Commissioner  
DOTFF  
Jim Ayres, Director Marine Transportation*

City of Tenakee Springs

RECEIVED  
MAR 11 1991

RESOLUTION 91-13

In the Council  
February 28, 1991

Introduced by the  
Council President

A RESOLUTION REQUESTING THAT FUNDING  
FOR VESSEL REPLACEMENT FOR THE ALASKA MARINE HIGHWAY SYSTEM  
BE INCLUDED IN THE BUDGET FOR FISCAL YEAR 1992

- WHEREAS, money for vessel replacement in the Alaska Marine Highway System has not been included in the capital or supplemental budget bills;
- WHEREAS, the City of Tenakee Springs relies on the Alaska Marine Highway for all transportation needs;
- WHEREAS, maintaining the present fleet is only a part of preserving an ongoing Alaska Marine Highway System; and
- WHEREAS, vessel replacement is a necessary part of an Alaska Marine Highway System that will be responsive to basic transportation needs of many Alaskans and of visitors to Alaska;

THEREFORE BE IT RESOLVED by the Common Council of the City of Tenakee Springs, Alaska to urge that funds for vessel replacement in the Alaska Marine Highway System be included in the appropriate budget bill this fiscal year.

BE IT FURTHER RESOLVED to direct the city clerk to forward Resolution 91-13 to Governor Hickle, Commissioner Turpin, and Legislators Ulmer, Eliason and Grussendorf.

ADOPTED 5 AYES, 2 ABSENT THIS 28TH DAY OF FEBRUARY 1991



*Ruth M. Borger*

Ruth M. Borger, Vice-Mayor  
Acting Council President  
ex officio MAYOR

ATTEST:

*Janice J. Eagle*

Janice J. Eagle  
City Clerk