

SB

21

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 2, 1997

FURTHER REFERRALS:

Date of Committee Action: 5/11/97

The FINANCE Committee considered:

CSSB 21(FIN)

CS FOR SENATE BILL NO. 21(FIN)

ALASKA MARINE HIGHWAY AUTHORITY

"An Act relating to ferries and ferry terminals, establishing the Alaska Marine Highway Authority, and relating to maintenance of state marine vessels; and providing for an effective date."

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee

3 attached amendment(s) (#1) (#4) (#6)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) SFC 4/29/97

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Al Davis</i>			X	
<i>Ben ...</i>			X	
<i>Eric ...</i>				X
<i>...</i>			X	
<i>...</i>			X	
<i>...</i>		X		
<i>...</i>			X	
<i>...</i>	X		X	
<i>...</i>			X	

CHAIR'S SIGNATURE

Mark ...

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

No. 3 CORRECTED
 Bill version: CS98 21 (FIN)
 (S) Publish Date: 4-29-97
 Dept. Affected DOT/PF
 BRU Marine Administration
 Component Administration
 Component Serial No. 621

Revision Date: 04/11/97
 Title: An Act... establishing Alaska Marine Highway Authority and relating to maintenance of state marine vessels...
 Sponsor: Senator Robin Taylor, Pearce
 Requester: Senate Transportation

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Personal Services						
Travel	62.6	101.4	77.5	77.5	77.5	77.5
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	62.6	101.4	77.5	77.5	77.5	77.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 GF	62.6	101.4	77.5	77.5	77.5	77.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	62.6	101.4	77.5	77.5	77.5	77.5

Estimate of any current year (FY97) cost: 0.0

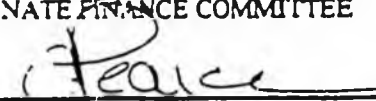
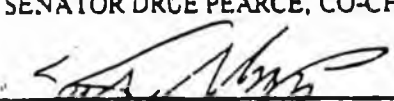
POSITIONS

POSITIONS	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The following assumptions were used:

- (1) On or after 1/1/98, appointed authority directors will begin meetings. Assume 50 business days of meetings during first year of operations, dropping to 30 business days thereafter.
- (2) Travel and per diem expenses calculated based on 4 of 8 appointed directors traveling to Juneau from Ketchikan, Seward and Anchorage; however, actual locations are unknown at this time. Travel and per diem expenses calculated using existing airfares, lodging and meal allowances; no inflationary increases included.
- (3) Assumes chief executive officer's annual compensation at same level as current Marine Highway System director.

Prepared by: SENATE FINANCE COMMITTEE

SENATOR DRUE PEARCE, CO-CHAIR

SENATOR BERT SHARP, CO-CHAIR

Date: 4/25/97
 Phone: 465-4993
 Phone: 465-3004

adopted NO OBJ

#~~3~~ 5

Amendment

#~~3~~

pg 23

LINE 4

DELETE

12/1/97

INSERT

1/1/98

pg 23

LINE 9

DELETE

1/1/98

INSERT

1/1/99

A10 0Bj 5/11/97

#1

AMENDMENT

OFFERED IN THE HOUSE

BY REP. DAVIS

TO: SB 21

1 Page 17, lines 27-28:

2 Delete "located outside of the state"

3 Page 17, line 29:

4 Delete "outside of the state"

5 Page 17, line 31:

6 Delete "Alaska"

7 Insert "the designated base port"

Failed 2-5 5/11/97
#2

A M E N D M E N T

BY: G. DAVIS withdrawn
FOSTU moved

TO: CS SB 21 (FIN)

Section 2, page 2, is amended:

Delete lines 12 through 15

Section 2, lines 16 - 22 is amended to read:

(1) [(2)] three [two] persons who are residents of Southeast Alaska, have a significant high level of experience in the private sector, and are not employees of the authority;

(2) [(3)] two [one] persons who are [is a] residents of the Gulf of Alaska area west of Icy Cape, have [has] a significant high level of experience in the private sector, and is not an employee of the authority; and

(3). [(4)] a person who represents the interests of the public.

Withdrawn
A M E N D M E N T

#3
5/11/97

BY: G. DAVIS

TO: CS SB 21 (FIN)

Page 16, lines 21 - 31 and Page 17, lines 1 through 8:

Delete all material.

Page 17, lines 9 - 31 and Page 18, lines 1 and 2:

Delete all material.

Add a new section to read:

*Sec. Section 5, ch. 94, SLA 1992 is amended to read:

*Sec. 5. AS 36.90.050 is repealed August 30, 2002 [1997].

NO OBJ 5/11/97 #4

A M E N D M E N T

BY: Grassman

TO: CS SB 21 (FIN)

Section 5, Page 9, lines 24 through 30 is amended to read:

Sec. 19.55.140. Comprehensive long-range plan. The authority, with the cooperation of the Department of Transportation and Public Facilities, shall prepare a comprehensive long-range plan for the development and improvement of the Alaska marine highway system and shall revise and update the plan at least every five years. The plan shall include in detail the amount and sources of funding for the operating and capital improvement needs of the Alaska marine highway system for five fiscal years. The authority shall submit the plan and revisions and updates of the plan to the legislature.

5/11/97

Comment to AMHS Fiscal Note Prepared for SB 192

May 9, 1997

The following comments refer to the ANALYSIS section of the fiscal note prepared by AMHS for SB 192. The item numbers here are the same as used in the fiscal note for ease of reference.

Analysis Item 1 & 2:

The basis for determination of the combined value of \$828,000 for these two items is merely speculative and ignores historical information that contradicts the assertions leading to this cost.

The true cost of performing AMHS repair projects can only be seen by comparing actual historical project costs.

Examination of previous bid results suggests a totally different conclusion from what this fiscal note suggests when comparing the costs of performing AMHS work in Puget Sound with costs for performing the same work in Alaska. For example:

The Malaspina was overhauled in Ketchikan in the spring of 1995 and the prices were arrived at by **negotiation**; a process SB 192 preserves. The following fall the Malaspina was again laid up with prices for repetitive items resulting from bids by Todd Shipyard in Seattle. A look at a selected few of these repetitive items shows a savings to AMHS by having the work negotiated in Alaska; not a cost.

Repair Item	Ketchikan Cost Negotiated	Todd Cost Bid
Definite Items	\$135,176	\$135,401
Contingency Items	\$38,068	\$54,646
Shaft Hub Removal & Hub Inspection	\$82,830	\$99,997
Oily Water & Waste Oil	\$4,800	\$2,286
Vent Duct Cleaning	\$19,222	\$8,940
Bilge Cleaning	\$9,994	\$7,021
Total of Items	\$290,088.00	\$308,291.00
AMHS Savings for Work in Alaska for selected repetitive items	\$18,203	

Comparing recent project bid costs between Seattle and Alaska also challenges this fiscal note.

Vessel	Alaska Shipyard	Puget Sound Shipyard	% Saving for Work in AK
Matanuska	\$3,662,783	\$3,684,041	.58 %
Tustumena	\$ 823,113	\$ 938,270	12.27 %
Aurora	\$2,572,367	\$2,495,792	(2.98) %
Average Savings on AMHS Work Performed in Alaska			3.98 %

The above table shows a savings to AMHS of almost 4% by having work performed in Alaska shipyards compared to Puget Sound shipyards. These results do not support the 20% plus cost this fiscal note suggests SB 192 creates. Historically, the fiscal note cannot be supported.

One other positive aspect of having a full interport disclosure for each bid, as this bill requires, is the fact that it will force out of state shipyards to bid with sharp pencils as long as Alaskan yards are competing for these projects. We can also see that negotiating work can provide additional savings over bidding items.

A final word on drawing conclusions from the Northern Economic reports is, that those reports say Alaskan shipyards can be competitive on projects up to \$500,000. It is not apparent that this side of the equation was considered when arriving at the total \$828,000 cost suggested by this fiscal note.

Analysis Item 3

It is unclear if this is a new cost or an additional cost to AMHS resulting from the requirement for making a determination. A Commissioner's determination has always been required, SB 192 only asks that the benefits to Alaska be considered. Has AMHS contracted out in the past to arrive at a Commissioner's determination?

Analysis Item 4

The total interport differential cost provided by AMHS here, \$687,400, breaks down to about \$85,000 per vessel.

This level of interport differential is entirely consistent with the intent of Section 2 (d) (2) of this bill that sets forth a method for determining, stating and disclosing interport differential savings.

Analysis Items 5 6 & 7

There are some AMHS tasks that cost more to perform in Alaska. If this were not the case, this bill wouldn't be necessary.

In looking at the bid tabs for specific items, as in the first table above, we can see that the \$10,000 note for item 8, Oily Waste Removal, may be excessive. I would suggest that the average cost of this item for each overhaul should be closer to \$2,000 to \$3,000. But this only debates the question of whether or not these costs are reasonable. The issue here is, do these costs belong in a fiscal note where \$687,000 can be saved by doing all of our AMHS work in Alaska as suggested by the negative note attached to item 4. The negative note in item 4 easily covers these few costs and supports the intent and purpose for this entire SB 192.

FISCAL NOTE

2

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 192

Revision Date:	Dept. Affected: <u>DOT/PF</u>
Title: <u>An Act . . . relating to maintenance of state marine vessels; and providing for an effective date.</u>	BRU: <u>Marine Engineering</u>
Sponsor: <u>Senators Robin Taylor;</u>	Component: <u>Overhaul</u>
Requester: <u>Senate Transportation</u>	COMPONENT SERIAL NO. <u>1212</u>

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	325.6	325.6	325.6	325.6	325.6	325.6
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	325.6	325.6	325.6	325.6	325.6	325.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	325.6	325.6	325.6	325.6	325.6	325.6
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	325.6	325.6	325.6	325.6	325.6	325.6

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The following calculations do not include any inflationary increases.

1. Labor rate differential 20% higher (\$2,000.0 X 20% = \$400.0).
2. Materials cost differential 21.4% higher (\$2,000.0 x 21.4% = \$428.0)
(Note: Items 1 and 2 are based on the "Update of the Economic and Financial Feasibility of the Ketchikan Shipyard" - document prepared by Northern Economics for AIDEA 2/6/96.)
3. Required economic analysis based on conditions contained in SB 192 for eight vessels, this assumes outside contract assistance at \$20.0.
4. Less the Interport differential based on 8 marine vessels to Puget Sound (based on most recent bids) - \$687.4
5. Added cost for M/V Columbia Main Engine Maintenance Contract for work performed in Ketchikan \$35.0
6. Additional travel and per diem for Technical Representatives and American Bureau of Shipping (ABS) to travel to Ketchikan \$40.0
7. Additional freight for shipments of hazardous materials from Seattle to Ketchikan i.e., paint and other materials considered hazardous \$10.0
8. Oily Waste Removal for 8 vessels at \$10.0 each for a total of \$80.0

Prepared by: Gary L. Hayden, System Director
 Division: Alaska Marine Highway System
 Approved by: *Joseph L. Perkins*
 Agency: Department of Transportation and Public Facilities

Phone: 465-3959
 Date: 5/7/97
 Date: _____

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FISCAL NOTE

No. 3 CORRECTED

STATE OF ALASKA
1997 LEGISLATIVE SESSION

Bill version: CSSB 21 (FIN)

(S) Publish Date: 4-29-97

Revision Date: 04/11/97
 Title: An Act...establishing Alaska Marine Highway Authority and relating to maintenance of state marine vessels...
 Sponsor: Senator Robin Taylor, Pearce
 Requester: Senate Transportation

Dept. Affected DOT/PF
 BRU Marine Administration
 Component Administration
 Component Serial No. 621

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Personal Services						
Travel	62.6	101.4	77.5	77.5	77.5	77.5
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	62.6	101.4	77.5	77.5	77.5	77.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES []						
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FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 GF	62.6	101.4	77.5	77.5	77.5	77.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	62.6	101.4	77.5	77.5	77.5	77.5

Estimate of any current year (FY97) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The following assumptions were used:

- (1) On or after 1/1/98, appointed authority directors will begin meetings. Assume 50 business days of meetings during first year of operations, dropping to 30 business days thereafter.
- (2) Travel and per diem expenses calculated based on 4 of 6 appointed directors traveling to Juneau from Ketchikan, Seward and Anchorage; however, actual locations are unknown at this time. Travel and per diem expenses calculated using existing airfares, lodging and meal allowances; no inflationary increases included.
- (3) Assumes chief executive officer's annual compensation at same level as current Marine Highway System director.

Prepared by: SENATE FINANCE COMMITTEE

Date: 4/25/97

Drue Pearce
 SENATOR DRUE PEARCE, CO-CHAIR

Phone: 465-4993

Bert Sharp
 SENATOR BERT SHARP, CO-CHAIR

Phone: 465-3004

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. CSSB 21(FIN)

Revision Date: 5/10/97 Dept. Affected: DOT/PF
 Title: An Act . . . establishing Alaska Marine Highway BRU: Marine Administration
 Authority and relating to maintenance of state marine vessels... Component: Administration
 Sponsor: Senators Robin Taylor, Pearce
 Requester: Senate Transportation COMPONENT SERIAL NO. 621

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	275.0	275.0	275.0	275.0	275.0	275.0
TRAVEL	75.2	121.7	93.0	93.0	93.0	93.0
CONTRACTUAL	424.0	388.0	388.0	388.0	388.0	388.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	774.2	784.7	756.0	756.0	756.0	756.0

CAPITAL EXPENDITURES	325.6	325.6	325.6	325.6	325.6	325.6
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,099.8	1,110.3	1,081.6	1,081.6	1,081.6	1,081.6
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	1,099.8	1,110.3	1,081.6	1,081.6	1,081.6	1,081.6

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

FULL-TIME	3	3	3	3	3	3
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

1. On or after 1/1/98, appointed authority directors will begin meetings. Assumes 50 business days of meetings during the first year and dropping to 30 business days thereafter. \$90.0(50x\$300x6=\$90.0) is included in FY98 contractual for the \$300 per director per day cost. Beginning in FY99, \$54.0(30x\$300x6=\$54.0) is included in contractual for payment of directors.
2. Travel and per diem expenses are calculated based on 4 of the 6 appointed directors traveling to Juneau from Ketchikan. Seward and/or Anchorage. Travel and per diem expenses calculated using existing airfares, lodging and meal allowances; no inflationary increases included.
3. Assumes the same wage and benefits of the current director and secretary removed from the FY98 AMHS budget in Conference Committee(\$195.0). Without restoring the funding and positions, the board would not have a mechanism for filling and/or funding the Executive Director position. Given the reductions to the other AMHS operating units, there would not be any existing secretarial or clerical support for the Executive Director. In addition, due to the new language inserted in Section 31 dealing with the employees of the authority, funding and a Labor Relations Specialist III position at \$80.0 is added. The change to this section puts full responsibility for all matters relating to contract negotiation, grievance resolution, arbitration, Letters of Agreement, etc. in the Authority. This cannot be handled with the existing staff and certainly not with the reduced staff as a result of the FY98 Conference Committee reductions to Support Services (\$281.7).

(continued on Page 2...)

Prepared by: Garv L. Hayden, System Director
 Division: Alaska Marine Highway System
 Approved by: *Joseph L. Perkins*
 Agency: Department of Transportation and Public Facilities

Phone: 465-3959
 Date: 5/10/97
 Date: 5/10/97

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In addition, there will be an additional contractual service cost to the authority as a result of this new responsibility of \$35.0 annually. This is based on 10 arbitrations annually (standard for AMHS - \$60.0) and assumes successful 60% of the time. This would be a new expenditure for the authority. It should also be noted that the amount shown in the travel line includes additional travel as a result of increased travel necessitated by the contract negotiations and arbitrations. There is not sufficient funding to support this in the Administration component.

- (4) Assumes authority directors will require consultants and/or additional data management systems to assist in informed decisions for changes to the operations. It also assumes contracting out schedule development, public involvement process, and marketing the system. The budget reductions in Vessel Operations Management and Reservations and Marketing (\$334.0) removes any support for these areas from the FY98 budget. Therefore, this amount is included in the contractual services line.
- (5) Assumes necessity of leased office space at 1.91 per square foot for 19,700 sq.ft. Space is currently provided by Department of Administration. This is based on current space utilization for Juneau based employees. This is included as a cost starting in FY99.
- (6) Assumes an additional capital cost of approximately \$325.6 annually to perform all annual maintenance on the marine vessels in Alaska. This is based on the sunset of AS 36.90.050 effective August 30, 1997, and therefore the comparison is based on no exemption and the proposed language in this bill.

The following calculations do not include any inflationary increases.

- 1. Labor rate differential 20% higher ($\$2,000.0 \times 20\% = \400.0).
- 2. Materials cost differential 21.4% higher ($\$2,000.0 \times 21.4\% = \428.0)
(Note: Items 1 and 2 are based on the "Update of the Economic and Financial Feasibility of the Ketchikan Shipyard" - document prepared by Northern Economics for AIDEA 2/6/96.)
- 3. Required economic analysis based on conditions contained in SB 192 for eight vessels, this assumes outside contract assistance at \$20.0
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- 6. Additional travel and per diem for Technical Representatives and American Bureau of Shipping (ABS) to travel to Ketchikan \$40.0
- 7. Additional freight for shipments of hazardous materials from Seattle to Ketchikan i.e., paint and other materials considered hazardous \$10.0
- 8. Oily Waste Removal for 8 vessels at \$10.0 each for a total of \$80.0

This does not include any costs associated with performing direct and indirect economic analysis of benefits to the economy and labor force in the state derived from performing vessel maintenance and repair at a facility in state as provided in Section 2, since it is unclear as to how this would be accomplished. It does not include any warehouse costs which must be absorbed 7/1/99 (est. @ \$60.0 thousand per annum).

May 10, 1997

5/11/97

SOUTHEAST CONFERENCE

An Alaska Regional Development Organization and USDA Resource Conservation and Development Council

**STATEMENT
OF
BERNE C. MILLER, EXECUTIVE DIRECTOR OF SOUTHEAST CONFERENCE
BEFORE
HOUSE FINANCE COMMITTEE
May 10, 1997**

Good Morning...

I name is Berne Miller. I am Executive Director of Southeast Conference. I am here today to talk about the Alaska Marine Highway System.

The Alaska Marine Highway System is the "road" through Southeast Alaska. The System is nothing more, and nothing less, than the lifeblood of our region's economic strength and social well-being. If the System is allowed to atrophy, our region will wither and die.

On April 30, we wrote to the Co-Chairs about creation of an Alaska Marine Highway Authority. Some people have characterized our letter as an effort to torpedo creation an Authority - that is not our intent. Some have said our letter aligns us politically with one or more of the factions who oppose creation of an authority - we seek no such alignment.

Our interest is in the economic and social well-being of Southeast Alaska as a region. The Alaska Marine Highway System is too important to our region's people and communities for us to give any priority to passage or defeat of any particular legislation or to seek political alignment with any of the contending factions. The Conference has and always will advocate common sense and careful deliberation in public decisionmaking, particularly in matters as important as this.

For years, many people have pointed out many problems with Marine Highway System organization, funding, operations, and maintenance. Today, critics are saying: "Create an Authority and hire an experienced Director, and they will figure out how to fix it." But there has been precious little discussion of the "it", the massive changes many say are needed to solve the problems, let alone any discussion of whether the System has been provided the funds needed to implement any kind meaningful change at all! Because of this lack of discussion and information, there is a high level of frustration around the region and a lack of consensus about changes that must be made to sustain and improve the Marine Highway System over the long term.

Southeast Conference consistently advocates public decisionmaking based on common sense, foresight, and thoughtful planning. In this case, the Conference is in favor of deliberate consideration of the organizational, funding, operational, and managerial changes needed, along with a determination of whether the resources required to implement significant changes are available and, if resources are not available, whether there is any likelihood resources will be provided in the future.

The Alaska Marine Highway System is too important to the people and communities of Southeast Alaska to go at making changes piecemeal. At this point, Southeast Conference advocates foresight and thoughtful planning and is, therefore, neither in favor of nor opposed to creation of an Alaskan Marine Highway Authority.

Thank you.

Alaska State Legislature

Chairman.
Judiciary Committee

Member.
Resources Committee
Rules Committee
Committee on Committees



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352 Front Street
Ketchikan, Alaska 99901
(907) 225-8088
Fax: (907) 225-0713

Senator Robin L. Taylor
Senate Majority Leader

Sponsor Statement

Senate Bill 21

Senate Bill 21 would establish an Alaska Marine Highway Authority to assume management of the Marine Highway System from the Department of Transportation and Public Facilities.

The Authority would be a public corporation of the state as an instrumentality of DOT/PF, but would have a legal existence independent and separate from the state. The new Authority would be comparable to the Alaska Housing Finance Corporation or the Alaska Industrial Development and Export Authority.

The powers of the authority would rest with a seven member Board, appointed by the Governor. One member would be the Commissioner of Transportation. The six other members would be required to have experience in maritime affairs, would serve staggered five year terms and would be subject to legislative confirmation. The Board would hire the system director.

Establishment of such an authority board would bring maritime experience, accountability and continuity to the management of the Alaska Marine Highway System.

Based on information gathered at public hearings over the interim, the Senate Task Force on the Alaska Marine Highway System concluded that the legislature should consider the creation of such an Authority.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

Sponsor Statement

SB 21

Page Two

Testimony received by the Task Force indicated that DOT management of the Marine Highway lacks focus and that AMHS administration under DOT lacks maritime experience.

Management under DOT has become insular and is unresponsive to input from vessel employees and the general public. Scheduling is chaotic and the fare structure has discouraged ridership. The reservations system has been an abject failure.

While concerns over funding levels are valid, the naturally bureaucratic mind-set of the Department has tightened what former director Jim Ayers termed a "death spiral".

Establishment of the Alaska Marine Highway Authority will not be a panacea, but will give the system a new perspective.

This bill has earned the endorsement of the Inland Boatmen's Union of the Pacific, the International Organization of Masters, Mates and Pilots and the Marine Engineers Beneficial Association. These unions represent the majority of AMHS employees.

SB 21 has also been endorsed by the Ketchikan City Council, the Ketchikan Gateway Borough Assembly, the Ketchikan Indian Corporation, the Greater Ketchikan Chamber of Commerce and the Ketchikan Visitors Bureau.

INTERNATIONAL ORGANIZATION OF MASTERS, MATES & PILOTS

PACIFIC MARITIME REGION

2333 Third Avenue ★ Seattle, Washington 98121-1711 ★ Telephone: (206) 441-1070 ★ Fax: (206) 443-3752



April 11th, 1997

THE HONORABLE SENATOR ROBIN TAYLOR

Dear Senator Taylor,

On behalf of the majority of members of the International Organization of Masters, Mates and Pilots, who are employed with the Alaska Marine Highway System, I would like to express our sincere appreciation for your support of the proposed Marine Highway Authority Legislation (Senate Bill 21 and House Bill 88).

The Pacific Maritime Region of this Organization represents the Licensed Deck Officers on Alaska Marine Highway System vessels. In the past few days, I have received written statements of support of the proposed Legislation from over forty of our Alaska members. They are well-aware of your efforts to make passage of this very important Legislation possible, and have proclaimed their appreciation for those efforts.

We are grateful for the opportunity to work with you on this issue. If there is anything our members can do to support your efforts on this Legislation, please do not hesitate to get in touch with this Office.

Again, our sincere gratitude for your leadership on this issue.

Sincerely,

A handwritten signature in cursive script, reading "Steven J. Demeroutis".

CAPTAIN STEVEN J. DEMEROUTIS, President
International Organization of Masters, Mates and Pilots
Pacific Maritime Region

SJD:s



**District No. 1
Marine Engineers Beneficial
Association
(AFL-CIO)**

Greg O'Claray
Director, Legislative & Governmental Affairs

April 15, 1997

Senator Robin Taylor
Alaska State Legislature
State Capitol
Juneau, Alaska 99811

Re: Alaska Marine Highway Authority Legislation

Dear Senator Taylor,

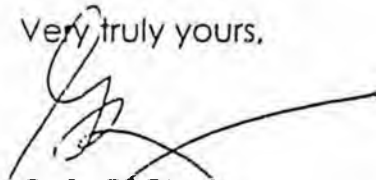
This is to inform you that District No. 1, MEBA is in support of legislation you have proposed creating the Alaska Marine Highway Authority.

Members of the Union employed as Licensed Engineer Officers aboard Alaska Marine Highway System vessels support the proposed legislation and view it as beneficial to the continued viability of the System and the communities it serves.

Vessel employees remain concerned that under the current structure, budget cuts and reduced authorizations to expend system generated revenues will continue to erode the ability of the system to deliver vital service to the public.

We appreciate your efforts and your assistance to keep AMHS viable during these challenging times.

Very truly yours,



G. S. O'Claray
Director, Legislative & Governmental Affairs



Inlandboatmen's Union of the Pacific

MARINE DIVISION — INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION
NATIONAL OFFICE • 500 JOHN STREET • SEATTLE, W.A. 98109 • (206) 448-9736 • FAX: 448-9738



March 19, 1997

Senator Robin Taylor
Senate Majority Leader
Room 30
Capital Building
Juneau AK 99801

Dear Senator Taylor:

At the recent March 17, 1997 special Executive Committee meeting of the Inlandboatmen's Union of the Pacific, Alaska Region your bill SB 21 concerning the Alaska Marine Highway Authority was reviewed and discussed at length.

The Inlandboatmen's Union of the Pacific, Alaska Region by a majority vote of the Executive Committee extends its support of SB 21.

You may feel free to use this letter in any manner as you see fit. Thank you for all your time and assistance for the employees of the Alaska Marine Highway System.

Sincerely,

Bonnie Herbold for the

IBU-P Alaska Executive Committee
Inlandboatmen's Union of the Pacific, Alaska Region

OPEIU Local 8/bh

EXROB1319.DOC

REGIONAL OFFICES

PUGET SOUND
500 John Street
Seattle, WA 98109
(206) 441-3111
FAX: (206) 448-9738

REGION 37
500 John Street
Seattle, WA 98109
(206) 448-6584
FAX: (206) 448-9738

COLUMBIA RIVER
2435 NW Front Ave.
Portland, OR 97209
(503) 224-6000
FAX: (503) 223-2334

SAN FRANCISCO
450 Harrison Street
San Francisco, CA 94108
(415) 898-1224
FAX: (415) 898-1224

HAWAII
1001 Dillingham Blvd., Rm. 217
Honolulu, HI 96817
(808) 847-0861
FAX: (808) 847-8051

SOUTHERN CALIFORNIA
728 Lagoon Avenue
Wilmington, CA 90744
(310) 549-6730
FAX: (310) 549-6811

ALASKA
Post Office Box 8300
Ketchikan, AK 99901
(907) 225-6340
FAX: (907) 225-6858

JUNEAU
231 E. Prud'homme St. 201
Juneau, AK 99801
(907) 584-8200
FAX: (907) 548-8222

0 4 . 1 5 . 9 7 0 9 : 5 2 A M * I B U * J U N E A U * A L A S K A P O S T

KETCHIKAN GATEWAY BOROUGH

RESOLUTION NO. 1325

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA SUPPORTING SENATE BILL NO. 21, RELATING TO FERRIES AND FERRY TERMINALS, ESTABLISHING THE ALASKA MARINE HIGHWAY AUTHORITY, AND RELATING TO MAINTENANCE OF STATE MARINE VESSELS; AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS

A. The Alaska Marine Highway is the main component of the transportation system in Southeast Alaska providing all of the principle cities of Southeastern Alaska and the transcontinental railroads and highways at Prince Rupert, British Columbia and Bellingham, Washington and the Southcentral Alaska highway system at Haines, Alaska.

B. The Alaska Marine Highway system provides Southeast Alaska and visitors with links to major medical, trading and transportation centers. Residents and visitors depend on the Alaska Marine Highway System for appointments with doctors, dentists, lawyers, accountants and other professional businesses. Interaction between Prince of Wales Island and Ketchikan Gateway Borough is essential.

C. The purpose of the Bill is to establish an authority for the operation, management, planning, construction and maintenance of facilities for the marine highway system. The authority shall be the exclusive state agency directly associated with the operation, management, planning, construction and maintenance of facilities for the marine highway system.

D. Today, Alaska has an expanded system that has evolved to meet the ever increasing demand of the people and communities of Alaska for more efficient service and enhancement of economic development through tourism, mail and freight deliveries.

E. An Alaska Marine Highway Authority would assist the residents, businesses, and communities of the state in obtaining optimal marine passenger and freight service; schedule vessel sailing to optimize the frequency of service to all ports; encourage and integrate with other public and private carriers to the greatest extent possible to provide ferry service within the state and between Alaska ports and ports outside the state in order to provide optimum service within the state; provide reservation access and marketing information throughout the state; encourage vessel construction, maintenance, and service in the state to the greatest extent possible; employ residents of the state to the greatest extent legally possible; and recognize Alaska unions and employee associations to the greatest extent possible.

F. The Ketchikan Gateway Borough has passed prior resolutions requesting continued service, more service, and planning of the Alaska Marine Highway System to enhance the quality of life for the residents of the Ketchikan Gateway Borough.

G. The Ketchikan Gateway Borough is home to a shipyard, built by the state, which can maintain, refurbish and drydock the Alaska Marine Highway ferries. With the mill closure approaching, economic diversity must be found for the economic health and stability of the Ketchikan Gateway Borough and its citizens.

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, as follows:

RESOLUTION NO. 1325

PAGE 2

Section 1. The Ketchikan Gateway Borough supports Senate Bill 21, "An act relating to ferries and ferry terminals, establishing the Alaska Marine Highway Authority, and relating to maintenance of state marine vessels."

Section 2. The Borough Clerk is directed to mail a copy of the signed resolution to Senator Taylor, Senator Pearce and the Senate subcommittees for Transportation, State Affairs and Finance.

Section 3. This resolution is effective upon adoption.

ADOPTED this 18th day of FEBRUARY, 1997.

BOROUGH MAYOR

ATTEST:

BOROUGH CLERK

Approved as to form:

Scott A. [Signature]

BOROUGH ATTORNEY

EFFECTIVE DATE: <u>2-18-97</u>			
ROLL CALL	YES	NO	ABSENT
CONLEY	✓		
COYNE	✓		
ELKINS	✓		
MARTIN	✓		
MARSHALL	✓		
TIPTON	✓		
VAN HORN	✓		
MAYOR (1/2 Vote Only)			N/A
4 AFFIRMATIVE VOTES REQUIRED FOR PASSAGE			

TO: JOE AMBROSE

RECEIVED APR 18 1997



**A RESOLUTION OF THE
GREATER KETCHIKAN CHAMBER OF COMMERCE SUPPORTING SB-21
ESTABLISHING THE ALASKA MARINE HIGHWAY AUTHORITY**

WHEREAS, management of the Alaska Marine Highway System has lacked continuity with twenty-three directors and twenty commissioners establishing diverse policies with every change of administration since Alaska Marine Highway System's inception in 1962.

WHEREAS, the original concept of the system as a "nonprofit" marine highway to serve coastal residents, cheaply and effectively, has been seriously weakened.

WHEREAS, management decisions regarding extended vessel lay ups in order to reduce costs has virtually eliminated marine highway availability and discouraged ridership eight months of the year.

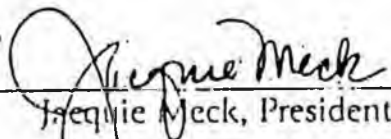
WHEREAS, long range scheduling is nonexistent resulting in a chaotic reservation system that further discourages ridership.

WHEREAS, in order to be cost effective management has raised fares on users to the point that the system is now one of the most expensive "tollways" in the nation.

WHEREAS, a long range marine highway/hardlink plan, projecting into the first quarter of the next century, is nonexistent.

NOW, THEREFORE, BE IT RESOLVED, the Greater Ketchikan Chamber of Commerce Board of Directors supports the creation of a Marine Highway Authority to establish management continuity and improve highway service to coastal communities dependent on the system, so long as Federal funding is not endangered.

Adopted by the Greater Ketchikan Chamber of Commerce
April 16, 1997



Jacquie Meck, President



Teresa Garland, Executive Director

K

J

C

Ketchikan Indian Corporation

(Tribal Council)

429 DEERMOUNT AVENUE
KETCHIKAN, ALASKA 99901
(907) 225-5158
FAX (907) 247-0420

RESOLUTION: KIC 97-09

TITLE: SUPPORT OF SENATE BILL NO. 21: "An Act relating to ferries and ferry terminals, establishing the Alaska Marine Highway Authority, and relating to maintenance of state marine vessels; and providing for an effective date."

BY: KETCHIKAN INDIAN CORPORATION TRIBAL COUNCIL

WHEREAS, the Ketchikan Indian Corporation is a federally recognized Tribal government pursuant to the Indian Reorganization Act (IRA) of 1936 as amended; and

WHEREAS, the Ketchikan Indian Corporation Tribal Council is the representative Tribal government of the Ketchikan Indian Corporation, a sovereign, federally recognized IRA Tribe whose membership resides in the Ketchikan area; and

WHEREAS, the health, education, and welfare of its membership is of paramount importance to the well being of the Ketchikan Indian Corporation; and

WHEREAS, the Ketchikan Indian Corporation understands that the majority of communities in Southeast Alaska are dependent on the Alaska Marine Highway System; and

WHEREAS, The Ketchikan Indian Corporation and its membership are affected by the effective and efficient operation of the Alaska Marine Highway System as stated in Section 19.55.120. **Duties of authority.** The authority shall

- (1) assist the residents, businesses, and communities of the state in obtaining optimal marine passenger and freight service;
- (2) schedule vessel sailings to optimize the frequency of service to all ports;
- (3) encourage and integrate with other public and private carriers to the greatest extent possible to provide ferry service within the state and between Alaska ports and ports outside the state in order to provide optimum service within the state;
- (4) provide reservation access and marketing information throughout the state;
- (5) encourage vessel construction, maintenance, and service in the state to the greatest extent possible;
- (6) employ residents of the state to the greatest extent legally possible;

(11)

Resolution KIC 97-09

Page 2

(7) recognize Alaska unions and employee associations to the greatest extent legally possible.

SO THEREFORE BE IT RESOLVED, that the Ketchikan Indian Corporation hereby supports Senate Bill No. 21.

CERTIFICATION

The foregoing resolution was adopted at a duly convened meeting of the Ketchikan Indian Corporation Tribal Council, assembled this 5th day of February, 1997, at the Ketchikan Indian Corporation, 429 Deermount Avenue, Ketchikan, Alaska 99901, by a vote of 7 FOR, 0 AGAINST, and 0 ABSTAINING.

Stephanie D. Rainwater
Stephanie D. Rainwater, President

2-6-97
Date

ATTESTED:

Gerald E. Hope
Gerald E. Hope, Secretary

2/6/97
Date

- cc: Southeast Alaska IRA's
- ANB/ANS Grand Camp
- Alaska Inter-Tribal Council
- Alaska Native Claims Settlement Act (ANSCA)
- Other Village & Urban Corporations in SE Alaska



RECEIVED APR 9 1997

334 Front Street
Ketchikan, Alaska 99901
Phone 907-225-3111
Fax 907-225-5075

April 4, 1997

The Honorable Senator Robin Taylor
State Capitol, Room 30
Mailstop 3100
Juneau, Alaska 99801-1182

Dear Senator Taylor:

Re: Senate Bills Nos. 21 and 27

With regard to the above referenced subject and as a follow-up to the Ketchikan Legislative Liaison's correspondence of March 24, 1997, please be advised that at its meeting of April 3, 1997 the City Council adopted motions supporting ratification of Senate Bills Nos. 21 and 27 establishing a Marine Highway Authority and relocating the offices of the Alaska Marine Highway System to Ketchikan. The motions further requested that the Legislature appropriate sufficient funding for the operation of the Alaska Marine Highway System.

It is the City's understanding that the Ketchikan Gateway Borough Assembly will consider a motion at its meeting of April 7, 1997 which would, if adopted, state the Assembly's support for Senate Bill No. 27 and its desire to construct and lease back to the State adequate office space to accommodate both the Alaska Marine Highway System employees and the Alaska State Troopers. The Borough is already on record as having expressed support for ratification of Senate Bill No. 21.

I am confident that the cooperative efforts of both the City and the Borough, in conjunction with the adoption of both these Bills by the State Legislature, will be a major step in the restoration of the Alaska Marine Highway System as a viable transportation provider in Southeast Alaska.

Should you have any questions on this matter, please do not hesitate to contact me.

Very truly yours,

Karl R. Amylon
City Manager

cc: Katy Suiter, City Clerk
Ketchikan City Council
Georgianna Zimmerle, Borough Manager

KDN 2/21/97

Ferry workers testify; support authority

By CATHY ST. JOHN
Daily News Staff Writer

Problems plaguing the Alaska Marine Highway System are because its senior management will not listen to the public's needs or crew suggestions, a series of speakers, including ferry workers, told a Senate Transportation Committee on Tuesday.

Department of Transportation Commissioner Joseph Perkins and AMHS Director Gary Hayden listened but will not present their testimony until a later committee hearing.

The teleconference was scheduled to receive testimony on Senate Bill 21, proposed by Sen. Robiz Taylor, R-Wrangell, to create a semi-autonomous authority to manage the Alaska Marine Highway System.

A seven-member, governor-appointed board is proposed, which would include the DOT commissioner and six members with maritime backgrounds.

Senate Transportation Committee chairman Sen. Jerry Ward, R-Anchorage, vice chairman Sen. Gary Wilken, R-Fairbanks, and committee member

Sen. Lyda Green, R-Wailla listened from Juneau. Members: Sen. Drue Pearce, R-Anchorage, and Sen. John Torgerson, R-Kasilof, were absent.

Taylor chairs the Transportation Committee's Senate Task Force on the ferry system. Pearce and Torgerson are the other members of the task force, which identified several issues in recommending the authority approach:

- Arbitrary scheduling changes that have cost the state about \$250,000 in unnecessary overtime and other costs in the past year.
- A fare system that discourages travel.
- A reservation system that doesn't work.
- The decision to close revenue-generating bars on the ferries.
- A top-heavy administration marked by an increase in staff in the Juneau central office, from 17 to 160 workers since 1977.

More than 25 people filled the Legislative Information Office in Ketchikan for the teleconference. Thirteen people testified in the hour-long hearing. 11

See Ferry authority, page A-3

(3)

Ferry authority

from Ketchikan and eight of those AMHS employees. Most spoke in support of the bill or some other form of management for the ferry system. Taylor said those testifying would not be held in harms way for doing so.

Tom Moore of Ketchikan, second mate on the vessel Taku, said the arbitrary schedule changes cost the system credibility as well as money.

"The traveling public are used to and deserve stability," he said.

Under the administration of former system director Jim Ayers, workers received pep talks and "aliboyas" for their work. Since then, however, every directive has been negative, said Moore.

"The shape of the ferry system is a direct reflection of upper management," he said.

Ed Marksheffel, chief purser on the Taku and 30-year AMHS employee, says the system's zone scheduling has discouraged travel. During one day in mid-June, a normally heavy traffic time, the Taku brought only 38 passengers and 12 vehicles into Juneau.

Meanwhile, two motor home owners

about to board in Prince Rupert instead opted to drive an extra 480 miles and take the Alaska-Canada Highway because they didn't want to wait the two-day layover in Juneau to catch the next ferry to Haines.

The Inland Boatman's Union of the Pacific has remained neutral on SB 21 yet agrees extraordinary efforts will be needed to resolve existing problems, said Len Jenkinson of Ketchikan, a 13-year deckhand on the ferries and now an IBU business agent.

The ferry system has too long been steered by DOT road and airport engineers and needs input from maritime-experienced workers, he said.

Ketchikan Indian Corp. Council President Stephanie Rainwater presented a resolution in support of SB 21 from KIC. Rainwater has worked for AMHS since 1987 and is a second steward.

She faulted the administration for asking an IBU Labor Advisory Board for suggestions on how to cut costs, and then rejecting those suggestions.

"What would make labor members ever cooperate with this management

again," she said.

John Ritterbach, senior assistant purser on the Matanuska, said he supports the bill to replace the existing management which is "inept at best."

"Imagine what real management ... not afraid to listen to its employees ... can do," he said.

Canada's ferry system, in comparison, is more user-friendly, cheaper and more efficient, he said.

Every other Alaska transportation business is up in revenues but the marine highway, said Eric Gucker, a steward for more than nine years.

Gucker said he hauls thousands of empty beer bottles out of state rooms now that the ferry bars are closed. The system is losing valuable revenue there, and also suffers because there is no experienced bartender on board to regulate drinkers, he said.

Gucker also said Prince of Wales Island's efforts to establish an alterna-

tive system, due to poor state service, are now in direct competition for the money for hard-link roads Commissioner Perkins wants "so bad" for other parts of the state.

Those roads, however, don't produce revenue, said Gucker.

Former Ketchikan Daily News Publisher Lew Williams Jr. said a better way of management is needed for the system, whether it is SB 21 or another means.

He stressed the need for continuity in ferry administration and urged timely action in resolving labor-management problems. Labor contracts are up for renewal in 1997 and 1998 is an election year. Labor-management issues would be best resolved now, rather than risk being prolonged if a new system director were to be named, he said.

Continued from page A-1

RECEIVED

MAR 24 1997

MARCH 8, 1997

Ans'd.....

ERIC GUCKER

Po Box 8073

KETCHIKAN, AK 99901

GVERNOR TONY KNOWLES

Po Box 110001

JUNEAU, AK 99811-0001

DEAR GOVERNOR KNOWLES:

PLEASE ALLOW ME TO APOLOGIZE FOR YESTERDAY AT THE
TED FERRY CIVIC CENTER IN KETCHIKAN. I BROUGHT VALID
CONCERNS ABOUT THE MANAGEMENT OF THE ALASKA MARINE
HIGHWAY SYSTEM BECAUSE I BELIEVED YOU WERE HOLDING
A SERIOUS QUESTION AND ANSWER FORUM FOR LOCAL CITIZENS
BY THE WAY YOU DODGED MY QUESTION, I CAN SEE THAT I
WAS CLEARLY MISTAKEN.

LET ME TRY IT AGAIN.

IF THE CURRENT AMHS ADMINISTRATION IS SO RESPONSIVE
TO PUBLIC DEMANDS - AS D.O.T. COMMISSIONER PERKINS
ASSERTS - THEN WHY HAVE THE PEOPLE OF PRINCE

OF WHALES ISLAND FOUND IT NECESSARY TO TAKE
STEPS TO CREATE THEIR OWN FERRY SYSTEM
WHICH WILL PROVIDE THE BASIC SERVICE THEY'VE
BEEN BEGGING THE AMHS FOR YEARS?

THE INLAND BOATMAN'S UNION OF THE PACIFIC SUPPORTED
YOUR ELECTION TO THE OFFICE OF GOVERNOR BECAUSE
YOU AND FRAN ULMER ASSURED US THAT YOUR
ADMINISTRATION WOULD BE SUPPORTIVE AND RESPONSIVE
TO THE CREWMEMBERS WHO WORK ON THE FRONT LINE
DOING THE ACTUAL WORK THAT GENERATES AROUND
65% OF ITS OWN OPERATING BUDGET, YET YOUR
APPOINTED OFFICIALS ARE DOING EVERYTHING POSSIBLE
TO DESTROY THE ALASKA MARINE HIGHWAY SYSTEM AND
OUR LIVELIHOODS AND SINCE YOU HAVE NOT INTERVENED
AMID PUBLIC OUTCRY TO HOLD THESE PUBLIC OFFICIALS
ACCOUNTABLE AND ATTEMPTED TO HALT THIS DESTRUCTIVE
ACTION, HOW CAN YOU EXPECT THE IBU MEMBERSHIP
OR THE PEOPLE OF ALASKA TO SUPPORT YOU NOW OR
IN THE NEXT ELECTION?

ALLOW ME TO CLARIFY MY PERSONAL AGENDA IN THIS
MATTER. PLEASE DO NOT DISMISS ME AS ANOTHER
DISORIENTED GOVERNMENT EMPLOYEE SNAVELLING

ABOUT BEING OVERWORKED AND UNDERPAID. THAT IS NOT MY PURPOSE. IF YOU READ THE LETTERS I'VE SENT TO COMMISSIONER PERKINS AND DIRECTOR HAYDEN, OR LISTEN TO THE TESTIMONY I'VE GIVEN TO THE SENATE TRANSPORTATION COMMITTEE, OR THINK FOR A MOMENT ABOUT THE KIND OF QUESTIONS I'M ASKING YOU, IT WOULD BE OBVIOUS TO YOU THAT I CARE DEEPLY ABOUT THE FUTURE OF THE AMHS. I AM SPEAKING TO YOU NOT ONLY AS AN AMHS EMPLOYEE OR AN IBU MEMBER, BUT ALSO AS A CUSTOMER WHO HAS RELIED ON AMHS SERVICE SINCE I WAS BORN. I WANT THE STATE FERRY SYSTEM TO SUCCEED AND GROW AND PROSPER, JUST AS THE LEGISLATORS WHO CREATED THIS SYSTEM INTENDED IN ALASKA STATUTE A.G.S. 050.

YOUR CONTINUED SILENCE REGARDING THE SERIOUSNESS OF THE ISSUES FACING THE FUTURE OF THE AMHS LEADS ME TO TWO POSSIBILITIES: THE FIRST IS THAT YOU ARE TOTALLY OUT OF TOUCH WITH THE REALITY THAT THERE ARE MAJOR PROBLEMS THREATENING THE VERY EXISTENCE OF THE AMHS WHICH STEM DIRECTLY FROM INEFFECTIVE MANAGEMENT AND TOTAL LACK OF DIRECTION. THE SECOND POSSIBILITY IS

THAT YOU ARE VERY AWARE OF THESE PROBLEMS AND ARE USING CHIEF OF STATE JIM AYERS, DOT COMMISSIONER JOE PERKINS, AND AMHS DIRECTOR GARY HAYDEN TO ENSURE THE FAILURE OF THE AMHS IN AN ATTEMPT TO HELP BALANCE THE STATE BUDGET.

AS GOVERNOR, YOU MUST EITHER BE PART OF THE PROBLEM OR PART OF THE SOLUTION. ROBIN TAYLOR'S SENATE BILL #21 MAY BE PART OF THE SOLUTION SINCE ONE OF ITS MAIN GOALS IS TO FORM A BOARD OF DIRECTORS WHO HAVE REAL MARITIME EXPERIENCE. STAGGERED TERMS WOULD PROMOTE STABILITY WITHIN THE LEADERSHIP AND ALLOW LONG RANGE PLANS A BETTER CHANCE OF SUCCESS. GOVERNORS CONTINUALLY APPOINTING DIRECTORS WHO HAVE NO EXPERIENCE DIRECTING FERRY SYSTEMS EVERY COUPLE OF YEARS WHEN THE ADMINISTRATION CHANGES IS NOT A RESPONSIBLE WAY TO RUN STATE GOVERNMENT.

THE SIMPLE FACT THAT YOU HAVE ALLOWED DOT COMMISSIONER PERKINS TO CLOSE THE BARS ABOARD THE FERRIES - DESPITE OVERWHELMING AND CONTINUED PUBLIC OUTCRY - IS CLEAR AND CONVINCING EVIDENCE THAT YOUR OWN HIDDEN AGENDA

FOR THE AMHS IS NOT ONLY FISCALLY IRRESPONSIBLE,
BUT IN DIRECT OPPOSITION TO THE PEOPLE OF THIS
STATE THAT YOU PRETEND TO REPRESENT.

GOVERNOR KNOWLES, I JUST WANT TO REMIND YOU
WHO PAYS YOUR PAYCHECK. IF YOU WON'T LISTEN
TO THE WORKERS OR THE TRAVELLING PUBLIC,
THEN WE'LL ELECT SOMEONE WHO WILL.

VERY SINCERELY:

Eric Hacker

cc: FRAN ULMER, LIEUTENANT GOVERNOR OF ALASKA
JOE PERKINS, D.O.T. COMMISSIONER
GARY HAYDEN, AMHS DIRECTOR
ROBIN TAYLOR, SENATOR

SOUTHEAST CONFERENCE

An Alaska Regional Development Organization and USDA Resource Conservation and Development Council

April 30, 1997

Representative Mark Hanley
Representative Gene Terriault
Co-Chairs House Finance Committee
State Capital
Juneau AK, 99801

Gentlemen:

The Alaska Marine Highway System is the lifeblood of southeast Alaska's economic and social well-being. Any change in the way the System is organized, funded, operated, and managed can and does have a profound impact on the well-being of the region's people and communities. One proposed change soon to come before you is creation of an Alaska Marine Highway Authority. Our Board of Directors urges creation of an authority be deferred until the matter has been given more serious and detailed study. The Board's reasons and recommended approach are outlined below.

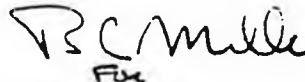
Many individuals and organizations have pointed out problems they perceive to be a result of the manner in which the Alaska Marine Highway System is presently organized, funded, operated, and managed, asserting that creation of an independent Alaska Marine Highway Authority will solve the problems perceived. But few have explained which organizational arrangements and operational and managerial processes need to be changed, let alone how those arrangements and processes would be changed for the better by an independent Authority. Nor has anyone yet described how problems might be solved without the major reorganization creation of an Authority envisions.

A reorganization of the magnitude envisioned will result in a period of severely diminished Marine Highway System operational and managerial effectiveness. Experience with other large-scale reorganizations suggests that a non-monetary "cost" of establishing an Authority will be one year of total chaos, followed by two years of diminished reliability and stability. Prudence therefore suggests asking: "Is creation of an Authority the only way in which perceived problems can be solved, or are there other, less radical 'fixes' that might yield similar results?" To date, neither proponents nor opponents have offered meaningful answers.

Until such answers are available, Southeast Conference believes creation of a Marine Highway Authority should be deferred. The Conference recommends a study group be formed to compile a list of problems perceived by System critics, obtain from critics an explanation of how creation of an Authority will solve the problems, obtain from Authority opponents an explanation of how problems might be solved without creating an Authority, compare the two explanations, and determine whether creation of an Authority is the only step that can solve the problems or whether other options exist and, if so, whether solutions under an Authority may be so far superior to other options that the results will be worth the "cost".

Should the determination be that creation of an Authority will give superior results, Southeast Conference would then support it's creation. We are willing to lead an effort such as that proposed above, or to facilitate or participate in any such effort lead by others. Please do not hesitate to call on us.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. Tronrud". The signature is written in a cursive style with a large initial "J" and "T".

John Tronrud
President

Copy to: Southeast Legislative Delegation