

SB

27

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB27

Revision Date: _____ Dept. Affected: DOT/PF
 Title: An Act . . . relocation to Ketchikan of certain BRU: Marine Administration
offices, functions, and employees of the AMHS Component: Administration
 Sponsor: Senator Robin Taylor
 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						
TRAVEL	450.0	80.0	80.0	80.0	80.0	80.0
CONTRACTUAL	265.0	527.7	527.7	527.7	527.7	527.7
SUPPLIES	50.0					
EQUIPMENT	100.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	865.0	607.7	607.7	607.7	607.7	607.7

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	865.0	607.7	607.7	607.7	607.7	607.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	865.0	607.7	607.7	607.7	607.7	607.7

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

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: Gary L. Hayden, System Director Phone: 465-3959
 Division: Alaska Marine Highway System Date: 3/10/97
 Approved by: Joseph L. Perkins, Commissioner Date: _____
 Agency: Department of Transportation and Public Facilities

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1. FY 98 travel assumes relocation expenses for 60 employees at an average cost of \$7,500. This includes airfare and per diem (2 trips) to locate housing, and moving of household goods.
2. Travel in subsequent years is increased due to specialty training only available in Juneau, and increased travel for management personnel for meetings with DOT/PF regional directors, planning staff, and trips required during Legislative session.
3. FY 98 contractual assumes office furniture, files and equipment moving cost (including work station tear down (modular), re-configuration and assembly, computer cable installation in Ketchikan, 4 months of space expense and mainframe costs. Subsequent years include \$84.0 for additional mainframe connection costs (off hub) and \$443.7 office and warehouse space lease costs.
4. FY 98 supplies include computer network cable and office space dividers to replace those currently supplied by DOT/PF.
5. FY98 equipment cost associated with new phone system for AMHS (currently on State system). This is based on the initial cost to AMHS for to transfer to the new state system. It does not include any annual base cost adjustments.

This fiscal note does not include the approximate \$3,000.0 cost of constructing a office facility in Ketchikan.

A economic analysis is being performed by an outside contractor, including surveying employees as to whether or not they would consider relocating. This will enable the contractor to more closely approximate the relocation costs associated with employees.

Alaska State Legislature

Chairman,
Judiciary Committee

Member,
Resources Committee
Rules Committee
Committee on Committees



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Senator Robin L. Taylor

MEMORANDUM

TO: Senator Jerry Ward, Chairman
Senate Transportation Committee

FROM: Senator Robin Taylor *R.L.T.*

DATE: 3/10/97

RE: Hayden Letter 3/7/97

Please request a copy of the "incomplete" draft Mr. Hayden refers to in the attached letter dated 3/7/97.

Mr. Hayden put out his \$25,000 RFP based on the speculation that a bill moving the AMHS headquarters would be introduced. He acknowledged to the Finance subcommittee on the DOT/PF budget a draft was received from the contractor.

As your committee takes up SB 27, it should have a complete picture of how AMHS obtained "accurate and more complete" information than was provided in the initial draft report. What did that report say and what "comments, corrections and additional ideas" did Mr. Hayden provide to the contractor?

At a time when Mr. Hayden and Commissioner Perkins are blaming the Legislature and their own employees for everything that is wrong at AMHS, they choose to spend \$25,000 to cover their backsides with an "analysis" commissioned before a bill was even filed! The draft already provided to Mr. Hayden is a public document and should be provided to the Transportation Committee immediately.

District A:

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

STATE OF ALASKA

**DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
ALASKA MARINE HIGHWAY SYSTEM**

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March 7, 1997

The Honorable Robin Taylor
Alaska State Legislature
State Capitol, Room 30
Juneau AK 99801-1182

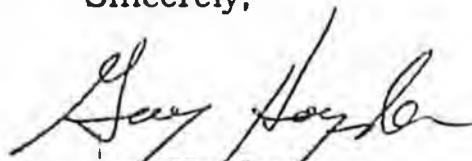
Dear Senator Taylor:

I received your request for a copy of the draft report on the economic analysis on moving AMHS headquarters to Ketchikan. We spoke to the consultant today and passed along your request. AMHS was provided a working draft which was reviewed. Comments, corrections, and additional ideas were provided. The consultant has been working on revising and updating the draft. The draft is incomplete at this time.

The schedule which we provided you, indicates a draft report is due to the Department on March 15, 1997. The consultant indicates a draft could be available a little earlier on March 13th. The consultant will also be in Juneau and could be available to the Transportation Committee on either March 14, 15, or 17.

It is requested that the hearing be delayed until March 17. This will allow the committee to have accurate and more complete information.

Sincerely,



Gary Hayden
System Director

cc: Senator Jerry Ward, Chairman, Senate Transportation Committee

30-125
50-559A



**DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
ALASKA MARINE HIGHWAY SYSTEM**

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March 7, 1997

The Honorable Robin Taylor
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State Capitol, Room 30
Juneau AK 99801-1182

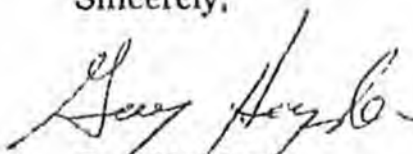
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It is requested that the hearing be delayed until March 17. This will allow the committee to have accurate and more complete information.

Sincerely,


Garry Hayden
System Director

cc: Senator Jerry Ward, Chairman, Senate Transportation Committee

Post-it* Fax Note	7671	Date	3/10	# of Pages	
To	Sen Ward.	From	Garry Hayden		
Co/Dept.		Co.			
Phone #		Phone #	3959		
Fax #	3706	Fax #			

Impact Analysis:
Relocation
of the DOT & PF
Alaska Marine Highway System
Administrative Offices
to Ketchikan

March 15, 1997



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Overview

The Alaska Department of Transportation and Public Facilities, Alaska Marine Highway System, sought an analysis of the economic impact and a summary of the issues concerning the proposed movement of AMHS administrative offices from Juneau to Ketchikan. This interim report presents an analysis of the move impacts. Completion of the employee survey currently underway will allow a finer calibration of the findings, but is unlikely to significantly change the results.

This report presents several analytical approaches.

- First, a stakeholder analysis identifies the non-economic impacts on the parties affected by a move of AMHS administrative offices.
- Second, a cost/benefit analysis on an AMHS cash flow basis presents the operational impacts of a move.
- Finally, it presents the economic impacts of a move on the communities of Juneau and Ketchikan.

Following these three analyses, the report summarizes the contract findings.

The question of the AMHS administrative office move arises during difficult economic times, both for Ketchikan and for state government in general. The impending closure of Ketchikan's pulp mill will create significant unemployment and a downturn in the community's economy. Alaskan political leaders are looking for positive steps that can be taken to assist Ketchikan through this difficult transition.

At the same time, however, Alaska's state government feels growing fiscal pressure from decreasing oil revenues. Alaskans expect a downsizing of state government services for the rest of this decade. Any move of AMHS administrative offices will be examined closely for cost justification. If the public perceives a move as wasting state resources, AMHS will suffer.

I. Stakeholder Issues

Any relocation of a major office, whether in the public or private sector, results in costs and benefits that are perceived differently by different stakeholders in the office's operation. In the private sector, all costs flow to the company's bottom line. In the move of a public sector office, competing alternatives may result in budgetary changes to multiple departments, with costs and benefits spread differentially. AMHS is a public sector entity, but must operate in part like a private sector entity, generating 60% of its budget from passenger and freight revenues. In this respect, any cost savings or new costs flow to AMHS' bottom line.

Who are the stakeholders?

The effects of the proposed move would impact a large number of organizations. Each organization with a stake in AMHS operations, whether on the revenue or expenditure side, will



be affected to some extent. In our analysis we define stakeholders as parties who generate revenues and/or costs relative to AMHS.

Figure 1: Direct Economic Stakeholders

Revenue side	Expenditure side
Passengers	AMHS on-shore employees
Alaska residents	AMHS vessel employees
Visitors	AMHS management
Vehicles	Contractors
Freight shippers	Suppliers
Alaska residents	Alaska Department of Administration
Visitors	
The Alaska Legislature	

In addition to the direct economic stakeholders, the following parties are substantially economically impacted by AMHS operations, and may have a stake in the question of a move of AMHS administrative offices and staff:

Figure 2: Indirect Economic Stakeholders

Revenue side	Expenditure side
Ferry system communities	Private Sector Competitors
Residents	Air Carriers
Businesses	Cruise Ship Operators
State Government	Passenger Ferries (current/potential)
DOT&PF	
Dept. of Corrections	
Dept. of Administration	
Alaska Court System	

The impacts to stakeholders include costs to AMHS and other state agencies as detailed in the cash flow impact analysis and economic effects on Juneau and Ketchikan as outlined later in this report. In addition to cash flow and economic effects, there are other, non-economic, impacts. While the analysis of institutional impacts may appear subjective, the underlying issues may provide a better understanding of the true meaning of the effect of a move on Juneau, Ketchikan, and Southeast Alaska.

Effects of a move on AMHS customers

In large part, the move will have little direct impact on AMHS customers. Most passenger contact with AMHS is over the toll-free 800-number. Potential passengers who call for reservations probably do not know or care where they are calling; a change would make no difference as long as communications are of acceptable quality.

There would be some impact to customers who visit AMHS administrative offices. This would be particularly significant for those Southeast and Southwest Alaska community representatives who travel to Juneau throughout the year to visit the DOT/PF Commissioner's offices and AMHS administration to discuss transportation needs. For these communities, an additional

trip to Ketchikan could be necessary, adding time, distance and travel costs to the journey. In addition, as shown by the figure below, travel opportunities to Ketchikan are somewhat less than those to Juneau:

Figure 3: Southeast Air Connections

	From Juneau	From Ketchikan
To Anchorage	4x daily, 1.5 hr - 3 hr	2x daily, 4.5 hr - 6 hr
To Petersburg	1x daily, 45 min	1x daily, 1.5 hr
To Seattle	5x daily, 3.5 hr - 5 hr	3x daily, 1.5 hr
To Sitka	1x daily, 40 min	2x daily, 50 min - 1.5 hr
To Wrangell	1x daily, 1.5 hr	1x daily, 35 min
	To Juneau	To Ketchikan
From Anchorage	4x daily, 1.5 hr - 3 hr	2x daily, 4 hr - 5 hr
From Petersburg	1x daily, 1.5 hr	1x daily, 1.5 hr
From Seattle	5x daily, 2.5 hr - 6 hr	3x daily, 2 hr
From Sitka	2x daily, 40 min	1x daily, 40 min
From Wrangell	1x daily, 2.5 hr	1x daily, 45 min
Total flights to and from	17x daily	13x daily

As will be shown below, travel issues impact many of the AMHS operations.

Effects of a move within DOT/PF

Separation of the AMHS administrative offices from the rest of the Department's offices will also have an impact on AMHS. The absence of (or reduction in) formal and informal day-to-day contact between AMHS leadership and the Commissioner's office will reduce the quality of communication and restrict the opportunities to work together to solve problems. Any loss of opportunity for contact between the Commissioner's office and AMHS can only be detrimental to the system.

The Commissioner is conducting an efficiency review of DOT&PF operations to save money for the state and to bring a greater emphasis on direct service to the public. While the review is still underway, one can speculate that the plan will include tighter integration of planning, design, engineering, and administrative support across divisions and regions. A similar 1992 report recommended consolidation of Southeast transportation system administration, including budget, finance, personnel/payroll, procurement and clerical support. The physical separation of AMHS administrative offices from the rest of DOT&PF may inhibit these cost-savings efforts.

Of particular concern to AMHS stakeholders should be the effect of AMHS' absence from everyday decision-making by the department. Distance rarely improves influence, and frequently has a negative effect. "Out of sight" is likely to lead to "out of mind" in departmental planning and budget-making. It is not unlikely that a future Commissioner, separated from AMHS by distance, will tend to focus his or her efforts on roads, airports and ports rather than

the marine highway system. When the Commissioner determines the proposed allocation of federal funds for highways, it may be that he or she will wear "roads-colored glasses", resulting in fewer federal dollars for marine highway improvements.

Also important is the greater difficulty in coordinating transportation planning with other transportation modes. The core public service sought by customers in Southeast and Southwest Alaska is transportation of people and goods, which requires good coordination of marine, land and air transportation. If AMHS administrative offices are physically separate from other planning functions within the Department, coordinated planning will suffer.

How Ketchikan views AMHS administration

The AMHS administrative offices are seen by many in Ketchikan as "Juneau-centric", top-heavy and/or overly bureaucratic. Meetings with opinion leaders indicated a general sense that the AMHS administration is not looking out for the interests of their Ketchikan-based staff, the marine maintenance facility, or the community. Many appear to believe that AMHS management is choosing Seattle over Ketchikan for major maintenance based on non-economic reasoning.

Such a view of a central office by those most closely in touch with a regional or division office is common, both in private industry and in government. Division staff may not understand all of the issues considered by a central office in its decision-making, and in the absence of regular and good communication will often ascribe motivations that have little basis in reality. Nonetheless, perceptions have real consequences.

The perceptions in Ketchikan clearly require an strategy for improving administrative/staff and Juneau/Ketchikan communication. Improved communication between Juneau headquarters and Ketchikan staff should not, however, come at the cost of disrupted communication between Juneau headquarters and its customers and Departmental co-workers. It would be far less expensive, and far less disruptive, for the AMHS administration to send the director or a top manager from Juneau to Ketchikan for one day each week throughout the year than to send 100 employees from Juneau to Ketchikan.

II. Cost/Benefit Issues

The financial costs and benefits of moving the AMHS administrative offices will be spread across several state agencies and the AMHS-served communities. This section of the report identifies the areas that will incur costs or receive benefits and, where possible, quantify these costs and benefits.

The cost/benefit analysis requires the analysis of a number of factors, some fairly straightforward (such as space requirements), and some not (the number of employees who would make the move from Juneau to Ketchikan). Most factors are somewhere in between, where an estimate can be made based on standards and conditions found elsewhere in similar situations. This analysis identifies the factors that would impact the decision of moving the

AMHS offices, and makes clear the assumptions that must necessarily be made when calculating the costs and benefits for each.

Ongoing operational costs

AMHS operational costs (in direct outlays of dollars from the AMHS budget), including facilities rent, will increase by approximately \$638,000 annually if the administrative offices are moved to Ketchikan. Of this total, roughly \$459,000 is attributable to space requirements and could be partially alleviated by capital construction funding. The remaining \$179,000 in annual costs are focused primarily in communications and travel costs. From the perspective of the broader state budget, there would be some partial offsets to these costs, but any offsetting benefits would accrue to other state agencies, rather than AMHS.

Data communications would have to move off the mainframe hub; voice circuits switched from the state system in Juneau to the municipally-owned Ketchikan Public Utilities. It remains to be determined whether AMHS data functions could effectively function off-hub. AMHS data communications costs are estimated to increase by \$84,200 annually, and voice communications by \$24,000.

Travel costs are likely to be significant due to operational requirements for AMHS administrative staff to be in Juneau for regular meetings and interaction with the legislature, DOT/PE, and other state agencies. Travel costs are estimated to increase by just over \$70,000 annually.

Communications

Based on current AMHS communications usage — both voice and data — communications costs will increase by approximately \$84,000 annually as shown in the figure below:

Figure 4
Data communications costs*

Location	Juneau monthly costs	Ketchikan installation cost	Ketchikan monthly costs	Increase (decrease) in monthly cost
WAN charges	\$ 1,323.00	\$6,897.50	\$3,814.56	\$2,491.56
SNA Gateway	416.50	1,116.00	1,200.88	784.38
SNA Controller	1,984.50	2,232.00	5,721.84	3,737.34
Wiring for new building		34,350.00		
CCMail separation costs		5,500.00		
Total one-time costs		\$50,095.50		
Total monthly costs	\$3,724.00		\$10,737.28	\$7,013.28
Total annual costs	\$ 44,688.00		\$ 128,847.36	\$ 84,159.36

*See Exhibit B for more detail on these costs

The long-distance tariffs for Ketchikan and Juneau calls are similar enough to expect little change in long distance costs for current traffic. There will therefore be virtually no impact on the reservations operation from a long-distance toll standpoint. To the extent long-distance communications are required between Ketchikan-based AMHS staff and other state offices in Juneau, there will be new costs.

The state does not currently keep records of the telephone traffic between state offices in Juneau, so there is not a perfect basis to estimate the volume of new long-distance traffic the move would require. The offices with the most interaction with other state agencies are AMHS administration (3 positions) and AMHS Support Services (44 positions). Assuming 25 of these staff make two daily 5-minute calls to Juneau-based state offices, the remainder make one weekly 5-minute call to Juneau-based state offices, and each other AMHS administrative staff member makes one weekly 5-minute call to a Juneau-based state office, toll charges will be \$24,000 annually. Clearly, some staff members will exceed these assumptions, while others will make few or no calls. Whatever the volume, there will be an increase in voice traffic. For purposes of this report, and in the absence of better call volume estimates, \$24,000 is used as the cost of increased long-distance tolls.

A far larger concern is that of data access. The state data system does not provide the same quality service off-hub Ketchikan as at the Juneau hub. Figure 4 shows costs assuming all administrative offices are moved from Juneau to Ketchikan. The major cost drivers are offices requiring access to the state mainframes in Juneau; currently these are the reservations and finance-related offices. If either of these offices are left in Juneau, costs will not increase as significantly.

While one may speculate that over time Ketchikan will improve its telecommunications infrastructure, the same is likely to be true in Juneau, leaving AMHS offices in Ketchikan lagging technologically. Good telecommunications capability is crucial to the ability of the system to meet customer needs.

Travel

A move of the AMHS administrative offices from Juneau to Ketchikan clearly provides better in-person service to customers in Ketchikan and southern Southeast Alaska. It should be noted, however, that for customers from elsewhere on the Southeast mainline and in Southwest, travel time, distance and cost for in-person meetings would be increased.

A major "customer" of AMHS, providing up to 40% of system revenues, is the Alaska legislature. A major operational impact of a move of AMHS administrative offices to Ketchikan is the need and cost of sending AMHS staff to and from Juneau, often on short notice, to meet the informational needs of the Alaska legislature and its staff. It is likely that AMHS, like other state entities located outside Juneau would find the need to almost permanently station staff in Juneau during the legislative session to meet the needs of these important customers.

Scheduled airline traffic between Ketchikan and Juneau would affect AMHS operations for meetings between AMHS administration and those state offices located in Juneau. Following are the current Alaska Airlines schedules between Ketchikan and Juneau:



Figure 5: Juneau/Ketchikan Air Schedule

From Ketchikan to Juneau:

	<u>Depart Ketchikan</u>	<u>Arrive Juneau</u>	<u>Time en route</u>
AS 65	9:16 a.m.	12:42 p.m.	3 hrs. 26 min.
AS 67	4:09 p.m.	6:02 p.m.	1 hr. 53 min.
AS 69	9:10 p.m.	10:03 p.m.	53 min.

From Juneau to Ketchikan:

	<u>Depart Juneau</u>	<u>Arrive Ketchikan</u>	<u>Time en route</u>
AS 60	6:00 a.m.	6:54 a.m.	54 min.
AS 62	10:14 a.m.	12:06 p.m.	1 hr. 52 min.
AS 64	2:20 p.m.	4:47 p.m.	2 hrs. 27 min.

This schedule shows that it is not possible for Ketchikan-based staff to attend morning or early afternoon legislative meetings in Juneau without staying the previous night. Sample round-trip itineraries from Ketchikan to Juneau and return include:

All day meeting

Day 1 AS 69 Ktn-Jnu 9:10 p.m. / arrive 10:03 p.m.
 Day 2 Meeting 8 a.m. to 4:30 p.m.
 Day 3 AS 60 Jnu-Ktn 6:00 a.m. / arrive 6:54 a.m.

Half-day morning meetings

Day 1 AS 69 Ktn-Jnu 9:10 p.m. / arrive 10:03 p.m.
 Day 2 Meeting 8 a.m. to 1 p.m.
 AS 64 Jnu-Ktn 2:20 p.m. / arrive 4:47 p.m.

Half-day afternoon meetings

Day 1 AS 65 Ktn-Jnu 9:16 a.m. / arrive 12:42 p.m.
 Meeting 1:30 p.m. to 4:30 p.m.
 Day 2 AS 60 Jnu-Ktn 6:00 a.m. / arrive 6:54 a.m.

In most cases, attending both morning and afternoon meetings in Juneau would require a two-night stay. Even a half-day meeting requires an overnight stay and travel during the remainder of the day of the meeting. The impact of the difficulty for Ketchikan-based administrative staff to timely meet the information needs of legislators cannot be underestimated.

Interviews with AMHS staff indicate significant contact requirements with other state agencies in Juneau. These include contact between:

- AMHS management staff with the Commissioner and other DOT/PF directors,
- AMHS budget staff with the Office of Management and Budget and with the administrative officers of other DOT/PF divisions and other state agencies,
- AMHS personnel and management staff with the Department of Administration on collective bargaining and labor relations issues,
- AMHS personnel staff and the Division of Personnel on issues relating to hiring and other personnel decisions,

- AMHS management staff with the Office of the Attorney General concerning litigation, and
- AMHS computing and finance staff for computer systems training.

Estimates of additional travel required between Ketchikan and Juneau are shown in Figure 6.

Figure 6
Projected Ketchikan - Juneau - Ketchikan Travel

	Trips	Over- nights
<u>AMHS Director</u>		
Weekly trips during legislative session, average 2.5 working days (includes legislative hearings, labor negotiations, DOT/PF meetings)	17	51
Biweekly trips during remainder of year, average 1.5 working days (includes legislative hearings, labor negotiations, DOT/PF meetings)	17	34
<u>Support Services Manager</u>		
Weekly trips during legislative session, average 2.5 working days (includes legislative hearings, labor negotiations, DOT/PF meetings)	17	51
Biweekly trips during remainder of year, average 1.5 working days (includes legislative hearings, labor negotiations, DOT/PF meetings)	17	34
<u>Engineering Manager, Transportation Planner</u>		
3 trips each during legislative session, average 2.5 working days	6	18
5 trips each during remainder of year, average 1.5 working days	10	20
<u>Accountant IV</u>		
Monthly trips, average 1.5 working days	12	24
<u>Payroll Supervisor</u>		
Bi-monthly trips, average 1.5 working days	6	12
<u>Programmer/Analyst</u>		
Quarterly trips, average 2.5 working days	4	12
<u>Finance Staff</u>		
Staff training in AKSAS, average 1.5 working days	6	12
<u>Terminal & Ship Services Manager</u>		
Quarterly trips, average 2.5 working days	4	12
<u>Marine Transportation Services Manager</u>		
Quarterly trips, average 2.5 working days	4	12
 Total trips	 120	
Total overnights		292

There would obviously be a reduction of trips from Juneau to Ketchikan and return, which we estimate at 20 trips annually. We assume half of these trips currently require a single overnight, while half are day trips. Additional travel and per diem costs are as follows:

Additional costs of travel

Estimated 120 trips, 292 nights	
Airfare (Ktn-Jnu-Ktn @ \$250 average)	\$30,000
Car rental or state equipment fleet (\$30/day average)	9,000
Hotel (\$90 average, including tax)	27,000
Meals and incidentals (\$42 average)	<u>12,300</u>
Subtotal	\$78,300
Less: Flights from Juneau to Ketchikan saved	-5,000
Hotel, car rental, meals & incidentals saved	<u>-2,500</u>
Total additional travel costs	\$70,800

The above costs are a reasonable estimate of travel requirements to Juneau. Certainly a significant portion of communication between state agency officials can be by telephone. Nonetheless, it would be naive to assume there is no loss of quality of interaction in purely telephonic communication between commissioners and their staff, between agency fiscal officers and the state divisions of finance, personnel, or labor relations, or between state officials and the legislature. If AMHS is out of sight, it could be out of mind for others in the state bureaucracy, with impacts that are hard to predict.

Support services

Laundry services are currently performed by the Department of Corrections (DOC) under AS 33.32.030(c). A move of AMHS administrative offices would require staff in Juneau to pick up and deliver laundry from DOC's Lemon Creek facility. No new costs have been assigned to this function. The costs for the food service, automotive fleet, and other support operations would remain the same. Any Juneau-required functions could be performed by the port staff and the handful of positions that would remain in Juneau, at no net cost increase to the system.

Fixed and one-time costs

The fixed and one-time costs associated with the proposed move include

- construction or leasing of office and warehouse facilities;
- movement of personnel and equipment.
- productivity loss, training and retraining of personnel; and
- relocation and creation of communications networks.

In the fixed cost arena, the largest driver is the need for office and warehouse space. Approximately 19,700 square feet of office space and 5,000 square feet of warehouse space would need to be provided in Ketchikan to house the AMHS administrative functions currently located in Juneau. No existing Ketchikan facility can meet these needs.

An obvious one-time cost is the movement of personnel and equipment to the new location. State administrative procedures dictate the process for movement of staff, dependents and their households. Movement of furnishings, fixtures, equipment, and files must be carefully

coordinated to allow continuation of essential administrative procedures, including billing, cash receiving and payroll during the move process.

A third cost of a decision to move results from staff turnover among those who choose not to move. Costs include hiring of temporary or permanent replacements in Juneau or Ketchikan and training or retraining of those replacements.

Finally, the communications networks must be recreated at the new location, including the local area network and SNA connections to the Juneau mainframe.

In general, all fixed cost issues point toward an overall negative impact of office movement with the possible exception of the net present value of the current space occupied by the administrative offices. As detailed below, this item alone can yield a wide range in the net present value cost or benefit of the move, depending on how the observer views the economic and budgetary impacts of the cost of space requirements.

Space requirements

Based on the research conducted during the preliminary economic analysis, no space is currently available for lease or purchase in Ketchikan that would completely meet the needs of the AMHS administrative offices (currently 19,700 square feet in two Juneau facilities, plus approximately 5,000 square feet of warehouse space). AMHS currently occupies a mix of state-owned and leased space. Neither AMHS nor any other state agency pay rent on the state-owned space; the Department of Administration pays costs of leased space. Sufficient acceptable space could be constructed in Ketchikan by the private sector and leased to the AMHS for an estimated \$1.75 per square foot per month. Alternatively, the state could construct acceptable space for an estimated \$3 million.

There are at least three ways to look at the economic and budgetary impacts of space costs in Ketchikan and Juneau:

1. A pure economic analysis would assign an opportunity cost to the state-owned space (the cost of leasing new space in Juneau) and a smaller opportunity cost to the leased space (the difference between the cost of leasing new space in Juneau and the cost of the AMHS leased facilities). These would be compared to the cost of new space in Ketchikan (with or without a qualitative component between the higher quality new space in Ketchikan and the space in Juneau).
2. A state cost analysis would look at the differences between the outlays of state funding for all agencies on a current annual basis between the new space in Ketchikan and the currently occupied space in Juneau.
3. An AMHS cost analysis would look at the differences between the outlays from the AMHS Fund on a current annual basis between the new space in Ketchikan and the currently occupied space in Juneau.

These three approaches yield sharply different results:



1. The pure economic analysis would compare the estimated new \$1.75 per month office cost in Ketchikan with the opportunity cost of office space in Juneau of approximately \$2.25 per month. Under this analysis, the move would save \$118,200 annually, the difference between the totals shown in Figures 7(b) and 7(c). This assumes other state offices currently leasing space at \$2.25 could and would move into the leased and owned space vacated by AMHS. An additional adjustment may need to be made due to the less than ideal condition of the Glacier Avenue reservation offices.
2. The state cost analysis would compare the new \$1.75 cost per month in Ketchikan for 19,700 square feet with the current \$1.91 cost for 12,500 square feet and the current free space of 7,200 square feet. Under this analysis, the net annual cost of the move would be \$135,570, the difference between the totals shown in Figure 7(a) and 7(b). This assumes the state can find an alternative state agency user for the space currently occupied in Juneau whose lease is up for renewal at the time of the AMHS transfer and whose lease costs are approximately the same as AMHS'; the Department of Administration space leasing cost savings would offset the AMHS increased cost of \$458,700.
3. The AMHS cost analysis requires either (1) all new lease costs and benefits to be charged to AMHS, for a total of \$458,700 annually as shown in Figure 7(b) or (2) a capital appropriation of an estimated \$3 million for construction of the office facility in Ketchikan and annual operating costs of an estimated \$45,000 for warehouse space.

Figure 7
Cost of Space Requirements

7a) Juneau - actual cost	Leased Space in DOT/PF	Owned Space on Glacier Ave	Warehouse Space	Total
Current square feet	12,500	7,200	5,000	24,700
Lease price / sq. ft. / month	\$ 1.91			
Lease / year	\$ 286,530			\$ 286,530
Utilities / year (estimated)		\$ 21,600	\$ 15,000	\$ 36,600
Total cost / year (estimated)	\$ 286,530	\$ 21,600	\$ 15,000	\$ 323,130

7b) Ketchikan - projected cost	Leased Space	Warehouse Space	Total
Square feet	19,700	5,000	24,700
Lease price / sq. ft. / month	\$ 1.75	\$ 0.50	
Lease / year	\$ 413,700	\$ 30,000	\$ 443,700
Utilities / year (estimated)		\$ 15,000	\$ 15,000
Total cost / year (estimated)	\$ 413,700	\$ 45,000	\$ 458,700

7c) Juneau - opportunity cost	Leased space	Owned space	Warehouse Space	Total Space
Current square feet	12,500	7,200	5,000	24,700
Lease price / sq. ft. / month	\$ 2.25	\$ 2.25	\$0.50	
Lease / year	\$ 337,500	\$ 194,400	\$ 30,000	\$ 561,900
Utilities / year (estimated)			\$ 15,000	\$ 15,000
Total cost / year (estimated)	\$ 337,500	\$ 194,400	\$ 45,000	\$ 576,900

The next figure shows the gross dollar flows and present values over a 25-year period, assuming lease rates increase at 3% annually, and using a 6% discount to present value:

Figure 8
Present value of space cost changes

	Juneau offices	Ketchikan offices	Juneau offices opportunity cost
Undiscounted cash flows over 25-year period	\$11,781,082	\$16,723,865	\$21,033,350
Opportunity cost savings of Ketchikan alternative			\$4,309,485
Increased cost to AMHS of Ketchikan alternative		\$4,942,782	
Present value of cash flows over 25-year period	\$5,847,380	\$8,300,662	\$10,439,616
Opportunity cost savings of Ketchikan alternative			\$2,138,954
Increased cost to AMHS of Ketchikan alternative		\$2,453,283	

Among the three alternative approaches to space cost, no one alternative is best. The opportunity cost approach would most likely best satisfy economists; the state cost analysis provides the best measure of net costs to the State of Alaska; the AMHS cost analysis shows the effect on AMHS budget and operations.

Since the full costs of an AMHS move will be borne by AMHS, the \$2.45 million net present value of the Ketchikan office space should be used as the basis for comparison of the Ketchikan and Juneau locations. Downward adjustments to this number could be considered if (1) any of the current AMHS administrative offices stayed in Juneau, (2) the current two-location office situation in Juneau were replicated in Ketchikan and lower-priced existing office space could be located in Ketchikan, or (3) any Juneau staff could be relocated to currently-owned or leased state space in Ketchikan.

Movement of personnel

How many would move?

There are 116 administrative positions in Juneau, of which 95 are currently staffed. Assuming normal operations, about 20 positions are vacant or forced vacant at any given time. These positions could obviously be transferred without household moving costs. About five support positions would remain in Juneau, and would not need to be moved.

There is no way to predict with full confidence the number of the other 90 people that would move to Ketchikan. One method is to ask the employees. Based on partial results from the employee survey conducted for this report, 28% of the employees would "definitely" or "probably" accept transfer and move to Ketchikan, 41% would "definitely not" or "probably not" accept a transfer, and 31% are "not sure."

Many of the employees would seek alternative employment. Among those answering "probably not" or "definitely not," 94% indicated they would seek alternative employment in Juneau or elsewhere in Alaska. Twenty-five percent of these employees are managerial or executive, 12% are professional, and 63% are clerical or technical. Some indicated they have already started looking for new work, and several are already interviewing with other positions with the state.

These employees' positions will be vacated and will need to be refilled during the roughly 18 months between a decision to move and the move itself. AMHS will face no easy choices during this period: either positions will be filled on a permanent basis, and AMHS will have to pay their moving costs to Ketchikan, or the positions will be filled temporarily, and AMHS will have to train both the temporary replacement in Juneau and later the permanent replacement in Ketchikan. Furthermore, the pool of applicants to fill the jobs during the interim will be smaller, consisting only of individuals willing to relocate to Ketchikan or only of individuals willing to accept temporary assignments.

Excluding survey respondents who were not sure whether they would accept a transfer, 41% of survey respondents would move, with an average of 1.8 children and dependents each. The survey thus would indicate a minimum of 37 current personnel and 67 dependents would move. Assuming the same percentage of replacement personnel would also move, an additional 22 personnel and 40 dependents would move, for a total of 59 personnel and 107 dependents.

Movement of households

Under existing labor contracts, the state is obligated to pay up to the following amount for each employee that moves:

- (1) moving costs for up to 10,000 pounds of personal effects,
- (2) moving costs for up to two vehicles,
- (3) airline or ferry tickets for employees and their families,
- (4) up to 15 days per diem for employees and their families.

A portion of these costs would be recovered in freight revenues (to the extent that the move took place during a period of time the ferry system has vacant freight space and to the extent that movers use the ferry, rather than barge service).

Based on the partial survey data and its extension to refilled positions, 59 employees and their dependents would be moved. Assuming the average employee moves two vehicles and 8,000 pounds of personal effects, the state would incur the following costs:

(1) Moving costs for personal effects:	\$224,600
(2) Moving costs for up to two vehicles (on ferry):	0*
(3) Ferry tickets for employees and their families:	0*
(4) 15 days lodging and per diem for employees and their families:	<u>\$133,000</u>
Total cost of moving employees and households	\$377,600

* Assumes space is available for worker vehicles without displacing revenue-producing freight or vehicles; actual cost would be higher if any displacement occurred.

Assuming half of the household freight is shipped on the ferry rather than barges, about \$7,500 would be received by the system during the move of household effects, leaving a net cost to AMHS of \$370,100 for movement of households. This cost would rise by the cost of airfare for any employees or dependents who used air rather than ferry transportation for the move.

Lost productivity, training and retraining

Any office relocation results in lost productivity for the staff affected. The initial economic impact analysis estimated one month of lost productivity for each currently employed staff member, including about one week of lost time arranging and conducting the physical move and one week in the transition period at the new offices. Based on current staff salaries and benefits, this lost productivity has a cost of about \$400,000. While this lost productivity is a cost from an economic standpoint, it would probably not translate into additional budget costs for AMHS and is therefore excluded from the AMHS cost analysis.

The projected loss of current experienced staff, together with the time and cost of new hiring and training, will result in additional productivity losses. Based on the partial employee survey results, ten employees with over five years experience at AMHS will need to be replaced, in addition to 24 employees with one to five years experience and 20 with less than one year experience at AMHS. Using the earlier assumptions that roughly 40% of the replacement workers will move, 22 positions will be refilled once, and 31 positions refilled first with temporary employees in Juneau and then with permanent employees in Ketchikan. This extraordinary hiring process imposes operational costs on AMHS, including the management time to advertise, go through the personnel process, and the time to train the new hires. Assuming one month of training time per employee, costs of training this total of 84 new hires will be approximately \$350,000. If 25% of these training costs are hard dollar costs, rather than lost productivity, the net new cost to AMHS will be \$87,500.

It appears that Ketchikan can indeed physically absorb the move. The local employment market has the ability to supply the administrative office with a pool of qualified candidates from which to choose for many of the AMHS positions. A job-by-job analysis comparing the AMHS

administrative positions with the pool of current and newly unemployed workers in Ketchikan will show which position classifications would require hiring outside of Ketchikan. Exhibit A contains a first estimate of the positions that have comparable jobs in the current Ketchikan labor market.

Movement of equipment

Computers and communication infrastructure

Moving the computer network to Ketchikan is a major undertaking with two facets. The first is the physical movement of computers and other network items. The second and larger issue is the infrastructure required to support the data communications needs of the network. Based on estimates supplied by AMHS and detailed in Exhibit B, up front move costs will total about \$50,000. As shown above, operational costs for communications will be more significant.

Office equipment

The move of AMHS administrative offices includes shipment of office furniture, files and equipment. Modular work-stations must be torn down, reconfigured and assembled, and computer cables installed. Several years ago AMHS moved a portion of its staff from Glacier Avenue to Channel Drive at a cost of approximately \$150,000, including office reconfiguration and communications line installations. The cost of the physical move of offices and equipment from Juneau to Ketchikan was estimated assuming offices have an average of 150 cubic feet of furniture and equipment, 4,000 cubic feet of files are stored and necessary to move, and a portion of goods now stored in the Juneau warehouse would need to be moved. Excluding communications setup costs (dealt with elsewhere in the report) and basic office configuration (included in space costs), an estimated \$100,000 would be required to pack, move, repack and assemble AMHS administrative offices.

In addition to these costs, careful coordination will be required to allow AMHS to continue to function during the move. Because AMHS has both semimonthly and biweekly payroll processing, for example, payroll staff are working on data entry and payroll distribution on three-quarters of the days in the average month. A move must be timed to off-cycle days, and requires files and computers be accessible before, during and immediately after the move date. This timing may require some air transportation of staff and files, but no adjustment to cost estimates to reflect such an eventuality has been included in this report.

III. Community Economic Impact

The economy of Southeast provides the proper context for many of the above issues. Understanding the regional economy also informs the analysis of such issues as the availability of labor and the cost of housing.

The economic effects of the move on the communities of Juneau and Ketchikan are detailed below. In summary, economic impact on the two communities is relatively minor. Initial calculations indicate that Juneau's growing economy would absorb the impact of job losses within three, while job creation in Ketchikan would only marginally soften the economic impacts of the impending mill closure.

In short, from an economic perspective moving the offices to Ketchikan creates fewer benefits to Ketchikan than some may hope, while moving the offices from Juneau has a smaller economic impact on the community than some may fear.

As outlined below, it appears the overall economic benefits and costs of a move are either roughly in balance or tilt somewhat against a move. While this may be the case from a pure economic cost/benefit standpoint, there are significant issues that are not purely economic that affect the long-term viability of the Alaska Marine Highway System and its ability to serve its customers and stakeholders.

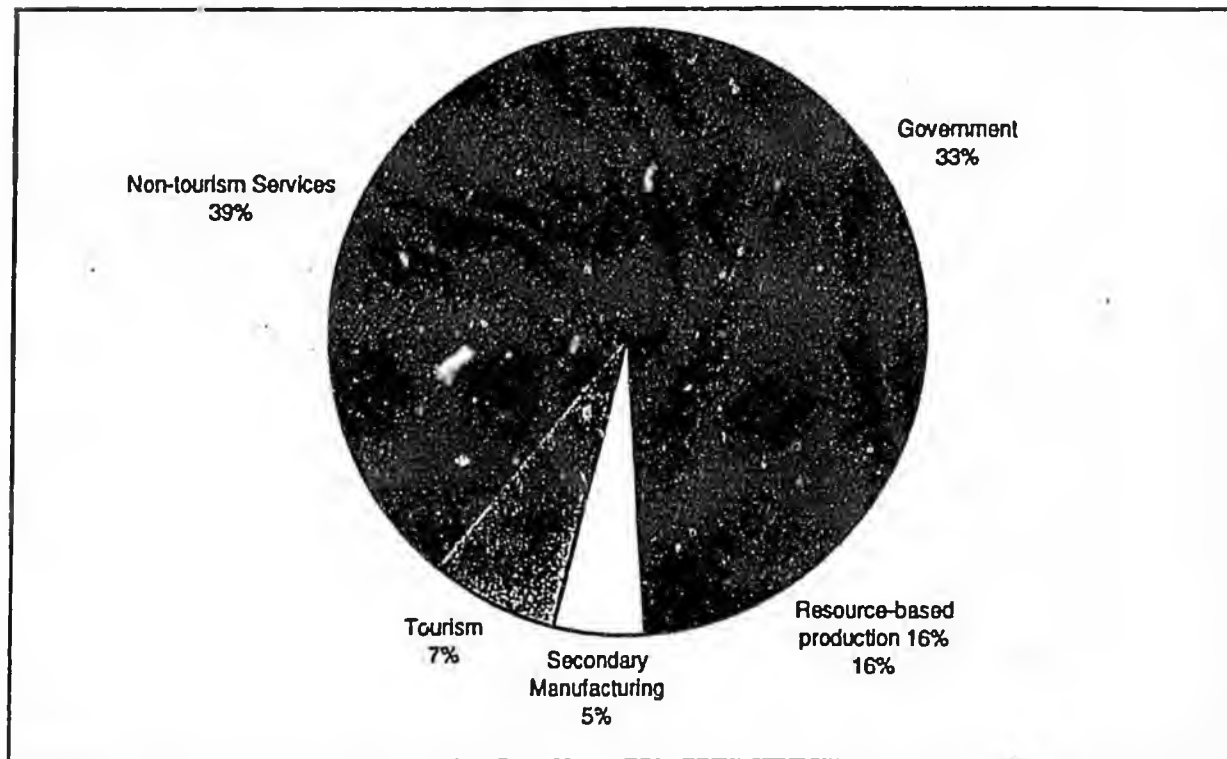
As the economic analysis shows, the costs to Juneau and benefits to Ketchikan are smaller than some may suspect. If the time, energy, and money that a move would cost was applied to working on either improving AMHS operations and community communications, or to working on improving the Ketchikan economy, there would be net economic benefits instead of the costs identified herein.

Southeast regional economy

The Southeast Alaskan economy is defined by disparities. With the exception of the three large towns of Juneau, Ketchikan, and Sitka, the region is made up primarily of small communities. Of the 73,000 people living in Southeast, about one-third live in Juneau. Two-thirds of the population live in the three urban centers with the remaining third of the population distributed among twenty-nine communities.

While the region as a whole is quite diverse by Alaska standards, much of that diversity is in these three larger communities. Typically, the smaller communities rely on a single industry for economic survival. These industries may give rise to mining or fishing communities, logging communities, or towns centered on tourism. While support industries are built up around these primary industries, it is the viability of these primary industries that must maintain the region's smaller towns.

Figure 9: Southeast Regional Economy



The viability of many of the small communities depends on the movement of products into and out of their towns or the arrival of tourists. Transportation networks are of paramount importance and are explicitly included in the mission statement of the Alaska Marine Highway System to provide "opportunities to develop and maintain a reasonable standard of living and high quality of life, including social, education and health needs."

As the figure above shows, primary and manufacturing jobs represent about 61% of regional employment, with about .64 service jobs generated for each primary or manufacturing job.

The region is experiencing steady growth at a rate of 1.6% in 1996, projected to rise to 1.9% in 1997. This regional growth is very industry specific. Much of it is in mining and construction, mostly in the Juneau area, and masks declines in timber, seafood and fishing, and government. Only Juneau can be expected to experience strong growth, especially as these growth figures must be revised downward with the impending closure of the Ketchikan Pulp Company mill in Ketchikan.

Growth will be best realized only in the communities with the most diversified economies. With most of the region's economies tied to timber, fisheries, or tourism, communities are very sensitive to small changes in commodity prices or the overall level of economic activity in the nation. The lack of diversification means that local economies are supported in large part by imports. In addition, these regional economies are tied to demand from extra-regional sources

and hence are quite dependent on the overall health of other economies. Without changing the overall level of activity within the region as a whole, there is much to gain in economic stability by encouraging the diversification of the regional economies through greater intraregional cooperation and dispersion of economic activity.

One peculiarity of the region is its proximity to the markets of the 'lower forty-eight' states. This results in a trade pattern that looks south more than is typical for the rest of Alaska. As a consequence, tourism from customers arriving from the contiguous United States is quite important, with the Alaska Marine Highway System playing a key role in this market.

In addition, the industries of seafood processing, timber, hotel/hospitality, water transportation, and recreation services are key industries and are the five sectors with the greatest share of non-resident employment. Each employs non-residents as at least 30% of total employment. This is destabilizing for two reasons. First, it reflects a seasonal transience, which puts pressure on housing and local economies during the summer months, and results in overbuilding, with excess housing capacity in the winter months. These unemployed resources are costly to the local economies. Second, imported workers increase the level of income leakage from the region and hence reduce the level of local employment multipliers.

The industries that experience significant levels of nonresident employment have historically been high growth sectors. However, the seafood and timber industries are currently experiencing systemic decline which is not expected to rebound in the short term. It is not clear whether declines in these industries will harm non-resident employees to a greater degree than resident employees in these two predominant industries. However, a recent cutback in pulp operations at Sitka did have a greater effect on the percentage decline in non-resident labor than it did on resident labor in the community. This is likely because non-resident labor is more transient and can be expected to respond to both economic upturns and downturns with greater sensitivity.

Juneau, Ketchikan, and Sitka are three of only five urban centers in Alaska, and represent 65% of the population of the Southeast region. These economies are comparably diverse when compared with other Alaska communities. This diversity is due to seaport access and the traditional employment industries of timber, mining, recreation/tourism, and government.

The lack of diversity in Alaskan economies is problematic for regional economic development. When compared with a larger, more diverse economic area, Alaska suffers from an economy that is very open and dependent on resources and services from elsewhere. As a consequence, while income earned in a more diverse economy will ultimately contribute to purchases of goods and services within a region, Alaskan purchases come largely from economies outside of the region. For instance, if an additional dollar of income in an economy can generate 80¢ of local spending and 20¢ of spending from elsewhere, additional income earned contributes to new income in the local economy. Of course, those in the local economy receiving this new spending will also spend 80% of their new income on local goods or services, thereby generating even more local wealth, but at a diminished rate. It can be shown that the pattern of income generation, from the initial dollar of income earned, to the second round of local spending of 80¢ to the third round of 80% of 80¢ (or 64¢), and so on, will result in a total increment to local income of \$5.00.

Such a multiplier effect of initial income generated is common in a well-diversified economy. Indeed, an economy that is very self-sufficient could have a multiplier ranging upward to ten times original spending. Unfortunately, the multiplier in Alaskan communities is very low due to the lack of diversification in Alaskan economies and the need to import many consumption and intermediate production goods from Outside. Indeed, a multiplier of 2.0 is high for an Alaskan community, and can be expected only in the Anchorage area.

While it is not unreasonable to assume the pattern of consumption within a given community is common across individual consumers, regardless of their source of income, it is not the case that an additional dollar of spending in one industry will be equivalent to the purchase pattern in another industry. If the source of additional income is more demand for the product of an industry that hires much of its resources locally, then the net effect of the additional wealth will reach more consumers in the first round. For instance, the fishing industry will use an additional dollar of demand for their product to pay local workers, maintain a local fleet, and buy materials and fuel locally. In turn, the industries serving the local fisheries may purchase many of their goods locally, resulting in a larger share of wealth that remains in the local economy. Alternately, direct spending in the tourism industry may support jobs for booking agents or fleet operators in Seattle or Vancouver, or earn profits for hotel chains outside the region.

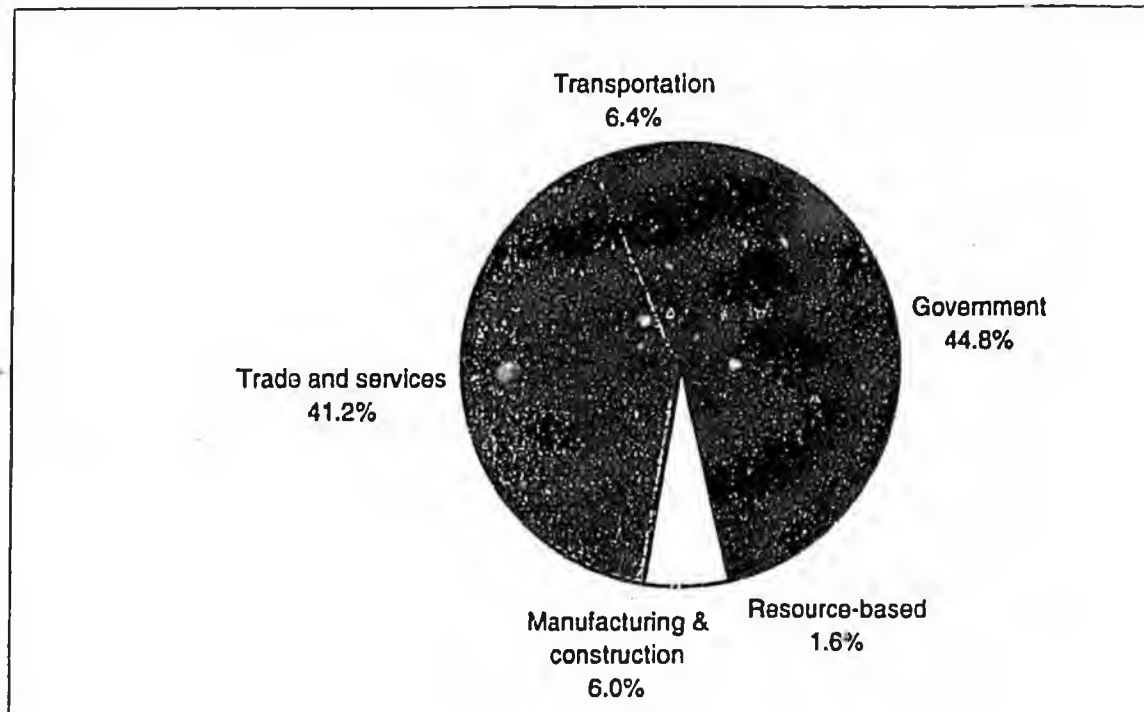
A look at the pattern of direct and indirect effects of additional industry earnings in the Ketchikan economy finds the multiplier indeed varies across industries. The multiplier for the recreation industry in the Southeast is only 1.32 while the fishing industry enjoys a multiplier of 1.92, or 45% higher than the recreation industry. These differences are directly related to different factor purchase patterns in the two industries.

The economy of Juneau

Juneau has traditionally been the strongest economy of the region, with significant mining activity fueling the economy up to the war years. Redistribution of national mining priorities during World War II led to a decline in the Juneau mining economy, only to be supplanted as Juneau became the center of state government in Alaska.

Juneau as the state capital has not always been secure. Repeated attempts to secure the approval of voters to move the capital from Juneau has been unsuccessful. Nonetheless, Juneau well understands the threat and has made efforts to diversify its economy. Currently, the economy is constituted by the following sectors:

Figure 10
Economic Activity in Juneau by sector (1995)



The figure shows Juneau enjoys a much larger share of government activity than the region as a whole. Trade and services, including wholesale, retail and tourism, is the other dominant sector. As a consequence, much of the local economy is driven by government and support for households employed in government. Indeed, since many of these are professional jobs with relatively high wages, government sector employment alone represents 63% of the total wage bill in the capital city.

While the Juneau economy could accurately be described as non-diversified, it has shown signs of increased diversification. Over the past 16 years, overall employment has grown by 46% while government employment has fallen by 12%. In addition, mining is showing a greater effect on the local economy. While not included in the figures for Juneau because the mines lie outside the borough, the Greens Creek and Kensington projects should provide a significant boost in local employment, adding up to 750 jobs to the local economy and increasing resource-based employment to nearly five percent of local employment.

This constant and steady growth in the Juneau economy has been successful at more than just replacing the relatively small losses of employment in the government sector. While the region as a whole has enjoyed an average growth rate over the past ten years of about two percent and can expect to maintain that growth rate for the next few years, Juneau's growth has been closer to four percent. This disproportionate growth is primarily attributable to increased tourism, which is attracted to Juneau because of both the setting and the scale of services the largest city in the region can offer.

As a consequence of this high historical growth rate and the types of professional jobs generated in the local economy, Juneau leads other urban centers in the region and the state in both wages and housing costs. In addition, the female labor participation rate is very high, with the 1990 census reporting that 74% of females over the age of 16 participate in the laborforce, compared to a 66% female laborforce participation rate in the state as a whole.

These factors are problematic from an economic sense for a number of reasons. First, they create a much larger than average level of household income. Since all households will purchase a certain base amount of goods and services to meet the basic needs of food, clothing, health, transportation and education, any additional income beyond that level is discretionary and will tend to bid up the value of the fixed factors of production. The most significant factor is the price of land. A sampling of listings of homes for sale in Juneau suggests that median housing prices are currently near \$175,000. Accordingly, Juneau has the highest housing prices of any urban center in the state.

Second, Juneau's seasonal employment in tourism (and, to some extent, government) creates a transience that, when tied to very high housing costs, tends to reduce speculative or peak demand overbuilding of the housing stock. As a consequence, the vacancy rate for Juneau rental units tends to hover around 1.0%, while Ketchikan as the next largest center in the region has a vacancy rate near 5.0%. Rents in Juneau are also high, with median contract rents of \$800 per month, compared to similar rentals in Ketchikan of only \$660 per month.

The combined factors of high wages and high rents and housing prices cast into doubt some of the rosier assumptions that may follow increased income growth in the local economy. With little opportunity for significant new in-migration, increased local income results in modest job growth and significant personal income growth, which tends to be mostly capitalized in higher and higher housing prices. In the absence of major structural changes in the Juneau economy, it is most likely that land prices will continue to rise at a very strong rate, resulting in increased income to those holding land, but decreased purchasing power to those who rent. The primary stumbling block to increased growth is the inability of the local economy to affordably house and otherwise absorb additional workers. As a consequence, annual growth of four percent in the area will translate into something less than employment growth of four percent, with the difference accruing to the owners of the fixed factors of production.

While efforts to diversify the economy are necessary, fostering significant economic growth in an overheated economy is not productive. Juneau already has the highest cost of living of the urban centers in the state, with an all-items index of 136.6 in the fourth quarter of 1995, compared to indices of 125.6 and 126.3 in Anchorage and Fairbanks respectively. Juneau has lower heating costs and, with access to the Alaska Marine Highway System and west coast barge traffic, lower shipping costs. The number of large-scale retail outlets in the local market has enhanced market competitiveness. The high land costs and high level of disposable income, however, maintain a high cost of living in Juneau.

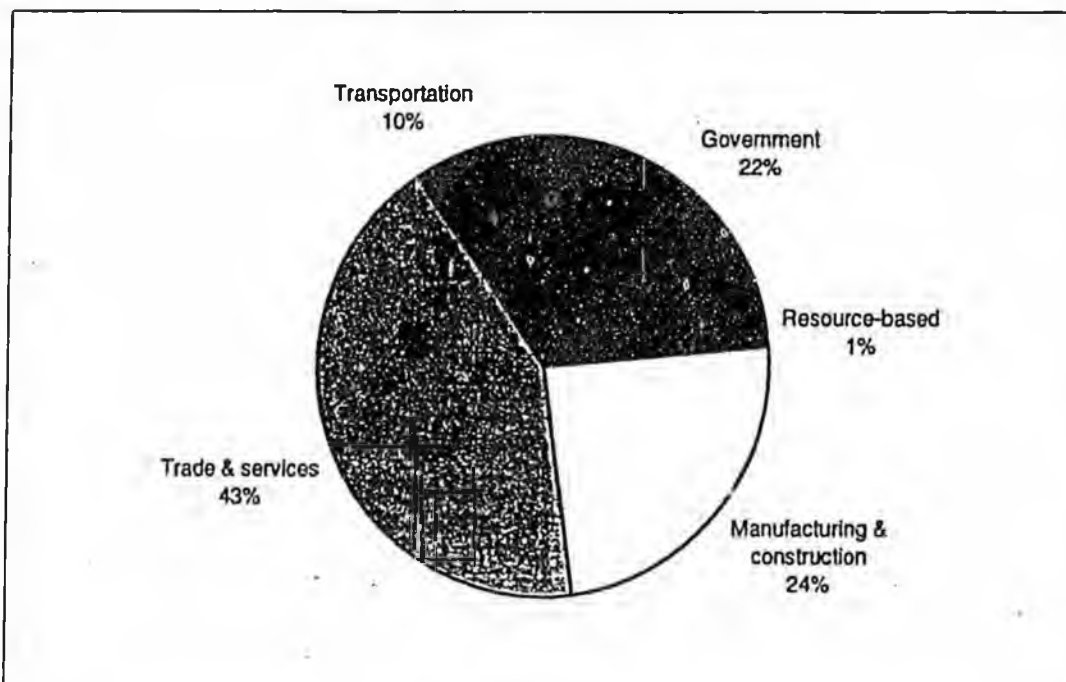
The economy of Ketchikan

Ketchikan is a quite diverse economy by Alaska standards. This diversity arises from its role as the gateway and marine port of entry to Alaska. Only a seven-hour ferry trip from Prince

Rupert, Ketchikan citizens and businesses enjoy the most free and inexpensive access to significant southern markets, both by sea and by air. As a consequence of this proximity, the trade pattern is more southerly oriented than other Alaska communities. Upon graduation from high school, young people look south as well for higher education and jobs.

The Ketchikan Gateway Borough is not as large as its Juneau counterpart, with only about one-half of the employment that Juneau enjoys. The City of Ketchikan employs about a quarter of Juneau's total. Most significant for the Ketchikan economy is its level of diversification. The largest sector in the local economy is the very diversified sector of trade and services, which includes wholesale and retail trade, transportation, communications, utilities, services, finance and real estate. Manufacturing and construction is a much more significant part of the Ketchikan economy as well, with government representing a distant third in importance.

Figure 11
Economic Activity in Ketchikan by sector (1995)



This diversification is key to minimizing the short-term dislocation caused by a major economic event in the Ketchikan economy. The phasing out of Ketchikan Pulp Company operations will result in the ultimate loss of 500 to 600 direct mill jobs, depending on the level of operations maintained by the associated sawmill. Effects in associated industries could be up to 800 to 1000 additional jobs lost. While much of the effect will come at the expense of the manufacturing sector, the transportation sector will also absorb a significant loss, if the recent experience in the closing of the Sitka pulp mill is a good example.

The strength of the economy rests with its role as a gateway and hub to the surrounding communities. The major blow to the Ketchikan economy will have strong ripple effects across Southeast. Despite the significant loss in jobs, interviews with a number of people familiar with

the region suggest a surprising lack of pessimism. This is because Ketchikan well understands that it is unusually diversified by Alaska standards, the mill will be offering significant severance packages to its employees, and the federal and state governments are offering community dislocation relief and support.

There will not only be a significant level of available resources to bridge the interim gap until economic growth can absorb redundant workers. Estimates suggest that perhaps up to a third of the mill employees will choose retirement, while perhaps a third will relocate outside the region. Of the direct job loss, perhaps only one-third of the workers will need to be reabsorbed into the Ketchikan economy. In addition, perhaps two-thirds of the indirect jobs that are an outgrowth of the mill activity will also need to be reabsorbed, resulting in a dislocation still on the order of 500 persons. This represents a potential outmigration of about 500 households, or 1,500 persons, a number consistent with the conclusions drawn separately by the McDowell Group in their analysis of the withdrawal of Ketchikan pulp from the community.

This dislocation represents about two or three years of typical job growth in the region. Fortunately, about two-thirds of the dislocated employees hold job classifications consistent with the mix that can be readily absorbed into the Ketchikan economy. These include office and management staff and technical occupations.

In the analysis of short-term effects on the Ketchikan, this dislocation has created significant slack. Average housing prices for single family homes have been in the neighborhood of \$155,000 to \$160,000. Interviews with realtors, bankers and developers in the Ketchikan area suggest housing prices will drop somewhat, perhaps down ten to 15 percent from previous levels. This is due to a higher than average inventory of available homes as owners try to sell early to prevent loss of capitalization once the mill closes down. In addition, there is already significant slack in a rental market that experiences a consistent vacancy rate of around five percent. At this time, housing values are good and renters are using the opportunity to upgrade to significantly better housing for the same level of rents.

Food costs are also lower in Ketchikan, with a weekly cost of food for a family of four of \$98.50. This compares with \$93.22 in Anchorage, \$97.75 in Fairbanks, and \$100.17 in Juneau. When combined with average rents of \$660, or about 18% lower than Juneau, the 1.6% lower food costs give Ketchikan the lowest cost of living in Southeast. Falling land prices and rents are giving households the opportunity to move into higher quality housing. If subsequent cost of living analyses by the Department of Labor could capture this effect in a quality-adjusted cost of living index, it is likely Ketchikan would show an index five to fifteen percent lower than Juneau.

These factors combine to make Ketchikan a prime location for new industry in the region. The availability of a regular and inexpensive transportation network, a diversified economy, and significant slack in the local economy all bode well for an economic recovery. The availability of a well-trained labor pool that matches the needs of prospective new enterprises also favors long-term recovery. Finally, the significant transition funding provided by the federal and state governments will ease the pains of significant relocation.

Economic benefit of AMHS administrative offices to Juneau

The Alaska Marine Highway System is the largest transportation network in Southeast Alaska, surpassing Ketchikan Pulp Company and Alaska Airlines as the region's largest employer. Depending on season, the system has up to 900 employees, with about one-third based in Ketchikan (most of whom are vessel-based crew), and about one-third based in Juneau. An additional 90 employees are based outside Alaska, principally in the southern terminus of Bellingham.

The system generates an annual payroll of \$45 million (including benefits) and generates \$171 million of indirect and indirect spending, some of which accrues to Bellingham, but most of which represents wealth for Alaskans. The system generates revenues from passenger and cargo traffic of approximately \$40 million annually, and has operating expenses of about \$75 million annually. About 80% of this revenue comes from passengers and vehicles, 70% of which is earned during the summer season. The AMHS administrative office in Juneau represents 1.6% of total government employment, and 0.7% of all local jobs.

Juneau unambiguously benefits from jobs maintained in the government sector, but is experiencing growth that is nearly double the Alaska and national averages. The AMHS administrative jobs represent less than a single quarter of annual employment growth, and, because of the higher salaries in the government sector, between one quarter and one-half year of wage growth in the Juneau economy. If the administrative officers were removed from the Juneau economy, it would still grow at an average rate above that of the nation as a whole. As a consequence, local housing prices will continue to increase at a rate above the national and state averages.

The 95 filled AMHS administrative jobs create demand for 95 housing units in Juneau. There were 10,638 housing units in Juneau in 1990. While removal of 95 units from the demand would result in less than one percent additional temporary inventory of excessing housing capital, it is necessary to detber of staff that would choose to relocate if the administrative offices were moved to Ketchikan. Based on the employee survey and its extension to re-filled positions, about 60 employees would relocate. As a consequence, about 60 housing units would potentially be available, representing about 40 owned homes and 20 rental units available to the market. These numbers would likely be reabsorbed into the Juneau housing market, creating an excess inventory of two or three months in the housing market. In addition, there are 1,153 rental units in Juneau, suggesting the twenty additional rental units would slightly more than double the current rental vacancy rate to near three percent. Even such a temporary increase in the rental vacancy rate would merely move Juneau from the tightest to the second-tightest rental market in the state.

Economic benefits if the AMHS administrative offices went to Ketchikan

The effects of a move to Ketchikan are far more striking than the withdrawal from Juneau. The Ketchikan market would be expected to absorb the roughly 60 employees moving from Juneau.

These 60 new households would compete for 5,030 occupied housing units in the Ketchikan Gateway Borough.

The McDowell Group has estimated the impending closure of Ketchikan Pulp will reduce housing prices in the short term by 15 to 20%. Local experts believe the reduction will be in the range of five to 15%. An injection of housing unit demand of 60 units will not stress the slack housing market in Ketchikan. Rather, it would likely mitigate the reduction in housing prices from the expected 5-15% range to a 4-12% range. This represents only two-thirds of the current advertised inventory in Ketchikan.

In 1994, there were 1,408 individuals listed as unemployed in Ketchikan. Of these, 216 were clerical and sales workers, 177 professional, technical and managerial workers, and 201 were employed in the service sector. With the reduction in Ketchikan Pulp jobs from the economy, an additional 55 to 60 employees with office and general management skills, in the areas of executive, clerical, accounting, personnel and purchasing staff, will be unemployed. These professional staff would be of sufficient number to meet the professional hiring demand of the AMHS, especially when taken together with the 594 available clerical, sales, professional, technical, managerial and service workers typically available in Ketchikan. The primary problem in filling AMHS administrative vacancies would be those positions requiring AMHS experience or those with specialized technical knowledge of marine systems.

It is clear that movement of the administrative offices would not fill the surplus housing and employment gap. Instead, the move would reduce the slack in the economy by perhaps one-quarter, mitigating somewhat the expected drop in housing prices and, to a lesser degree, wages. Similarly, it is likely that a move of the administrative offices would also only partially fill the gap created in the K-12 public education system.

The cost of commercial property is primarily driven by building costs and the cost of land. While there are no adequate existing office units available in Ketchikan in the 20,000 square foot range able to accommodate the AMHS administrative offices, interviews suggest a new building could be constructed and offered to AMHS for about \$1.75 per square foot. Utility rates are slightly higher, but slightly more moderate temperatures result in similar overall utility bills. Developers indicate a facility can be either co-located at the Ketchikan Shipyard and AMHS terminus location, or on land within a couple of blocks of that location.

IV. Summary

Based on all of the issues set out above and on supporting information, a move of the AMHS administrative offices from Juneau to Ketchikan will require both an up-front cash outlay and ongoing costs to AMHS as follows:

Figure 12
Summary of Costs

	Scenario 1 New building in Ketchikan	Scenario 2 Leased building in Ketchikan
Fixed and one-time costs:		
Cost of moving personnel	\$ 370,100	\$ 370,100
Facility construction	3,000,000	0
Lost productivity, training & retraining	87,500	87,500
Communications infrastructure	50,200	50,200
Office move	<u>100,000</u>	<u>100,000</u>
	\$3,607,800	\$607,800
Additional annual costs:		
Space leasing	45,000	458,600
Data communications	84,200	84,200
Voice communications	24,000	24,000
Travel	<u>70,800</u>	<u>70,800</u>
	\$ 224,000	\$ 637,600

The benefits of moving AMHS administrative offices do not justify the substantial fixed costs of the move or the additional operational costs and complexity created by the move. The improvement to communication between Ketchikan-based employees and Juneau-based management is far outweighed by the losses to communication between Juneau-based management and their counterparts in the Department and elsewhere in state government.

Legislation has been introduced this session to move a portion of the AMHS administrative offices from Juneau to Ketchikan. This legislation requires at a minimum that the system director, the deputy director, and the managers of marine operations, support services and engineering, together with "all other offices, functions and employees of the marine highway system except those whom the commissioner determines must be located outside of Ketchikan" be located in Ketchikan.

As outlined above, the top-level employees of the AMHS are the individuals who most need to interact with the legislature and other DOT/PF administrative offices. Movement of their offices would create significant problems in the operations of the system. It may be that certain AMHS administrative staff positions in Juneau could be transferred to Ketchikan without imposing comparable costs. Among the units that appear to be transferable with minimal impact to the system are reservations, procurement and maintenance engineering.

Alaska Marine Highway System Staffing

Exhibit A

Position	Range	Is there a comparable job in the current Ketchikan laborforce?
AMHS Administration		
Assistant Commissioner	27	Yes
Marine Trans. Services Manager	24	?
Secretary II	11	Yes
Marine Engineering Management		
Marine Trans. Services Manager	24	?
Engineering Associate	52	Yes
Maintenance Worker II	54	Yes
Administrative Manager I	15	Yes
Maintenance Worker I	55	Yes
Administrative Clerk I	07	Yes
Marine CIP Program		
Engineer III	22	?
Engineer III	22	?
Naval Architect	22	No
Engineer/Architect II	20	?
Engineering Associate	19	Yes
Engineering Associate	19	Yes
Engineering Associate	19	Yes
Planner III	19	No
Engineering Associate	19	Yes
Engineering Assistant III	18	Yes
Engineering Assistant III	18	Yes
Accounting Tech II	14	Yes
Administrative Clerk II	08	Yes
Administrative Clerk I	07	Yes
AMHS Vessel Operations Management		
Marine Trans. Services Manager	24	?
Port Captain	23	-
Transportation Planner II	22	No
Assistant Port Captain	21	-
Passenger Services Inspector	20	?
Passenger Services Inspector	20	?
Safety Officer	18	Yes
Ferry Services Manager IV	17	?
Reservations Specialist	16	?
Reservations Specialist	16	?
Administrative Manager I	15	Yes
Personnel Assistant II	14	Yes
Administrative Clerk II	08	Yes

Alaska Marine Highway System Staffing

Exhibit A

Position	Range	Is there a comparable job in the current Ketchikan laborforce?
AMHS Support Services		
Marine Trans. Services Manager	24	?
Procurement Specialist V	21	?
Labor Relations Analyst II	20	?
Accountant IV	20	Yes
Personnel Officer II	20	Yes
Analyst/Programmer IV	19	No
Analyst/Programmer IV	19	No
Program Budget Analyst III	19	No
Procurement Specialist III	18	Yes
Accountant III	18	Yes
Procurement Specialist III	18	Yes
Personnel Officer I	18	Yes
Analyst/Programmer III	17	No
Research Analyst II	16	?
Accountant II	16	Yes
Accountant II	16	Yes
Accounting Tech III	16	Yes
Personnel Specialist I	16	Yes
Storekeeper III	54	Yes
Procurement Specialist I	14	Yes
Personnel Assistant II	14	Yes
Procurement Specialist I	14	Yes
Stockhandler WG VII	57	Yes
Stockhandler WG VII	57	Yes
Accounting Tech I	12	Yes
Accounting Tech I	12	Yes
Personnel Assistant I	12	Yes
Personnel Assistant I	12	Yes
Accounting Tech I	12	Yes
Personnel Assistant I	12	Yes
Personnel Assistant I	12	Yes
Procurement Specialist I	12	Yes
Personnel Assistant I	12	Yes
Personnel Assistant I	12	Yes
Accounting Clerk II	10	Yes
Administrative Clerk III	10	Yes
Accounting Clerk II	10	Yes
Supply Technician I	10	Yes
Accounting Clerk I	09	Yes
Administrative Clerk II	08	Yes
Administrative Clerk II	08	Yes
Administrative Clerk II	08	Yes
Administrative Clerk I	07	Yes
Administrative Clerk I	07	Yes

Communications Cost Analysis for AMHS Move to Ketchikan

Exhibit R

Network and Mainframe Computer Costs	Quantity	Price each	JUNEAU		KETCHIKAN		
			Monthly Charges Paid by DOT HQ	Monthly Charges paid by AMHS	Installation charges	New Monthly Charges	Monthly Charges paid by AMHS
Juneau Headquarters Office (3mile)							
WAN Charges							
Cisco 2501 Router w/software, cables	1				\$ 3,500.00		
KPU 3500 DSU/CSU	1				\$ 1,042.50		
Port Charge	1				\$ 1,979.00		
Port Address/Monthly	1		\$ 299.31			\$ 299.31	
Internet User Access Address	1				\$ 100.00		
Digital 56kbs circuit installation	1				\$ 276.00		
Circuit Monthly charges	1					\$ 96.00	
TN3270 Sessions	54			\$ 1,323.00			\$ 3,814.56
SNA Gateway							
Data Line Installation	1				\$ 60.00		
Data Line Charges (Prorated 1st year One-time Charges)	12	\$ 88.00			\$ 1,056.00		
SNA Sessions	14			\$ 343.00			\$ 988.96
SNA Printer Connections on DOT HQ Controller	3			\$ 73.50			\$ 211.92
Juneau Central Office (Glacier Ave.)							
SNA Controller							
Data Line Installation for 2 drops	1				\$ 120.00		
Data Line Charges for 2 drops (Prorated 1st year One-time Charges)	12	\$ 176.00			\$ 2,112.00		
SNA Sessions	81			\$ 1,984.50			\$ 5,721.84
Wiring for new building							
SNA Drops	94	\$ 150.00			\$ 14,100.00		
Network Connections	85	\$ 225.00			\$ 19,125.00		
Backbone Wiring	5	\$ 225.00			\$ 1,125.00		
Divorce From DOT 3 Mile Building							
CCMAIL Post Office	1				\$ 2,000.00		
CCMAIL Router	1				\$ 3,500.00		
Total WAN and TN3270 Charges			\$ 299.31	\$ 3,724.00	\$ 50,095.50	\$ 395.31	\$ 10,737.28
Total Annual Charges			\$ 3,591.72	\$ 44,688.00	one-time	\$ 4,743.72	\$ 128,847.36
Net new costs					\$ 50,095.50	\$ 1,152.00	\$ 84,159.36

NOTES & ASSUMPTIONS:

- 1 Move takes place July 1, 1997
 - 2 All AMHS Headquarters 3 Mile and JCO personnel in one building in Ketchikan. If multiple building are required then costs will increase dramatically.
 - 3 Move occurs before RMS3 purchase of equipment and WAN Connection to Ketchikan. Must move SNA Connections because JCO office computers can not currently support Advanced Software.
 - 4 Ketchikan currently can only support a 56K line on the WAN and 14.4 on SNA which will greatly reduce the speed of connections.
 - 5 All DOA DIS Data Center Charges are based upon FY97 rates.
- TN3270 and SNA Lu Charges
- | | |
|---------|----------|
| HUB | \$ 24.50 |
| NON-HUB | \$ 70.64 |
- 6 Spreadsheet based on data supplied by AMHS; annual net calculations by Information Insights

**Alaska Marine Highway System
Ketchikan Administrative Office Move Study
Employee Survey Results**

Information Insights was contracted by AMHS to analyze the impacts on AMHS of a proposed move of AMHS administrative offices from Juneau to Ketchikan. This survey will allow us to more accurately estimate the financial and human costs and benefits of such a move. Your answers will be held in strict confidence by Information Insights; only aggregated results will be reported to AMHS in our final report.

For purposes of this survey, please assume a move has been approved, new administrative facilities acquired in Ketchikan, appropriations have been made for all costs, including employee/family relocation costs in accordance with appropriate collective bargaining agreements, and the office relocation will take place in spring 1998.

1. Would you accept the transfer of your position to Ketchikan?
10% Definitely 18% Probably 31% Not Sure
13% Definitely Not 28% Probably Not

If you checked Definitely, Probably, or Not Sure, go to question #2

If you checked Definitely Not or Probably not, would you (check all that apply):

- 94% Seek alternate employment with the State in Juneau
53% Seek alternate employment in Juneau
6% Retire
17% Seek alternate employment elsewhere in Alaska
12% Seek alternate employment outside Alaska

Go to question #3

2. How many school-age children live with you in your home?
0.3 Elementary 0.2 Middle School 0.2 High School [Averages reported]
 How many children and dependents would move with you if you decide to move to Ketchikan? 1.8 [Averages reported]
3. What do you think would be the costs or benefits for AMHS, its customers, or the State of Alaska of moving your position from Juneau to Ketchikan?
 [Text responses will be included in the final report]

4. Information about you: We will use the following information to develop estimates of cost of the move, economic impact on the communities of Juneau and Ketchikan, and employment impacts in Juneau and Ketchikan.

- a. What is the category of your current position?
54% Clerical/Technical 18% Professional 23% Managerial 5% Executive
- b. How long have you worked for AMHS?
15% Less than one year 31% 1 to 5 years 54% more than 5 years
- c. Are there comparable jobs to yours in Juneau outside AMHS?
48% Yes 13% Nearly 26% No 13% Not sure

d. Does your spouse work in Juneau?

18% Yes, for the State of Alaska 33% Yes, for another employer

15% No 33% No Spouse

If your answer to this question is yes, what is the category of his/her current position?

22% Clerical 67% Professional 0% Managerial 11% Executive

e. How long does it take for you to commute to and from work each year (round trip)?

22.9 minutes [Average reported]

f. If you own your home, what is its approximate value? \$207,600 [Average reported]

If you rent your home, what is your monthly rent? \$777 [Average reported]

g. What is your approximate household annual income?

0% Less than \$20,000 44% \$20,000 to \$40,000 21% \$40,000 to \$60,000

15% \$60,000 to \$80,000 8% \$80,000 to \$100,000 15% over \$100,000

5. What do you think would be the costs and benefits for AMHS, its customers, or the State of Alaska of moving AMHS administrative offices from Juneau to Ketchikan?

[Text responses will be included in the final report]

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

ALASKA MARINE HIGHWAY SYSTEM / SYSTEM DIRECTOR

TONY KNOWLES, GOVERNOR

P.O. BOX 25535
JUNEAU, ALASKA 99802-5535
PHONE: (907) 465-3959
FAX: (907) 465-2474

February 26, 1997

The Honorable Jerry Ward
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Ward:

This letter is in response to your questions as stated in your February 1, 1997 letter. I will attempt to deal with your questions in the order contained in your letter.

1. *Prince of Wales Island Survey Questions and Survey Cost*

A copy of the survey questions was included in our August 23, 1996 transmittal. However, I am enclosing another copy for your information. The survey was performed in conjunction with the Prince of Wales Island Service Alternatives Study performed by Art Anderson Associates for AMHS in 1994. There is no separate price attributable to this small piece of the overall public involvement survey. The study was a federally funded (FHWA) project.

2. *Claims Paid by Risk Management in Connection with Intoxicated People Coming Off the ferries*

According to Risk Management, there are no claims which have been filed against the state due to intoxicated passengers embarking/disembarking the AMHS ferries in the past ten (10) years.

3. *How Many People Working AMHS Administration have had Experience in the Fleet*

- (1) Three (3) Port Engineers
- (2) One (1) Former Operations Manager
- (3) One (1) Passenger Services Inspector
- (4) One (1) Labor Relations Specialist

In addition to the above, we currently have three (3) IBU vessel employees working on specific assignments in the personnel section.

There are at least six (6) additional employees in AMHS with maritime experience. In addition, there are several additional employees with food service industry experience, travel industry experience, and general transportation experience. Many employees are long time AMHS employees who have worked with the fleet over a number of years.

As pointed out in previous responses, experience as a vessel employee in the fleet would not assist in meeting the state's Class Specification for qualifying as an Accountant III or IV, nor would it assist in the performance of those specialized duties. It would not qualify you for a Personnel Officer II, Procurement Specialist IV, or Transportation

There are at least six (6) additional employees in AMHS with maritime experience. In addition, there are several additional employees with food service industry experience, travel industry experience, and general transportation experience. Many employees are long time AMHS employees who have worked with the fleet over a number of years.

As pointed out in previous responses, experience as a vessel employee in the fleet would not assist in meeting the state's Class Specification for qualifying as an Accountant III or IV, nor would it assist in the performance of those specialized duties. It would not qualify you for a Personnel Officer II, Procurement Specialist IV, or Transportation Planner II registers. These positions with revised classification specs typically require a college degree and a specified number of years of related experience.

The positions of Port Captain and Assistant Port Captain have license requirements with specified vessel tonnage rating. The Port Engineer must have a Chief Engineer license or be able to complete the licensing requirement within a 6 month period.

4. *Decision Document on Bar Closure*

A copy is enclosed.

5. *Aurora Gulf Crossing Written Second Opinion*

This has not been accomplished. The vessel work was competitively bid out this year because of a federal project. Since the vessel is not scheduled for overhaul until next year there is plenty of time to complete this item.

6. *Commissioner Perkins Mission Statement*

As Commissioner Perkins stated during his recent comments to the Legislature, this will be done in the context of the Southeast Transportation Plan.

7. *Report on the Status of the Computerized Maintenance System, including work environment, cost of employee and project history*

The inventory program is written and installation on the vessels is in the final process. It is designed with a shore based system in Engineering which will receive weekly updated inventory and maintenance information from each of the AMHS vessels.

The employee responsible for the design and implementation of the system is a Vacation Relief Chief Engineer. Prior to 1995 he was working on various aspects of the system on his own time. In early 1995 he was task with

designing and installing an inventory system. during the last two years he also has worked relief Chief Engineer assignments and ship yard assignments as a Port Engineer. Therefore, his time has not been 100% focused on this system. His annual salary is \$71,000 without benefits. Several vessel engineers have also been working with the relief chief on their time off on the design.

There are programs available on the market. These costs \$55,000 to \$100,000 per vessel without modification. Each of the existing programs required modifications for the AMHS operation. After discussing the options of either purchasing an off-the-shelf or developing an in-house program with the Port Engineer and vessel engineers, it was decided to develop a custom, in-house program using personnel

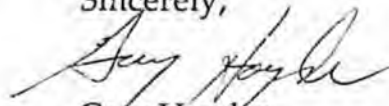
The program is written in a standard language making it useful should the system go to a package program for all vessel departments at a later date. Recent quotes from two Chief Engineers using the system will be helpful:

"...We now use the program constantly in our day-to-day operations in the engineering department. Far too much time and energy have been expended in this program to dismantle it at this point. Again, I express my support and request your help in keeping this program operating in the AMHS fleet."

"...The Vessels now all have a working Inventory program and computers for the first time in 20 years, like any new programs and software there is still bugs and glitches that require fixes and upgrades. Keep up the good work."

If I can be of further assistance, please feel free to contact me at 465-3959.

Sincerely,



Gary Hayden
System Director

Enclosures

cc: Joseph Perkins, Commissioner, DOT&PF

Alaska Marine Highway System Service Alternatives Study Public Opinion Survey

The Alaska Marine Highway System has commissioned a study of service alternatives for the Prince William Sound and Prince of Wales Island/Outer Ketchikan areas. The AMHS is studying several ways to improve ferry service in these regions.

YOUR OPINIONS ARE IMPORTANT TO US. We want to know what you think about ferry service to your area. Please take a few minutes to fill out this questionnaire. Your participation in this study will help the AMHS deliver better service.

When you are finished, please tape the survey closed before mailing back. The postage paid return address to the McDowell Group should be facing outward.

Thank you for your help on this important project!

(Please circle the corresponding number next to your response)

1. How many trips have you taken on the Alaska Marine Highway Ferries over the past year? *(Please count all round trips as two trips aboard the AMHS ferry)*

0 None	3 Eight to ten trips
1 One to three trips	4 Eleven to fifteen trips
2 Four to seven trips	5 MORE than 15 trips

2. Would you have used the ferry more often if service to your area had been more frequent?

0 Yes	
1 No	
98 Not Sure	

3. Would you have used the ferry more often if faster travel times - less stops along the way which would speed up travel time and/or new ferries able to travel at faster speeds - had been available?

1 Yes	
2 No	
98 Not Sure	

4. How many other adults and children from your household usually travel with you on the Alaska Marine Highway ferry?

4-A	Number of Adults	4-B	Number of Children
1	One	1	One
2	Two	2	Two
3	Three	3	Three
4	Four	4	Four
5	Five	5	Five
6	Six or more	6	Six or more

5. What was the primary purpose of your trip(s) on board the ferry?

- 1 Business Only
 - Education/Training
 - Seeking employment in other community
 - Relocation (moving to other area)
 - Military
 - Personal Business (purchases/family accounting, etc.)
- 2 Business/Pleasure
- 3 Vacation/Pleasure
- 6 Shopping trips only
- 4 Visiting Friends and Relatives
- 5 Medical
- 97 Other

6. Where do you travel most often on the ferry?

Destination	Trip Purpose	Bring Auto?	
1 Ketchikan	_____	Yes	No
2 Sitka	_____	Yes	No
3 Juneau	_____	Yes	No
4 Washington	_____	Yes	No
5 Prince Rupert	_____	Yes	No
6 Cordova	_____	Yes	No
7 Whittier	_____	Yes	No
8 Valdez	_____	Yes	No
9 Other	_____	Yes	No

7. How satisfied are you with the service provided by the AMHS ferries?

- 1 Very Satisfied
- 2 Satisfied
- 3 Unsatisfied
- 4 Very Unsatisfied

8. How would you rate the following services provided by the Alaska Marine Highway System?

Please circle the corresponding number 1 through 5.

	VERY POOR	POOR	FAIR	GOOD	EXCELLENT
Overall					
Accommodations	1	2	3	4	5
Seating	1	2	3	4	5
Schedule/Convenience	1	2	3	4	5
Personnel on Board	1	2	3	4	5
Departure Locations	1	2	3	4	5
Food	1	2	3	4	5
Bar	1	2	3	4	5
Terminal Amenities	1	2	3	4	5
Barrier Free Accessibility	1	2	3	4	5

9. What do you like MOST about the service provided by the AMHS?

10. What do you like LEAST about the service provided by the AMHS?

11. What improvements (if any) could be made to improve access from your home to the ferry terminal?

Please circle the first and second most important.

- | | | | |
|----|----------------------|---|--|
| 1 | Better roads | 5 | Security for parked vehicles |
| 2 | Improved bus service | 6 | Accurate and up to date schedule information |
| 3 | Cab service | 7 | No improvements needed |
| 4 | Closer terminal | | |
| 97 | Other _____ | | |

12. How important is it to have the following services on board the Alaska Marine Highway ferries?

Please rate each service on a scale of Very important to Not at all Important

	Very Important	Important	Somewhat Important	Not at all Important
Accommodations/ Staterooms	1	2	3	4
Seating	1	2	3	4
Bar	1	2	3	4
Food	1	2	3	4
Showers	1	2	3	4
Theater	1	2	3	4
On board movies/ live presentations	1	2	3	4
Arcade for children/ Video games	1	2	3	4
Playroom for children	1	2	3	4
Lockers/ Storage Facilities	1	2	3	4
Barrier Free Accessibility	1	2	3	4

13. The AMHS is studying several alternatives to the ferry service now being offered in your area - do you have specific ideas for changes you would like to see to the service now being offered?

14. Would you be willing to pay higher fares to have your specific improvements to service and schedules implemented?

- | | | | |
|---|-----|----|---------------------|
| 1 | Yes | 98 | Don't Know/Not Sure |
| 2 | No | 97 | Comment _____ |

15. Some of the service alternatives being considered are listed below. Which of these alternatives would you like to see done to improve service to your area? *First, second, third choices please,.....*
- _____ Adding faster passenger-only ferries to existing service
 - _____ Adding self-propelled barges for carrying commercial vehicle and RV traffic during the summer, freeing up regular service for smaller private vehicles.
 - _____ Replacing existing ferry with fast auto/passenger ferry of equivalent size
 - _____ Providing ferry service to communities not currently served
 - _____ Faster service (fewer stops) between departure port and destination
 - _____ Like the service just how it is.
16. Would you be willing to trade less frequent vehicle service for more frequent and faster passenger service?
- 1 Yes
 - 2 No
 - 98 Don't Know/Not Sure
 - 97 Comment _____
17. How important is it that ferry service be offered with arrivals and departures occurring between 7AM and 11PM?
- 1 Very Important
 - 2 Important
 - 3 Somewhat Important
 - 4 Not at all Important
18. Faster passenger-only ferry service could allow for tourism development in your community. How important do you feel tourism development is in your area?
- 1 Very Important
 - 2 Important
 - 3 Somewhat Important
 - 4 Not at all Important
19. Do you think the AMHS ferries should be used to increase tourism development in your area?
- 1 Yes
 - 2 No
 - 98 Don't Know/Not Sure
 - 97 Comment _____
20. Are you or someone in your household physically challenged?
- 1 Yes
 - 2 No
21. What category best describes your age group?
- 1 Under 19 years
 - 2 19 - 24 Years
 - 3 25 - 34 Years
 - 4 35 - 44 Years
 - 5 45 - 54 Years
 - 6 55 - 64 Years
 - 7 Over 65 Years

MEMORANDUM

STATE OF ALASKA

Department of Transportation & Public Facilities

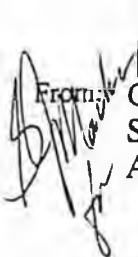
To: Joseph L. Perkins, P.E.
Commissioner

Date: April 24, 1996

File No: BAR_DEC_.WPD

Log No: M0395-96

Telephone No: 465-3959

 From: Gary L. Hayden
System Director
Alaska Marine Highway System

Subject: Bar Service Decision
Document

A decision document on bar service on the Alaska Marine Highway System vessels is attached for your review and action.

The decision timing is important with the M/V Taku returning to service in May and the subcontractor for the bar arrangements on the Ocean Class Vessel(OCV) project set to build a mockup of the food service areas, including the bar. It would save time and unnecessary expense, if we can delay the mock up construction and submit a revised arrangement. If the decision is to close bar service, the transition is best made as the vessels return to service from shipyard status.

Please let me know, should you wish to discuss this further prior to making your decision.

Decision Document
Alaska Marine Highway System
FY 97 Budget Reductions & Bars on Vessels

Issue

The proposed budget for FY 97 will require AMHS to reduce its operating expenses. One cost area to examine is services provided on board the vessel. After reviewing the cost and the revenues generated through liquor sales, a decision is needed as to whether we continue to provide liquor sales through the bars, or discontinue bar service and reduce crew level by elimination of the bartender position.

Background

Currently, AMHS operates bars on the M/Vs Taku, Malaspina, Matanuska, Columbia, and LeConte in the Southeast System. The M/Vs Tustumena and Bartlett in the Southwest System do not have formal bar areas. The Bartlett liquor sales are performed by the cashier, steward, or in some cases the Chief Steward. The M/V Tustumena has a bartender assigned to the vessel, but this position regularly performs other duties.

The M/V Aurora bar was closed in earlier 1994 after requests of the communities served. The bartender was a permanent bid assignment on that vessel and we had to continue to pay the employee bartender wages until the employee secured another comparable permanent bid position.

Analysis

A recent review of the revenue generated and cost (labor, licenses & liquor) to provide this on board service revealed that for FY95 we lost approximately \$77,819.00 system-wide. The M/V Columbia bar service is the only bar service that is consistently profitable. The profitability of bar service on the M/V Columbia is largely a function of being on the longer Bellingham run and it offers beer and wine service with meals. The other mainline vessel bars all took in fewer revenues than the cost to provide the service (see attached worksheet).

The review confirms the decision to eliminate bar service on the M/V Aurora was a good one. The bar service on the two (2) feeder vessels is not profitable. The current community sentiment appears to be elimination of bar service on the M/V LeConte. The bar service on the M/V LeConte costs approximately \$36,000 more than it generates in revenue.

AMHS is prohibited, by contract, from abolishing the bartender classification. However, if the decision is to eliminate bar service system-wide, we would treat

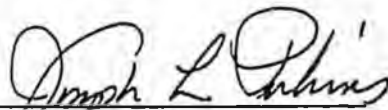
it as a reduction in force. The affected employees would work as Displaced Regularly Assigned Employees(DRAEs), until they were able to secure other permanent bid positions, or bump down in the system.

Decision

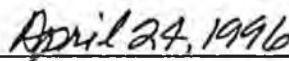
The primary mission of the AMHS is to provide safe, reliable, basic transportation to the communities we serve. The resources and energies of the system should focus on the mission. The public does not travel with us because we provide liquor service, nor will they cease ferry travel should we eliminate this service.

In order to reduce costs through reductions in manning levels, the decision of the department is to eliminate bar service on all vessels except for the M/V Columbia.

- Approved
- Disapproved



Joseph L. Perkins, P.E.
Commissioner



Date

**92-95 BAR ANALYSIS
SOUTHEAST SOUTHWEST VESSELS
REVENUE/ EXPENDITURES**

FY YEAR	VESSEL	LIQUOR	LICENSE	AVG. WITH		TOTAL EXPENDITURE	REVENUE	PROFIT (LOSS)	OPS WEEKS
				PERS.	SVCS.				
92	TAKU	18,500	583	108,908		127,991	113,403	(14,588)	22.4
92	MALASPINA	12,394	583	79,205		92,182	91,464	(718)	22.4
92	MATANUSKA	24,416	583	127,535		152,534	163,686	11,153	43.7
92	COLUMBIA	33,146	583	90,659		124,388	183,151	58,764	33.4
92	AURORA	10,984	450	86,172		97,606	56,330	(41,276)	45.9
92	LECONTE	9,195	450	64,743		74,388	42,616	(31,772)	46
FY92 SE TOTAL		108,635	3,232	557,222		669,089	650,650	(18,439)	214
93	TAKU	8,630	583	48,289		57,502	42,681	(14,821)	13.3
93	MALASPINA	21,737	583	123,393		145,713	151,159	5,446	45.6
93	MATANUSKA	23,294	583	90,748		114,625	129,654	15,029	34.7
93	COLUMBIA	40,342	583	90,716		131,641	203,735	72,095	33.4
93	AURORA	11,633	450	73,971		86,054	61,164	(24,890)	43.6
93	LECONTE	6,925	450	61,607		68,982	37,122	(31,860)	46.1
FY93 SE TOTAL		112,561	3,232	488,724		604,517	625,515	20,998	217
94	TAKU	18,878	583	105,379		124,840	110,837	(14,003)	45.9
94	MALASPINA	15,766	583	82,451		98,800	112,903	14,103	27.9
94	MATANUSKA	27,294	583	90,172		118,049	147,284	29,235	44.3
94	COLUMBIA	29,375	583	79,191		109,149	129,586	20,437	22.3
94	AURORA	4,827	450	55,405		60,682	32,068	(28,614)	34.1
94	LECONTE	6,631	450	68,104		75,185	32,589	(42,596)	44.9
FY94 SE TOTAL		102,771	3,232	480,702		586,705	565,267	(21,438)	219
95	TAKU	12,799	583	106,034		119,416	79,044	(40,372)	44.7
95	MALASPINA	17,910	583	126,272		144,765	124,034	(20,731)	43.7
95	MATANUSKA	11,767	583	77,619		89,969	76,577	(13,392)	26.1
95	COLUMBIA	30,678	583	80,022		111,283	147,437	36,154	27.3
95	AURORA	-	450	-		450	166	(284)	46.3
95	LECONTE	6,342	450	58,991		65,783	27,537	(38,246)	37.3
FY95 SE TOTAL		79,496	3,232	448,937		531,665	454,795	(76,870)	225
SE GRAND TOTAL 92-95		403,463	12,928	1,976,684		2,391,975	2,296,227	(95,748)	875

**92-95 BAR ANALYSIS
SOUTHEAST SOUTHWEST VESSELS
REVENUE/ EXPENDITURES**

FY YEAR	VESSEL	LIQUOR	LICENSE	AVG. WITH		TOTAL EXPENDITURE	REVENUE	PROFIT (LOSS)	OPS WEEKS
				BENEFITS PERS. SVCS.	SVCS.				
92	TUSTUMENA	5,768	450	20,614		26,832	13,942	(6,672)	38.4
92	BARTLETT	3,111	450	2,683		6,244	9,257	6,574	34.1
FY92 SW TOTAL		8,879	900	23,298		33,077	23,199	(99)	73
93	TUSTUMENA	6,357	450	20,287		27,094	27,873	779	44.4
93	BARTLETT	4,882	450	2,598		7,930	11,350	3,420	35.4
FY93 SW TOTAL		11,239	900	22,885		35,024	39,223	4,199	80
94	TUSTUMENA	2,011	450	19,784		22,245	18,076	(4,169)	44.4
94	BARTLETT	4,185	450	2,439		7,074	12,360	5,287	35.4
FY94 SW TOTAL		6,196	900	22,223		29,319	30,436	1,117	80
95	TUSTUMENA	5,449	450	20,013		25,912	19,140	(6,772)	44.4
95	BARTLETT	1,906	450	2,540		4,896	10,719	5,823	35.4
FY95 SW TOTAL		7,355	900	22,554		30,809	29,859	(950)	80
SW GRAND TOTAL 92-95		33,669	3,600	80,960		128,228	122,717	4,267	312
92	SE/SW	117,514	4,132	580,519		702,165	673,849	(28,316)	286.3
93	SE/SW	123,800	4,132	511,609		639,541	664,738	25,197	296.5
94	SE/SW	108,967	4,132	502,925		616,024	595,703	(20,321)	299.2
95	SE/SW	86,851	4,132	471,490		562,473	484,654	(77,819)	305
GRAND TOTAL SE/SW 92-95		437,132	16,528	2,066,543		2,520,203	2,418,944	(101,259)	1,187

NOTE: Personal services derived from average wage by ship by position from the EIS system. These do not include overtime.

Expenditures do not include any portion of overhead costs associated with procurement, warehousing or stock handling.

Vessels TAKU, MALASPINA & MATANUSKA - 90% of the average wage was used. This percentage was used to reflect that positions may perform other duties.

Vessels Aurora & Leconte - 65% of the average wage was used, since these positions perform other duties routinely. The bar service on the Aurora was eliminated and therefore personal services do not appear in FY95.

Vessel M/V TUSTUMENA - 65% of the average wage was used, the vessel does not have an actual bar area and positions perform other duties routinely.

Vessel M/V BARTLETT - 5% of the average wage for a Steward was used, the vessel does not have a bartender assigned to the vessel.

Alaska State Legislature

Chairman,
Judiciary Committee

Member,
Resources Committee
Rules Committee
Committee on Committees



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3873
Fax: (907) 465-3922

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

Senator Robin L. Taylor

MEMORANDUM

TO: Gary Hayden, Director
Alaska Marine Highway System

Senator Jerry Ward, Chairman
Senate Transportation Committee

FROM: Senator Robin Taylor

DATE: 3/6/97
RE: Information Request

Thank you for providing me with a copy of the RFP for the economic analysis you commissioned on moving the AMHS central offices to Ketchikan. It is my understanding that you have received an initial draft report from the contractor.

Although the report is in draft form I request you provide copies to this office and to the Senate Transportation Committee as soon as possible. The committee plans to take up Senate Bill 27 next week and the committee members should have advance access to this document.

Although this \$25,000 study was commissioned even before a bill was filed, the target completion date for a final report is not until the end of April. That is too late to be of benefit to the Legislature as it deals with Senate Bill 27.

Please provide the requested copies of the draft report before the close of business tomorrow.

Thank you.

District A:

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

**DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES**

ALASKA MARINE HIGHWAY SYSTEM / SYSTEM DIRECTOR

P.O. BOX 25535
JUNEAU, ALASKA 99802-5535
PHONE: (907) 465-3959
FAX: (907) 465-2474

February 26, 1997

The Honorable Senator Robin Taylor
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Taylor:

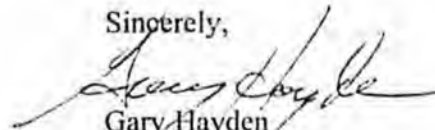
A copy of the Economic Analysis RFP on the relocation of AMHS central offices to Ketchikan is enclosed per your request of February 22, 1997. We have not received a final report from the contractor, since they still had several elements needing further review. The contractor planned to survey the current staff to ascertain how many employees would actually consider relocating to Ketchikan. This is important due to the relocation cost estimates, and to determine the level of positions needing to be filled, and whether a sufficient resource pool exists in Ketchikan. We could find ourselves in a situation of hiring and training replacements in Juneau then relocating them to Ketchikan.

I will follow-up with the contractor to get a status on an anticipated completion date. It is in the best interest of AMHS and the State to know, to the closest degree possible, the cost impact.

As to your question on the Tustumena trip to the ASD and its non-revenue status, the decision was made because there wasn't the potential for significant revenue. There was only two weeks to market the trip. The Traffic Manager contacted some commercial customers and didn't find interest in the run at this time of the year. The crew size was reduced and additional dock rental was avoided.

If I can be of further assistance, please contact me at 465-3959.

Sincerely,



Gary Hayden
System Director

Enclosures

cc: Joseph Perkins, Commissioner, DOT& PF

STANDARD AGREEMENT FORM

1. Agency Contract Number MT- 1152		2. ASPS Number N/A		3. Financial Coding 25070001/10		4. Agency Assigned Encumbrance Number	
5. Vendor Number				6. Alaska Business License Number			
This contract is between the State of Alaska:							
7. Department of Transportation and Public Facilities				Division Alaska Marine Highway System			
8. Contractor Information Insights							
Mailing Address 542 Fourth Ave. Ste. 300		Street or P.O. Box		City Fairbanks		State AK	
						ZIP-4 99701-4714	
9. ARTICLE 1. Appendices: Appendices referred to in this contract and attached to it are considered part of it.							
ARTICLE 2. Performance of Service:							
2.1 Appendix A (General Provisions), Articles 1 through 14, governs the performance of services under this contract.							
2.2 Appendix B sets forth the liability and insurance provisions of this contract.							
2.3 Appendix C - Information Insights proposal dated December 5, 1996.							
ARTICLE 3. Period of Performance: The period of performance for this contract begins <u>January 1 1997</u> and ends <u>April 30, 1997</u> .							
ARTICLE 4. Considerations:							
4.1 In full consideration of the contractor's performance under this contract, the State shall pay the contractor a sum not to exceed <u>324,970</u> in accordance with the provisions of Appendix D.							
4.2 When billing the State, the contractor shall refer to the Authority Number or the Agency Contract Number and send the bills to:							
10. Department of Transportation and Public Facilities				Attention: Division of Alaska Marine Highway System			
Mailing Address PO Box 25535, Juneau, AK 99802-5535				Attention: Finance Section			
11. CONTRACTOR:							
Name of Firm Information Insights							
Signature of Authorized Representative <i>Brian Rogers</i>						Date 1/8/97	
Typed or Printed Name of Authorized Representative Brian Rogers							
Title Project Manager				Employer ID No. (EIN) or SSN 92-0089908			
12. CONTRACTING AGENCY:							
Department/Division DOT/DF - AMHS				Date 1-8-97		Signature of Head of Contracting Agency or Designee <i>Mark O'Brien</i>	
Signature of Project Director <i>Brenda Markey</i>				Typed or Printed Name Mark O'Brien			
Typed or Printed Name of Project Director Brenda Markey				Title Contracting Officer			
Title Support Services Manager							

NOTICE: This contract has no effect until signed by the head of contracting agency or designee.

Article 2

APPENDIX A GENERAL PROVISIONS

Article 1. Definitions.

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the department for which this contract is to be performed and for which the Commissioner or Authorized Designee acted in signing this contract.

Article 2. Inspection and Reports.

- 2.1 The Department may inspect, in the manner and at reasonable times it considers appropriate, all the contractor's facilities and activities under this contract.
- 2.2 The contractor shall make progress and other reports in the manner and at the times the department reasonably requires.

Article 3. Disputes.

- 3.1 Any dispute concerning a question of fact arising under this contract which is not disposed of by mutual agreement shall be decided in accordance with AS 36.30.620-632.

Article 4. Equal Employment Opportunity.

- 4.1 The contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, physical handicap, sex, marital status, changes in marital status, pregnancy, or parenthood. The contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, physical handicap, age, sex, marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 The contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.
- 4.3 The contractor shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 The contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.
- 4.5 The contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of the contract.

Article 5. Termination.

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

Article 6. No Assignment or Delegation.

The contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

Article 7. No Additional Work or Material.

No claim for additional services, not specifically provided in this contract, performed or furnished by the contractor, will be allowed, nor may the contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

Article 8. Independent Contractor.

The contractor and any agents and employees of the contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

Article 9. Payment of Taxes.

As a condition of performance of this contract, the contractor shall pay all federal, State, and local taxes incurred by the contractor and shall require their payment by any Subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

Article 10. Ownership of Documents.

All designs, drawings, specifications, notes, artwork, and other work developed in the performance of this agreement are produced for hire and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the contractor. The contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. The contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Project Director. Unless otherwise directed by the Project Director, the contractor may retain copies of all the materials.

Article 11. Governing Law.

This contract is governed by the laws of the State of Alaska. All actions concerning this contract shall be brought in the Superior Court of the State of Alaska.

Article 12. Conflicting Provisions.

Unless specifically amended and approved by the department of Law the General Provisions of this contract supersede any provisions in other appendices.

Article 13. Officials Not to Benefit.

Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

Article 14. Covenant Against Contingent Fees.

The contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, contingent fee, or brokerage except employees or agencies maintained by the contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage, or contingent fee.

APPENDIX B¹
INDEMNITY AND INSURANCE

Article 1. Indemnification

The contractor shall indemnify, hold harmless, and defend the contracting agency from and against any claim of, or liability for error, omission or negligent act of the contractor under this agreement. The contractor shall not be required to indemnify the contracting agency for a claim of, or liability for, the independent negligence of the contracting agency. If there is a claim of, or liability for, the joint negligent error or omission of the contractor and the independent negligence of the contracting agency, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. "Contractor" and "contracting agency", as used within this article, include the employees, agents and other contractors who are directly responsible, respectively, to each. The term "independent negligence" is negligence other than in the contracting agency's selection, administration, monitoring, or controlling of the contractor and in approving or accepting the contractor's work.

Article 2. Insurance

Without limiting contractor's indemnification, it is agreed that contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the contractor's policy contains higher limits, the state shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the Contracting Officer prior to beginning work and must provide for a 30-day prior notice of cancellation, nonrenewal or material change of conditions. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this contract and shall be grounds for termination of the contractor's services. All insurance policies shall comply with, and be issued by insurers licensed to transact the business of insurance under AS 21.

2.1. Workers' Compensation Insurance: The contractor shall provide and maintain, for all employees engaged in work under this contract, coverage as required by AS 23.30.045, and; where applicable, any other statutory obligations including but not limited to Federal U.S.L.&H. & Jones Act requirements.

The policy must waive subrogation against the State.

2.2. Commercial General Liability Insurance: Such policy shall have minimum coverage limits of \$300,000 combined single limit per occurrence. The policy shall be written on an "occurrence" form unless specifically reviewed and agreed to by the Division of Risk Management.

2.3. Commercial Automobile Liability Insurance: Such policy shall have minimum coverage bodily injury liability limits of \$300,000 combined single limit per occurrence or split limits of \$300,000 per person / \$500,000 per occurrence. The policy shall cover all owned, hired and non-owned vehicles. In addition, it shall have a minimum of \$50,000 per occurrence property damage liability limits.

Requesting Agency:

State of Alaska
Dept. of Transportation & Public Facilities
Alaska Marine Highway System
PO Box 25535, Juneau, AK 99802-5535

Contract MT-1152
Economic Analysis: Relocating AMHS office to Ketchikan

Understanding of the Services Required

The decision to move the Alaska Marine Highway System administrative office to Ketchikan is a complex one. Our goal in this project is to couple the technical competence of our staff with the impartial position of people with no regional interest in the decision to produce a timely and accurate analysis. We are cognizant of the compressed time scale of the project, and have developed a three phase approach to balance rapid completion of project goals with the detailed analysis required to inform the decision:

1. Preliminary meetings to clarify project goals and methods; draft analysis of the leasing, construction and physical costs of the proposed move (Sections A-C and J below).
2. Draft analysis of the impact of the proposed move on AMHS operations (Sections D, G and H below).
3. Draft analysis of the impact of the proposed move on the communities of Juneau and Ketchikan (Sections E, F and I below).

Following submittal of the draft document on 5 January, there will be a content review by AMHS staff. Meetings will then be held to finalize content, revisions made and the final document prepared to meet the 15 January submittal date.

A. Cost Analysis of a Move to Ketchikan

To determine the costs of a move to Ketchikan, we will complete a rough inventory of equipment to be moved, determine the expected number of transferred households, and solicit a bid for moving costs for these two items. We will also estimate the approximate 'downtime' until employees resume their usual productivity following the move.

B. Availability/Cost of Suitable Office Space in Ketchikan

A survey of available office space in Ketchikan must be performed so that we can compare the economic feasibility of new construction versus the use of existing facilities. Since the needs of the administrative unit will be somewhat idiosyncratic compared with what is likely available, standard commercial lease rates are likely of little value.

C. Cost of Constructing Office Space in Ketchikan

We will establish the cost of constructing AMHS administrative offices in Ketchikan using the standard CSI (Construction Standards Institute) format. We will take into account various factors including logistics, the seasonal nature of the construction season in Ketchikan (primarily due to precipitation), and current construction systems and technology. These estimates will be based upon square foot unit costs that in turn will be determined through interviews with the AMHS personnel in Juneau.

D. Benefits to AMHS of Ketchikan/Juneau Location

To study the direct effects of a proposed move of the AMHS, we will conduct a logistics study of current operations and the availability of satisfactory modes of communications between the various associated offices and the administrative unit. We will estimate expected productivity by carefully considering the mix of internal and external operations, the current communications modes, and the specific proposal for the types of operations that may be moved. Our analysis will consider a variety of contingencies for the proposed scale of the move.



E. Impacts of Move on Ketchikan/Juneau: Housing Markets

We will examine a variety of location-specific benefits that the AMHS must consider. Both Ketchikan and Juneau provide the intuitive physical link to the marine highway. However, the State of Alaska must concern itself with other factors such as the cost of operations in each alternative location, the level of displacement of other enterprises in each location, the types of links that can be established between AMHS administration and local enterprises, and the substantial effect of a relocation on local employment and public facilities.

This analysis is challenging because Ketchikan is currently undergoing an employment transformation as a result of recent decisions by Ketchikan Pulp. While the tools of input/output analysis and regional employment multipliers must be considered, our in-depth understanding of the methodology will be critical because Ketchikan is not in a steady state. We expect that a major relocation of the AMHS Administrative Office will have a substantial effect on the local economy and therefore requires special consideration in this analysis.

Of special concern is the effect such a proposed move would have on the local housing market. We will identify and apply reasonable assumptions that must be made with regard to the housing choices of employees prone to transfer and the ability of the relevant markets to absorb the demand for housing in its various forms. A complete analysis of both the home ownership and rental markets will be conducted.

F. Impacts of Move on Ketchikan/Juneau: Employee Payroll

We will complete an analysis of the current and the likely future pattern of payroll, based on contingencies determined in Section D above. The pattern of payrolls in the communities considered is necessary to determine the overall effect on the communities because the injection of new income into Ketchikan will have a very different effect given the employment slack in the Ketchikan economy. We will extrapolate past data from Ketchikan to incorporate recent structural changes in the Ketchikan economy. We propose to study both the direct and the indirect effect of the proposed shift in payroll on the Ketchikan region.

G. Ketchikan Workforce Analysis

Related to the employment analysis in Section F, we will consider the ability of the Ketchikan employment market to meet the needs of the AMHS administrative move. Expectations of the composition of resignations and the desired composition of the new administrative facility will be formulated. We will further include study of the existing composition of the AMHS administrative office and the strategic plan for the new office. In addition, results from the study of the housing market from Section E will aid our estimation of successful relocation of administrative employees.

H. Effects of Distance on Business Processes

We will carefully consider the need for direct and indirect interaction between AMHS administrative employees and legislative and agency personnel. In Section D above we described the need to develop alternative relocation contingencies so that the relocation strategy does not frustrate the necessary business of the AMHS administrative unit. Travel costs, dependability, and availability will be among the factors we consider in light of alternative communications technologies suitable for internal operations of the administrative unit.

I. Impacts of Move on Ketchikan/Juneau: Service Economy

We must establish that the community of Ketchikan can meet the service needs of the influx of administrative employees. To accomplish this we will assess the services available in the Ketchikan area and the ability of the Ketchikan community to satisfy increased demand as a consequence of the relocation. Our primary tool for this analysis will be interviews with service providers in Ketchikan. This is a necessary ingredient of the input-output analysis, which assumes that the community can readily expand the level of infrastructure to accommodate increased activity. Such a reserve capacity must be determined to permit confidence in the regional multiplier analysis described in Sections E and F above.



**Economic Analysis Proposal
Relocating AMHS Administrative Office to Ketchikan**

12 December, 1996

J. Status of Available Authorization for a Building Project

As part of a general review of the current status of the project, we will review alternative financing mechanisms for the project and will report on available funding and financing options from the State of Alaska, the Alaska Industrial Development and Export Authority, the Ketchikan Gateway Borough, the City of Ketchikan, or other possible financing entities.

Relevant Qualifications and Experience of Proposed Staff

Sections A - B and D - I will be completed by Dr. Colin Read, Ph.D. in Economics and Associate Professor of Economics at the University of Alaska Fairbanks. Dr. Read is a nationally recognized expert in housing markets and the only housing professor in Alaska. In addition, Dr. Read teaches and does research in Alaskan regional issues and is well-schooled in the special techniques involved in regional analysis. These skills include employment analysis, regional multiplier effects, and the influence of transportation networks on local growth.

Assisting Dr. Read will be Dr. Ken Osterkamp, Ph.D. in Political Science and Director of Information Technology at Information Insights. Dr. Osterkamp has extensive research and analytical experience, as well as expertise with the computer technologies that will be used to support this project.

Section C will be completed by Charles Bettisworth. Charles Bettisworth and Company is an eleven member architectural firm that in the last five years has completed over \$80 Million in projects throughout Alaska. CBCo has maintained a continuous involvement in Ketchikan since 1982, including:

- being part of the team that developed the original designs for the Ship Maintenance Facility in Ketchikan, a project that included an on-site office complex;
- preparation of construction documents for the Marine Highway System provisioning warehouse;
- the Southeast Alaska Visitor's Center completed and dedicated in 1995.

Section J will be completed by Brian Rogers, who has extensive experience in the provision of public facilities and the legislative and budgetary considerations in the required authorization. Mr. Rogers gained his experience in such analysis through his tenure as an Alaska legislator, Vice President for Finance at the University of Alaska, extensive consulting experience in similar projects, and participation in various private sector business ventures. Mr. Rogers will also be responsible for overall project management.

Cost Proposal and Schedule

Cost Proposal: Total Project Budget \$24,970

Consultant	Hourly Rate	Activity	Hours				Budget
			Total	Osterkamp	Read	Bettisworth	
B. Rogers, Project Manager	\$100	Planning Meeting	4	4	4		\$1,000
C.B. Bettisworth, Architect	\$100	Draft Document: Analysis and Preparation					
Dr. Read, Economist	\$80	A. Analysis of a Move to Ketchikan	16	15			\$2,250
Dr. Osterkamp, Researcher	\$150	J. Variable Cost of Suitable Office Space in Ketchikan	8	8			\$1,200
		K. Cost of Constructing Office Space in Ketchikan				8	\$800
		D. Benefits of a Move to Ketchikan/Juneau Location	14	14			\$2,100
Travel Costs		E. Impacts of Move on Ketchikan/Juneau: Housing Markets	20	20			\$3,000
2 RT tickets: Juneau	\$1,100	F. Impacts of Move on Ketchikan/Juneau: Employee Payroll	12	12			\$1,800
2 RT tickets: Ketchikan	\$1,200	G. Ketchikan Workforce Analysis	8	8			\$1,200
Hotel: 8 room-nights	\$500	H. Effects of Distance on Business Production	10	10			\$1,500
Car: 6 days	\$200	I. Impacts of Move on Ketchikan/Juneau: Service Economy	12	12			\$1,800
Per diem: 10 person-days	\$420	J. Status of Available Authorization for a Building Project				8	\$800
Total Travel	\$3,420	Final Document: Analysis and Preparation					\$3,300
		Project Management					\$800
		Travel costs					\$3,420
Note: per diem at State rate (\$42 per day)		Totals	126	126	20	8	\$24,970



**Economic Analysis Proposal
Relocating AMHS Administrative Office to Ketchikan**

12 December, 1996

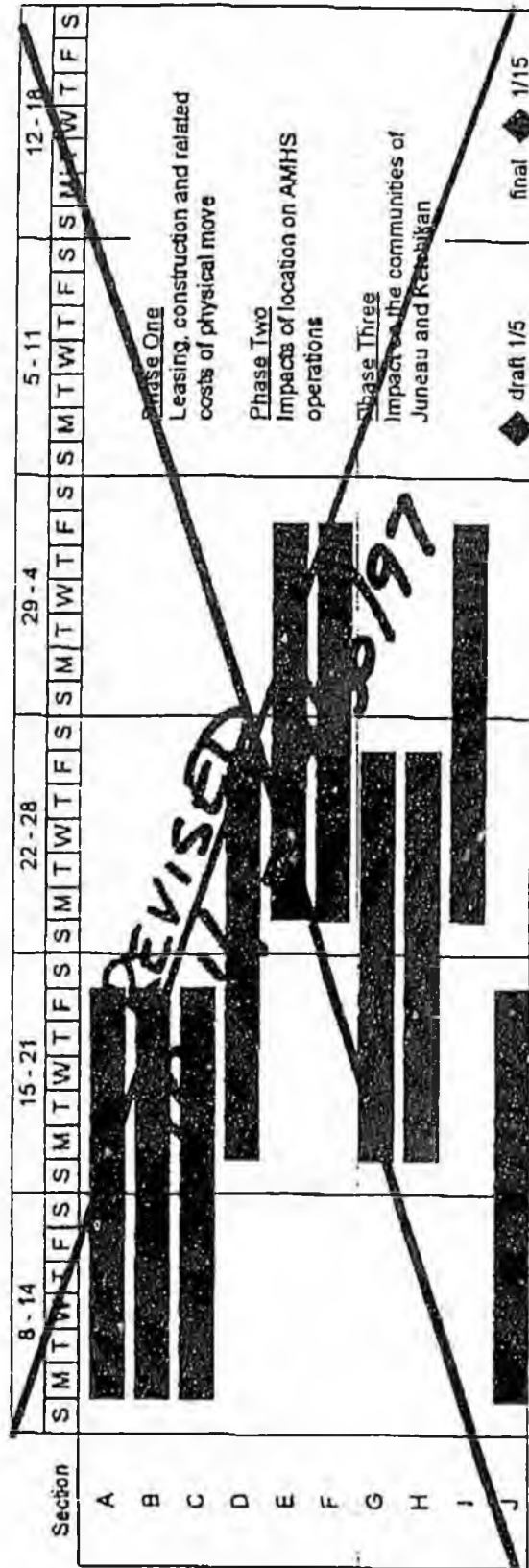
Schedule

The three phases of the project will be completed in the order shown at right. Each succeeding phase depends in part on the phase before it.

There will need to be an initial meeting to clarify project goals and methods. This meeting should occur early on, preferably the week after the project has been awarded. This would give information insights a week to do preliminary investigation. Present at this meeting would be Brian Rogers, Project Manager; Dr. Read, Economist; and Dr. Osterkamp, Researcher.

Drs. Read and Osterkamp would travel on to Ketchikan from this meeting to continue their research there.

The Project Manager, Brian Rogers, would also meet physically with the AMHS staff at some point during the final document preparation stage to address any concerns that might arise late in the project and to present the final document.



Appendix D

Consultant	Hourly Rate	Activity	Hours				Budget
			Read	Osterkamp	Rogers	Bettisworth	
B. Rogers, Project Manager	\$100	Planning Meeting	4	4	4		\$1,000
C.B. Bettisworth, Architect	\$100	Draft Document: Analysis and Preparation					\$0
Dr. Read, Economist	\$90	1 Outline of Significant Issues	4	8	8		\$1,640
Dr. Osterkamp, Researcher	\$60	2 Initial Fixed Costs	12	16	4	6	\$3,040
		3 Ongoing Operational Costs	24	32	8		\$4,880
		4 Economic Impact	16	16	4		\$2,800
		5 Document Preparation	16	24	8	2	\$3,880
		Final Document: Analysis and Preparation	8	12	6		\$2,040
		Project Management			6		\$600
		Travel costs					\$5,090
		Totals	84	112	48	8	\$24,970
Travel Costs							
4 RT tickets: Juneau	\$2,300						
2 RT tickets: Ketchikan	\$1,600						
Hotel: 6 room-nights	\$570						
Car: 5 days	\$200						
Per diem: 10 person-days	\$420						
Total Travel	\$5,090						

Note: per diem at State rate
(\$42 per day)

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
ALASKA MARINE HIGHWAY SYSTEM
P.O. BOX 25535
JUNEAU, ALASKA 99802-5535

REQUEST FOR PROPOSALS

CONTRACT MT-1152
ECONOMIC ANALYSIS - RELOCATING AMHS ADMINISTRATIVE OFFICE TO
KETCHIKAN

This Request for Proposals (RFP) is being made under the professional services procurement rules for agreements of \$25,000 or under.

Consultants responding to this RFP will be evaluated primarily on the following items:

1. The consultant's qualifications, experience and expertise within the subject area.
2. The consultant's understanding of the services required.
3. The proposed cost and schedule of the services.

To be considered, proposals should address the following items:

1. Understanding of the Services Required.

Response must outline in as specific a format as possible, the objective and scope of the proposed agreement as perceived. Do not repeat the scope of work provided, but elaborate on the conditions or specifics deemed significant to demonstrate a complete understanding of the technical and substantive issues necessary to accomplish the services required.

2. Relevant Qualifications and Experience of Proposed Staff.

Response must list all individuals who will be involved in performance of the services required.

Further response should describe the qualifications and experience of each listed individual in terms of his or her educational, managerial and substantive experience which is directly related to the proposed agreement.

Relevant projects the individual has worked on and the extent of responsibilities may be included.

3. Schedule and Cost Proposal

The consultant should provide a schedule showing each major phase of the work to be performed and a projected completion date for each phase.

The schedule should contain specific milestones which can be used to manage contract performance and on which compensation can be negotiated and paid.

The cost proposal should consist of an estimate of the hours and staff required to perform each task or subtask and the hourly rate for each named individual or job classification.

4. Period of Performance

Work shall commence upon receipt of Award/Notice To Proceed and be completed by ~~January 1, 1997.~~ DRAFT BY 1/6/97 AND FINAL DUE 1/15/97. NOTIFIED BY PHONE

5. Project Description

Provide economic analysis of factors related to the relocation of the administrative offices of AMHS to Ketchikan.

6. Scope of Work

Work with AMHS staff to identify all factors to be covered in the analysis. The following areas have been tentatively identified as relevant to this study:

- a. Cost analysis of a move to Ketchikan. Include estimated costs for relocating the office and staff.
- b. Determine the availability of suitable office space in Ketchikan and the estimated cost to lease a facility that will meet the needs of AMHS.
- c. Establish a cost to construct an office facility on or near the Ketchikan Ferry Terminal.
- d. Evaluate the benefits to the AMHS of being located in Ketchikan and Juneau.
- e. Describe the impacts to Ketchikan and Juneau, should the offices move to Ketchikan, including the impact on the housing markets in both locations.
- f. In terms of employee payroll, what is the current AMHS contribution to each community and how would this change.

CONTINUED
RFP MT-1101

- g. Assess the costs associated with acquiring and training new personnel based on anticipated resignations resulting from the move. Evaluate the job applicant pool in Ketchikan and assess its ability to meet AMHS staffing demands.
- h. Evaluate productivity and travel costs associated with not having direct access to the Legislature, Governor's Office, Commissioner's Office, S.E. Region (for shoreside projects), Headquarters staff, etc.
- i. Affect on services as a result of move - laundry, food, etc.
- j. Describe the status of available authorization for a building project and the funds appropriated.

7. Available Documentation

- a. "AMHS Administration Building Program," by A.E. Rogers Architects, February 2, 1993.

INSTRUCTIONS TO OFFERORS

RFP Review

Offerors shall carefully review this RFP for defects and questionable or objectionable material. Offerors comments concerning defects and questionable or objectionable material in the RFP must be made in writing and received by the Contracting Officer at least ten days before the proposal opening at the following address:

Mark O'Brien, Contracting Officer
MT-1152 - ECONOMIC ANALYSIS - RELOCATING AMHS ADMINISTRATIVE
OFFICE TO KETCHIKAN
Alaska Marine Highway System
P.O. Box 25535
Juneau, AK 99802-5535

Addenda

Addenda providing additional information, changes, clarifications, or interpretations of the request for proposals, may be issued by the state from time to time during the time allowed for proposal preparation. Oral interpretations will not be given. No addendum will be issued later than five (5) days from the proposal due date without extending the due date.

CONTINUED
RFP MT-1101

Submitting Proposals

Proposals will be received by AMHS, on behalf of the State of Alaska, up to 3:00 p.m. prevailing time, December 6, 1996 and will not be opened by the Selection Committee until after that time.

Limit your proposal, including price if requested, to not more than four (4) 8.5 X 11 pages. Each printed side of each sheet, including covers, transmittal, etc., equal one page. One copy of the proposal should be sent to:

Mark O'Brien, Contracting Officer
Department of Transportation
And Public Facilities
Alaska Marine Highway System
P.O. Box 25535
Juneau, AK 99802-5535
Fax: 907/465-2024

Or Delivered to:

3132 Channel Drive #310
Juneau, Alaska 99801

A proposal may be corrected, modified, or withdrawn before the time and date set for submission of proposals.

Prices

Prices quoted for services must be quoted in U.S. Funds. Prices quoted in proposals must be exclusive of federal, state and local taxes. If the offeror believes that certain taxes are payable by the State, the offeror should list such taxes separately in his proposal. The State is exempt from Federal Excise Tax under Registration No. 92-73-0006-K.

Filing A Protest

An offeror may protest the award of the AMHS. The protest must be filed in writing to the Procurement Officer, Alaska Marine Highway System, and must include the following information: (1) the name, address and telephone number of the protester; (2) the signature of the protester or the protester's representative; (3) identification of the contracting agency and the solicitation or contract at issue; (4) a detailed statement of the legal and factual grounds of the protest, including copies of relevant documents; and (5) the form of relief requested. Protests will be treated in accordance with AS 36.30.560 -- 610.

CONTINUED
RFP MT-1101

CONDITIONS UNDER WHICH RFP IS ISSUED

Authority

This RFP is written in accordance with Alaska Statutes 36.30 and 2 Alaska Administrative Code 12.

Compliance

In the performance of a contract that results from this RFP, the contractor must comply with all applicable federal, state and local regulations, codes and laws; be liable for all required insurance, licenses, permits and bonds; and pay all applicable federal, state and local taxes.

Offerors will fully comply with all terms of the request for proposals. Offerors that do not comply are nonresponsive and may be rejected.

Firm Offer

For the purpose of award, proposals made in accordance with this RFP must be good and firm for a period of 120 days following delivery of the proposal.

Late Proposals

Proposals received after the time and date set for their receipt will not be accepted and will be returned to the offeror unopened.

Proposal Rejection

The State reserves the right to reject all proposals at any time prior to award, and to waive formalities when it is in the State's best interest to do so. The State may reject proposals if they are incomplete, fail to acknowledge addenda, are improperly signed, or conditioned in any way. The State is not liable for any costs incurred by the offeror in proposal preparation.

Contract Funding

The agreement that is entered into as a result of this RFP is subject to the availability and appropriation of funds.

CONTINUED
RFP MT-1101

Conflict of Interest

An officer or employee of the State of Alaska may not seek to acquire, be a party to, or possess a financial interest in this contract if (a) the officer or employee is an employee of the administrative unit that supervises the award of this contract; or (b) the officer or employee has the power to take or withhold official action so as to affect the award or execution of the contract.

Assignment(s)

Assignment of rights and duties under a contract resulting from this RFP is not permitted unless authorized in writing by the Department of Transportation and Public Facilities, Alaska Marine Highway System.

Subcontract(s)

Within five working days of notice, the successful offeror must submit a list of the subcontractors they propose to use, if any, in the performance of the proposed agreement. The list must include the name of each subcontractor and the location of the place of business for each subcontractor and evidence of each subcontractor's valid Alaska business license, if any.

Force Majeure

The contractor is not liable for the consequences of any failure to perform, or default in performing, any of its obligations under an agreement entered into as a result of this RFP, if that failure or default is caused by any unforeseeable Force Majeure, beyond the control of and without the fault or negligence of the contractor. For the purpose of this agreement, Force Majeure will mean war (whether declared or not); revolution; invasion; insurrection; riot; civil commotion; sabotage; military or usurped power; lightning; explosion; fire; storm; drought; flood earthquake; epidemic or quarantine.

Disputes

Any dispute arising out of the agreement resulting from the RFP shall be resolved under the laws of Alaska. Any appeal of the administrative order or ruling and any action to enforce any provision of this agreement or to obtain any relief from or remedy in connection with this agreement may be brought only in the Superior Court for the First Judicial District of Alaska.



Information Insights
 542 Fourth Avenue, Suite 300
 Fairbanks, AK 99701-4714
 (907) 452-2463 - fax (907) 452-3143
 e-mail: info@infoinsights.com

February 27, 1997

Brenda Markey, Support Services Manager
 Alaska Marine Highway System
 Department of Transportation & Public Facilities
 PO Box 25535
 Juneau, AK 99802-5535

via fax: 465-2469

Dear Brenda:

You asked for an update to the schedule for completion of contract MT-1152 (Economic Analysis, Relocating AMHS Administrative Office to Ketchikan).

The Standard Agreement Form signed by DOT/PF and Information Insights on January 8, 1997, called for a contract period of January 1, 1997 to April 30, 1997. AMHS System Director Gary Hayden and I discussed and agreed to the following contract milestones within the contract performance period:

- | | | |
|-----|--|------------------|
| (1) | Comment Draft on Major Issues | February 1, 1997 |
| (2) | Completion of First Draft — Major Issues | March 15, 1997 |
| (3) | Comment Draft on Final Report | April 15, 1997 |
| (4) | Final Report | April 30, 1997 |

Please let me know if you need any further refinement to this schedule.

Sincerely,



Brian Rogers
 Project Manager

cc: Gary Hayden, System Director

Alaska State Legislature

Chairman,
Judiciary Committee

Member,
Resources Committee
Rules Committee
Committee on Committee



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3873
Fax: (907) 465-3922

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

Senator Robin L. Taylor

SPONSOR STATEMENT

Senate Bill 27

Ten years ago, Acres International, a Canadian firm contracted to study the Alaska Marine Highway System, reported what it termed "an extraordinary degree of mistrust between ship and shore that has its root in the overall relationship between management and staff".

Acres stated flatly that "ship systems and operations cannot function in isolation from the shore, both are interdependent. There must therefore be an effective dialogue between the two, outside contract negotiations. Planning forums for the ship to understand management's prerogatives, and the shore to respond to ongoing needs of each vessel are essential".

In the decade since the Acres Report, little has happened to end the isolation between ship and shore and many believe the situation described 10 years ago is worse today.

SB 27 has been called a "jobs grab", intended to help Ketchikan's ailing economy. Such charges are untrue. Senate Bill 27 is intended to end the isolation between the fleet and the administration. Locating some or all of the administrative offices on state-owned property adjacent to the Ketchikan terminal would end that isolation and put the administration within walking distance of the fleet.

District A:

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

Sponsor Statement - SB 27

Page Two

It is apparent the administration of the Marine Highway feels threatened by even consideration of this move. At the end of November, in reaction to media reports that a bill would be introduced addressing this issue, the Marine Highway director prepared a request for proposals. That RFP called for an economic analysis of relocated the AMHS administrative office to Ketchikan.

The RFP had an ambitious timeline. It was released on December 2, 1996 with a proposal deadline three days later, on December 5. The RFP originally called for completion of this \$25,000 study by January 15. That deadline has now been extended and a draft report is due by March 15.

The system director told the Finance Sub-Committee on DOT/PF that he has received an initial draft, which has been returned to the contractor for further review. AMHS has declined to provide the Senate Transportation Committee with a copy of that draft.

The relocation of some or all of the administrative offices to Ketchikan is not a new idea and was not prompted by concerns over the Ketchikan economy. It was prompted by a valid concern over the continued isolation of the Marine Highway administration from the very fleet they are hired to manage.

Alaska State Legislature

Chairman,
Judiciary Committee

Member,
Resources Committee
Rules Committee
Committee on Committees



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3873
Fax: (907) 465-3922

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

Senator Robin L. Taylor

MEMORANDUM

TO: Senator Jerry Ward, Chairman
Senate Transportation Committee

FROM: Senator Robin Taylor *R.L.T.*

DATE: 3/10/97

RE: Hayden Letter 3/7/97

Please request a copy of the "incomplete" draft Mr. Hayden refers to in the attached letter dated 3/7/97.

Mr. Hayden put out his \$25,000 RFP based on the speculation that a bill moving the AMHS headquarters would be introduced. He acknowledged to the Finance subcommittee on the DOT/PF budget a draft was received from the contractor.

As your committee takes up SB 27, it should have a complete picture of how AMHS obtained "accurate and more complete" information than was provided in the initial draft report. What did that report say and what "comments, corrections and additional ideas" did Mr. Hayden provide to the contractor?

At a time when Mr. Hayden and Commissioner Perkins are blaming the Legislature and their own employees for everything that is wrong at AMHS, they choose to spend \$25,000 to cover their backsides with an "analysis" commissioned before a bill was even filed! The draft already provided to Mr. Hayden is a public document and should be provided to the Transportation Committee immediately.

District A:

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

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES ALASKA MARINE HIGHWAY SYSTEM

TONY KNOWLES, GOVERNOR

3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898

TEXT: (907) 465-3959

FAX: (907) 465-2474

PHONE: (907) 465-3900

March 7, 1997

The Honorable Robin Taylor
Alaska State Legislature
State Capitol, Room 30
Juneau AK 99801-1182

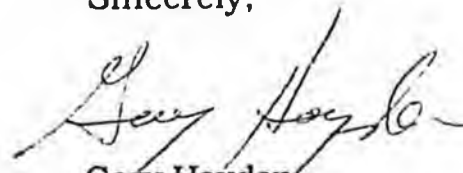
Dear Senator Taylor:

I received your request for a copy of the draft report on the economic analysis on moving AMHS headquarters to Ketchikan. We spoke to the consultant today and passed along your request. AMHS was provided a working draft which was reviewed. Comments, corrections, and additional ideas were provided. The consultant has been working on revising and updating the draft. The draft is incomplete at this time.

The schedule which we provided you, indicates a draft report is due to the Department on March 15, 1997. The consultant indicates a draft could be available a little earlier on March 13th. The consultant will also be in Juneau and could be available to the Transportation Committee on either March 14, 15, or 17.

It is requested that the hearing be delayed until March 17. This will allow the committee to have accurate and more complete information.

Sincerely,



Gary Hayden
System Director

cc: Senator Jerry Ward, Chairman, Senate Transportation Committee

Alaska State Legislature

Chairman,
Judiciary Committee

Member,
Resources Committee
Rules Committee
Committee on Committees



State Capitol
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(907) 465-3873
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352 Front Street
Ketchikan, Alaska 99901
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Senator Robin L. Taylor

MEMORANDUM

**TO: Gary Hayden, Director
Alaska Marine Highway System**

**Senator Jerry Ward, Chairman
Senate Transportation Committee**

FROM: Senator Robin Taylor *R.L.T.*

DATE: 3/6/97

RE: Information Request

Thank you for providing me with a copy of the RFP for the economic analysis you commissioned on moving the AMHS central offices to Ketchikan. It is my understanding that you have received an initial draft report from the contractor.

Although the report is in draft form I request you provide copies to this office and to the Senate Transportation Committee as soon as possible. The committee plans to take up Senate Bill 27 next week and the committee members should have advance access to this document.

Although this \$25,000 study was commissioned even before a bill was filed, the target completion date for a final report is not until the end of April. That is too late to be of benefit to the Legislature as it deals with Senate Bill 27.

Please provide the requested copies of the draft report before the close of business tomorrow.

Thank you.

District A:

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

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

ALASKA MARINE HIGHWAY SYSTEM / SYSTEM DIRECTOR

P.O. BOX 25535
JUNEAU, ALASKA 99802-5535
PHONE: (907) 465-3959
FAX: (907) 465-2474

February 26, 1997

The Honorable Senator Robin Taylor
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Taylor:

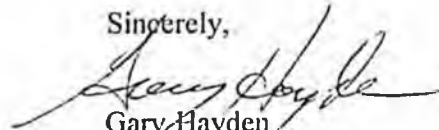
A copy of the Economic Analysis RFP on the relocation of AMHS central offices to Ketchikan is enclosed per your request of February 22, 1997. We have not received a final report from the contractor, since they still had several elements needing further review. The contractor planned to survey the current staff to ascertain how many employees would actually consider relocating to Ketchikan. This is important due to the relocation cost estimates, and to determine the level of positions needing to be filled, and whether a sufficient resource pool exists in Ketchikan. We could find ourselves in a situation of hiring and training replacements in Juneau then relocating them to Ketchikan.

I will follow-up with the contractor to get a status on an anticipated completion date. It is in the best interest of AMHS and the State to know, to the closest degree possible, the cost impact.

As to your question on the Tustumena trip to the ASD and its non-revenue status, the decision was made because there wasn't the potential for significant revenue. There was only two weeks to market the trip. The Traffic Manager contacted some commercial customers and didn't find interest in the run at this time of the year. The crew size was reduced and additional dock rental was avoided.

If I can be of further assistance, please contact me at 465-3959.

Sincerely,



Gary Hayden
System Director

Enclosures

cc: Joseph Perkins, Commissioner, DOT& PF

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
ALASKA MARINE HIGHWAY SYSTEM
P.O. BOX 25535
JUNEAU, ALASKA 99802-5535

REQUEST FOR PROPOSALS

CONTRACT MT-1152
ECONOMIC ANALYSIS - RELOCATING AMHS ADMINISTRATIVE OFFICE TO
KETCHIKAN

This Request for Proposals (RFP) is being made under the professional services procurement rules for agreements of \$25,000 or under.

Consultants responding to this RFP will be evaluated primarily on the following items:

1. The consultant's qualifications, experience and expertise within the subject area.
2. The consultant's understanding of the services required.
3. The proposed cost and schedule of the services.

To be considered, proposals should address the following items:

1. Understanding of the Services Required.

Response must outline in as specific a format as possible, the objective and scope of the proposed agreement as perceived. Do not repeat the scope of work provided, but elaborate on the conditions or specifics deemed significant to demonstrate a complete understanding of the technical and substantive issues necessary to accomplish the services required.

2. Relevant Qualifications and Experience of Proposed Staff.

Response must list all individuals who will be involved in performance of the services required.

Further response should describe the qualifications and experience of each listed individual in terms of his or her educational, managerial and substantive experience which is directly related to the proposed agreement.

Relevant projects the individual has worked on and the extent of responsibilities may be included.

3. Schedule and Cost Proposal

The consultant should provide a schedule showing each major phase of the work to be performed and a projected completion date for each phase.

The schedule should contain specific milestones which can be used to manage contract performance and on which compensation can be negotiated and paid.

The cost proposal should consist of an estimate of the hours and staff required to perform each task or subtask and the hourly rate for each named individual or job classification.

4. Period of Performance

Work shall commence upon receipt of Award/Notice To Proceed and be completed by ~~January 1, 1997~~. DRAFT BY 1/6/97 AND FINAL DUE 1/15/97. NOTIFIED BY PHONE
VMO

5. Project Description

Provide economic analysis of factors related to the relocation of the administrative offices of AMHS to Ketchikan.

6. Scope of Work

Work with AMHS staff to identify all factors to be covered in the analysis. The following areas have been tentatively identified as relevant to this study:

- a. Cost analysis of a move to Ketchikan. Include estimated costs for relocating the office and staff.
- b. Determine the availability of suitable office space in Ketchikan and the estimated cost to lease a facility that will meet the needs of AMHS.
- c. Establish a cost to construct an office facility on or near the Ketchikan Ferry Terminal.
- d. Evaluate the benefits to the AMHS of being located in Ketchikan and Juneau.
- e. Describe the impacts to Ketchikan and Juneau, should the offices move to Ketchikan, including the impact on the housing markets in both locations.
- f. In terms of employee payroll, what is the current AMHS contribution to each community and how would this change.

CONTINUED
RFP MT-1101

- g. Assess the costs associated with acquiring and training new personnel based on anticipated resignations resulting from the move. Evaluate the job applicant pool in Ketchikan and assess its ability to meet AMHS staffing demands.
- h. Evaluate productivity and travel costs associated with not having direct access to the Legislature, Governor's Office, Commissioner's Office, S.E. Region (for shoreside projects), Headquarters staff, etc.
- i. Affect on services as a result of move - laundry, food, etc.
- j. Describe the status of available authorization for a building project and the funds appropriated.

7. Available Documentation

- a. "AMHS Administration Building Program," by A.E. Rogers Architects, February 2, 1993.

INSTRUCTIONS TO OFFERORS

RFP Review

Offerors shall carefully review this RFP for defects and questionable or objectionable material. Offerors comments concerning defects and questionable or objectionable material in the RFP must be made in writing and received by the Contracting Officer at least ten days before the proposal opening at the following address:

Mark O'Brien, Contracting Officer
MT-1152 - ECONOMIC ANALYSIS - RELOCATING AMHS ADMINISTRATIVE
OFFICE TO KETCHIKAN
Alaska Marine Highway System
P.O. Box 25535
Juneau, AK 99802-5535

Addenda

Addenda providing additional information, changes, clarifications, or interpretations of the request for proposals, may be issued by the state from time to time during the time allowed for proposal preparation. Oral interpretations will not be given. No addendum will be issued later than five (5) days from the proposal due date without extending the due date.

CONTINUED
RFP MT-1101

Submitting Proposals

Proposals will be received by AMHS, on behalf of the State of Alaska, up to 3:00 p.m. prevailing time, December 6, 1996 and will not be opened by the Selection Committee until after that time.

Limit your proposal, including price if requested, to not more than four (4) 8.5 X 11 pages. Each printed side of each sheet, including covers, transmittal, etc., equal one page. One copy of the proposal should be sent to:

Mark O'Brien, Contracting Officer
Department of Transportation
And Public Facilities
Alaska Marine Highway System
P.O. Box 25535
Juneau, AK 99802-5535
Fax: 907/465-2024

Or Delivered to:

3132 Channel Drive #310
Juneau, Alaska 99801

A proposal may be corrected, modified, or withdrawn before the time and date set for submission of proposals.

Prices

Prices quoted for services must be quoted in U.S. Funds. Prices quoted in proposals must be exclusive of federal, state and local taxes. If the offeror believes that certain taxes are payable by the State, the offeror should list such taxes separately in his proposal. The State is exempt from Federal Excise Tax under Registration No. 92-73-0006-K.

Filing A Protest

An offeror may protest the award of the AMHS. The protest must be filed in writing to the Procurement Officer, Alaska Marine Highway System, and must include the following information: (1) the name, address and telephone number of the protester; (2) the signature of the protester or the protester's representative; (3) identification of the contracting agency and the solicitation or contract at issue; (4) a detailed statement of the legal and factual grounds of the protest, including copies of relevant documents; and (5) the form of relief requested. Protests will be treated in accordance with AS 36.30.560 -- 610.

CONTINUED
RFP MT-1101

CONDITIONS UNDER WHICH RFP IS ISSUED

Authority

This RFP is written in accordance with Alaska Statutes 36.30 and 2 Alaska Administrative Code 12.

Compliance

In the performance of a contract that results from this RFP, the contractor must comply with all applicable federal, state and local regulations, codes and laws; be liable for all required insurance, licenses, permits and bonds; and pay all applicable federal, state and local taxes.

Offerors will fully comply with all terms of the request for proposals. Offerors that do not comply are nonresponsive and may be rejected.

Firm Offer

For the purpose of award, proposals made in accordance with this RFP must be good and firm for a period of 120 days following delivery of the proposal.

Late Proposals

Proposals received after the time and date set for their receipt will not be accepted and will be returned to the offeror unopened.

Proposal Rejection

The State reserves the right to reject all proposals at any time prior to award, and to waive formalities when it is in the State's best interest to do so. The State may reject proposals if they are incomplete, fail to acknowledge addenda, are improperly signed, or conditioned in any way. The State is not liable for any costs incurred by the offeror in proposal preparation.

Contract Funding

The agreement that is entered into as a result of this RFP is subject to the availability and appropriation of funds.

CONTINUED
RFP MT-1101

Conflict of Interest

An officer or employee of the State of Alaska may not seek to acquire, be a party to, or possess a financial interest in this contract if (a) the officer or employee is an employee of the administrative unit that supervises the award of this contract; or (b) the officer or employee has the power to take or withhold official action so as to affect the award or execution of the contract.

Assignment(s)

Assignment of rights and duties under a contract resulting from this RFP is not permitted unless authorized in writing by the Department of Transportation and Public Facilities, Alaska Marine Highway System.

Subcontract(s)

Within five working days of notice, the successful offeror must submit a list of the subcontractors they propose to use, if any, in the performance of the proposed agreement. The list must include the name of each subcontractor and the location of the place of business for each subcontractor and evidence of each subcontractor's valid Alaska business license, if any.

Force Majeure

The contractor is not liable for the consequences of any failure to perform, or default in performing, any of its obligations under an agreement entered into as a result of this RFP, if that failure or default is caused by any unforeseeable Force Majeure, beyond the control of and without the fault or negligence of the contractor., For the purpose of this agreement, Force Majeure will mean war (whether declared or not); revolution; invasion; insurrection; riot; civil commotion; sabotage; military or usurped power; lightning; explosion; fire; storm; drought; flood earthquake; epidemic or quarantine.

Disputes

Any dispute arising out of the agreement resulting from the RFP shall be resolved under the laws of Alaska. Any appeal of the administrative order or ruling and any action to enforce any provision of this agreement or to obtain any relief from or remedy in connection with this agreement may be brought only in the Superior Court for the First Judicial District of Alaska.



Information Insights
542 Fourth Avenue, Suite 300
Fairbanks, AK 99701-4714
(907) 452-2463 - fax (907) 452-3143
e-mail: info@infoinsights.com

February 27, 1997

Brenda Markey, Support Services Manager
Alaska Marine Highway System
Department of Transportation & Public Facilities
PO Box 25535
Juneau, AK 99802-5535

via fax: 465-2469

Dear Brenda:

You asked for an update to the schedule for completion of contract MT-1152 (Economic Analysis, Relocating AMHS Administrative Office to Ketchikan).

The Standard Agreement Form signed by DOT/PF and Information Insights on January 8, 1997, called for a contract period of January 1, 1997 to April 30, 1997. AMHS System Director Gary Hayden and I discussed and agreed to the following contract milestones within the contract performance period:

- | | | |
|-----|--|------------------|
| (1) | Comment Draft on Major Issues | February 1, 1997 |
| (2) | Completion of First Draft — Major Issues | March 15, 1997 |
| (3) | Comment Draft on Final Report | April 15, 1997 |
| (4) | Final Report | April 30, 1997 |

Please let me know if you need any further refinement to this schedule.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Rogers', written over a circular scribble.

Brian Rogers
Project Manager

cc: Gary Hayden, System Director

STANDARD AGREEMENT FORM

1. Agency Contract Number MT- 1152		2. ASPS Number N/A		3. Financial Coding 25070001/10		4. Agency Assigned Encumbrance Number	
5. Vendor Number				6. Alaska Business License Number			
This contract is between the State of Alaska							
7. Department of Transportation and Public Facilities				Division Alaska Marine Highway System			
8. Contractor Information Insights hereafter the Contractor							
Mailing Address		Street or P.O. Box		City		State	ZIP - 4
542 Fourth Ave. Ste. 300				Fairbanks		AK	99701-4714
9. ARTICLE 1. Appendices: Appendices referred to in this contract and attached to it are considered part of it.							
ARTICLE 2. Performance of Service:							
2.1 Appendix A (General Provisions), Articles 1 through 14, governs the performance of services under this contract.							
2.2 Appendix B sets forth the liability and insurance provisions of this contract.							
2.3 Appendix C - Information Insights proposal dated December 5, 1996.							
ARTICLE 3. Period of Performance: The period of performance for this contract begins <u>January 1, 1997</u> and ends <u>April 30, 1997</u>							
ARTICLE 4. Considerations:							
4.1 In full consideration of the contractor's performance under this contract, the State shall pay the contractor a sum not to exceed \$ <u>24,970</u> in accordance with the provisions of Appendix D.							
4.2 When billing the State, the contractor shall refer to the Authority Number or the Agency Contract Number and send the Billing 101							
10. Department of Transportation and Public Facilities				Attention: Division of Alaska Marine Highway System			
Mailing Address PO Box 25535, Juneau, AK 99802-5535				Attention: Finance Section			
11. CONTRACTOR:							
Name of Firm Information Insights							
Signature of Authorized Representative <i>Brian Rogers</i>						Date 1/8/96	
Typed or Printed Name of Authorized Representative Brian Rogers							
Title Project Manager				Employer ID No. (EIN) or SSN 92-6089908			
12. CONTRACTING AGENCY:							
Department/Division DOT/BF - AMHS				Date 1-8-97		Signature of Head of Contracting Agency or Designee <i>Mark O'Brien</i>	
Signature of Project Director <i>Brenda Markey</i>				Typed or Printed Name Mark O'Brien			
Typed or Printed Name of Project Director Brenda Markey				Title Contracting Officer			
Title Support Services Manager							

NOTICE: This contract has no effect until signed by the head of contracting agency or designee.

Article 2

APPENDIX A GENERAL PROVISIONS

Article 1. Definitions.

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the department for which this contract is to be performed and for which the Commissioner or Authorized Designee acted in signing this contract.

Article 2. Inspection and Reports.

- 2.1 The department may inspect, in the manner and at reasonable times it considers appropriate, all the contractor's facilities and activities under this contract.
- 2.2 The contractor shall make progress and other reports in the manner and at the times the department reasonably requires.

Article 3. Disputes.

- 3.1 Any dispute concerning a question of fact arising under this contract which is not disposed of by mutual agreement shall be decided in accordance with AS 36.30.620-632.

Article 4. Equal Employment Opportunity.

- 4.1 The contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, physical handicap, sex, marital status, changes in marital status, pregnancy, or parenthood. The contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, physical handicap, age, sex, marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 The contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.
- 4.3 The contractor shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 The contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.
- 4.5 The contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of the contract.

Article 5. Termination.

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

Article 6. No Assignment or Delegation.

The contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

Article 7. No Additional Work or Material.

No claim for additional services, not specifically provided in this contract, performed or furnished by the contractor, will be allowed, nor may the contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

Article 8. Independent Contractor.

The contractor and any agents and employees of the contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

Article 9. Payment of Taxes.

As a condition of performance of this contract, the contractor shall pay all federal, State, and local taxes incurred by the contractor and shall require their payment by any Subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

Article 10. Ownership of Documents.

All designs, drawings, specifications, notes, artwork, and other work developed in the performance of this agreement are produced for hire and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the contractor. The contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. The contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Project Director. Unless otherwise directed by the Project Director, the contractor may retain copies of all the materials.

Article 11. Governing Law.

This contract is governed by the laws of the State of Alaska. All actions concerning this contract shall be brought in the Superior Court of the State of Alaska.

Article 12. Conflicting Provisions.

Unless specifically amended and approved by the department of Law the General Provisions of this contract supersede any provisions in other appendices.

Article 13. Officials Not to Benefit.

Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

Article 14. Covenant Against Contingent Fees.

The contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, contingent fee, or brokerage except employees or agencies maintained by the contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage, or contingent fee.

APPENDIX B¹
INDEMNITY AND INSURANCE

Article 1. Indemnification

The contractor shall indemnify, hold harmless, and defend the contracting agency from and against any claim of, or liability for error, omission or negligent act of the contractor under this agreement. The contractor shall not be required to indemnify the contracting agency for a claim of, or liability for, the independent negligence of the contracting agency. If there is a claim of, or liability for, the joint negligent error or omission of the contractor and the independent negligence of the contracting agency, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. "Contractor" and "contracting agency", as used within this article, include the employees, agents and other contractors who are directly responsible, respectively, to each. The term "independent negligence" is negligence other than in the contracting agency's selection, administration, monitoring, or controlling of the contractor and in approving or accepting the contractor's work.

Article 2. Insurance

Without limiting contractor's indemnification, it is agreed that contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the contractor's policy contains higher limits, the state shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the Contracting Officer prior to beginning work and must provide for a 30-day prior notice of cancellation, nonrenewal or material change of conditions. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this contract and shall be grounds for termination of the contractor's services. All insurance policies shall comply with, and be issued by insurers licensed to transact the business of insurance under AS 21.

2.1. Workers' Compensation Insurance: The contractor shall provide and maintain, for all employees engaged in work under this contract, coverage as required by AS 23.30.045, and; where applicable, any other statutory obligations including but not limited to Federal U.S.L.&H. & Jones Act requirements.

The policy must waive subrogation against the State.

2.2. Commercial General Liability Insurance: Such policy shall have minimum coverage limits of \$300,000 combined single limit per occurrence. The policy shall be written on an "occurrence" form unless specifically reviewed and agreed to by the Division of Risk Management.

2.3. Commercial Automobile Liability Insurance: Such policy shall have minimum coverage bodily injury liability limits of \$300,000 combined single limit per occurrence or split limits of \$300,000 per person / \$500,000 per occurrence. The policy shall cover all owned, hired and non-owned vehicles. In addition, it shall have a minimum of \$50,000 per occurrence property damage liability limits.

Requesting Agency:

State of Alaska
Dept. of Transportation & Public Facilities
Alaska Marine Highway System
PO Box 25535, Juneau, AK 99802-5535

Contract MT-1152
Economic Analysis: Relocating AMHS office to Ketchikan

Understanding of the Services Required

The decision to move the Alaska Marine Highway System administrative office to Ketchikan is a complex one. Our goal in this project is to couple the technical competence of our staff with the impartial position of people with no regional interest in the decision to produce a timely and accurate analysis. We are cognizant of the compressed time scale of the project, and have developed a three phase approach to balance rapid completion of project goals with the detailed analysis required to inform the decision:

1. Preliminary meetings to clarify project goals and methods; draft analysis of the leasing, construction and physical costs of the proposed move (Sections A-C and J below).
2. Draft analysis of the impact of the proposed move on AMHS operations (Sections D, G and H below).
3. Draft analysis of the impact of the proposed move on the communities of Juneau and Ketchikan (Sections E, F and I below).

Following submittal of the draft document on 5 January, there will be a content review by AMHS staff. Meetings will then be held to finalize content, revisions made and the final document prepared to meet the 15 January submittal date.

A. Cost Analysis of a Move to Ketchikan

To determine the costs of a move to Ketchikan, we will complete a rough inventory of equipment to be moved, determine the expected number of transferred households, and solicit a bid for moving costs for these two items. We will also estimate the approximate 'downtime' until employees resume their usual productivity following the move.

B. Availability/Cost of Suitable Office Space in Ketchikan

A survey of available office space in Ketchikan must be performed so that we can compare the economic feasibility of new construction versus the use of existing facilities. Since the needs of the administrative unit will be somewhat idiosyncratic compared with what is likely available, standard commercial lease rates are likely of little value.

C. Cost of Constructing Office Space in Ketchikan

We will establish the cost of constructing AMHS administrative offices in Ketchikan using the standard CSI (Construction Standards Institute) format. We will take into account various factors including logistics, the seasonal nature of the construction season in Ketchikan (primarily due to precipitation), and current construction systems and technology. These estimates will be based upon square foot unit costs that in turn will be determined through interviews with the AMHS personnel in Juneau.

D. Benefits to AMHS of Ketchikan/Juneau Location

To study the direct effects of a proposed move of the AMHS, we will conduct a logistics study of current operations and the availability of satisfactory modes of communications between the various associated offices and the administrative unit. We will estimate expected productivity by carefully considering the mix of internal and external operations, the current communications modes, and the specific proposal for the types of operations that may be moved. Our analysis will consider a variety of contingencies for the proposed scale of the move.



E. Impacts of Move on Ketchikan/Juneau: Housing Markets

We will examine a variety of location-specific benefits that the AMHS must consider. Both Ketchikan and Juneau provide the intuitive physical link to the marine highway. However, the State of Alaska must concern itself with other factors such as the cost of operations in each alternative location, the level of displacement of other enterprises in each location, the types of links that can be established between AMHS administration and local enterprises, and the substantial effect of a relocation on local employment and public facilities.

This analysis is challenging because Ketchikan is currently undergoing an employment transformation as a result of recent decisions by Ketchikan Pulp. While the tools of input/output analysis and regional employment multipliers must be considered, our in-depth understanding of the methodology will be critical because Ketchikan is not in a steady state. We expect that a major relocation of the AMHS Administrative Office will have a substantial effect on the local economy and therefore requires special consideration in this analysis.

Of special concern is the effect such a proposed move would have on the local housing market. We will identify and apply reasonable assumptions that must be made with regard to the housing choices of employees prone to transfer and the ability of the relevant markets to absorb the demand for housing in its various forms. A complete analysis of both the home ownership and rental markets will be conducted.

F. Impacts of Move on Ketchikan/Juneau: Employee Payroll

We will complete an analysis of the current and the likely future pattern of payroll, based on contingencies determined in Section D above. The pattern of payrolls in the communities considered is necessary to determine the overall effect on the communities because the injection of new income into Ketchikan will have a very different effect given the employment slack in the Ketchikan economy. We will extrapolate past data from Ketchikan to incorporate recent structural changes in the Ketchikan economy. We propose to study both the direct and the indirect effect of the proposed shift in payroll on the Ketchikan region.

G. Ketchikan Workforce Analysis

Related to the employment analysis in Section F, we will consider the ability of the Ketchikan employment market to meet the needs of the AMHS administrative move. Expectations of the composition of resignations and the desired composition of the new administrative facility will be formulated. We will further include study of the existing composition of the AMHS administrative office and the strategic plan for the new office. In addition, results from the study of the housing market from Section E will aid our estimation of successful relocation of administrative employees.

H. Effects of Distance on Business Processes

We will carefully consider the need for direct and indirect interaction between AMHS administrative employees and legislative and agency personnel. In Section D above we described the need to develop alternative relocation contingencies so that the relocation strategy does not frustrate the necessary business of the AMHS administrative unit. Travel costs, dependability, and availability will be among the factors we consider in light of alternative communications technologies suitable for internal operations of the administrative unit.

I. Impacts of Move on Ketchikan/Juneau: Service Economy

We must establish that the community of Ketchikan can meet the service needs of the influx of administrative employees. To accomplish this we will assess the services available in the Ketchikan area and the ability of the Ketchikan community to satisfy increased demand as a consequence of the relocation. Our primary tool for this analysis will be interviews with service providers in Ketchikan. This is a necessary ingredient of the input-output analysis, which assumes that the community can readily expand the level of infrastructure to accommodate increased activity. Such a reserve capacity must be determined to permit confidence in the regional multiplier analysis described in Sections E and F above.



**Economic Analysis Proposal
Relocating AMHS Administrative Office to Ketchikan**

12 December, 1986

J. Status of Available Authorization for a Building Project

As part of a general review of the current status of the project, we will review alternative financing mechanisms for the project and will report on available funding and financing options from the State of Alaska, the Alaska Industrial Development and Export Authority, the Ketchikan Gateway Borough, the City of Ketchikan, or other possible financing entities.

Relevant Qualifications and Experience of Proposed Staff

Sections A - B and D - I will be completed by Dr. Colin Read, Ph.D. in Economics and Associate Professor of Economics at the University of Alaska Fairbanks. Dr. Read is a nationally recognized expert in housing markets and the only housing professor in Alaska. In addition, Dr. Read teaches and does research in Alaskan regional issues and is well-schooled in the special techniques involved in regional analysis. These skills include employment analysis, regional multiplier effects, and the influence of transportation networks on local growth.

Assisting Dr. Read will be Dr. Ken Osterkamp, Ph.D. in Political Science and Director of Information Technology at Information Insights. Dr. Osterkamp has extensive research and analytical experience, as well as expertise with the computer technologies that will be used to support this project.

Section C will be completed by Charles Bettisworth. Charles Bettisworth and Company is an eleven member architectural firm that in the last five years has completed over \$80 Million in projects throughout Alaska. CBCo has maintained a continuous involvement in Ketchikan since 1982, including:

- being part of the team that developed the original designs for the Ship Maintenance Facility in Ketchikan, a project that included an on-site office complex;
- preparation of construction documents for the Marine Highway System provisioning warehouse;
- the Southeast Alaska Visitor's Center, completed and dedicated in 1995.

Section J will be completed by Brian Rogers, who has extensive experience in the provision of public facilities and the legislative and budgetary considerations in the required authorization. Mr. Rogers gained his experience in such analysis through his tenure as an Alaska legislator, Vice President for Finance at the University of Alaska, extensive consulting experience in similar projects, and participation in various private sector business ventures. Mr. Rogers will also be responsible for overall project management.

Cost Proposal and Schedule

Cost Proposal: Total Project Budget \$24,970

Consultant	Hourly Rate	Activity	Hours			Budget
			Read	Osterkamp	Bettisworth	
B. Rogers, Project Manager	\$100	Planning Meeting	4	4	4	\$1,000
C.B. Bettisworth, Architect	\$100	Final Document: Analysis and Preparation	15	15		\$2,250
Dr. Read, Economist	\$90	A. Analysis of a Move to Ketchikan	8	8		\$1,200
Dr. Osterkamp, Researcher	\$90	B. Willingness to Pay for Office Space in Ketchikan			8	\$800
		C. Willingness to Pay for Office Space in Ketchikan	14	14		\$2,100
		D. Determining Office Location	20	20		\$3,000
		E. Impacts of Move on Housing Markets	12	12		\$1,800
		F. Impacts of Move on the Local Labor Market	8	8		\$1,200
		G. Ketchikan Workforce Analysis	10	10		\$1,500
		H. Effects of Distance on Business Production	12	12		\$1,800
		I. Impacts of Move on Ketchikan/Juneau Service Economy			8	\$800
		J. Status of Available Authorization for a Building Project	22	22		\$3,300
		Final Document: Analysis and Preparation				\$800
		Project Management				\$120
		Travel costs				\$3,420
		Total	126	126	20	\$24,970

Note: per diem at State rate (\$42 per day)



Economic Analysis Proposal Relocating AMHS Administrative Office to Ketchikan

12 December, 1996

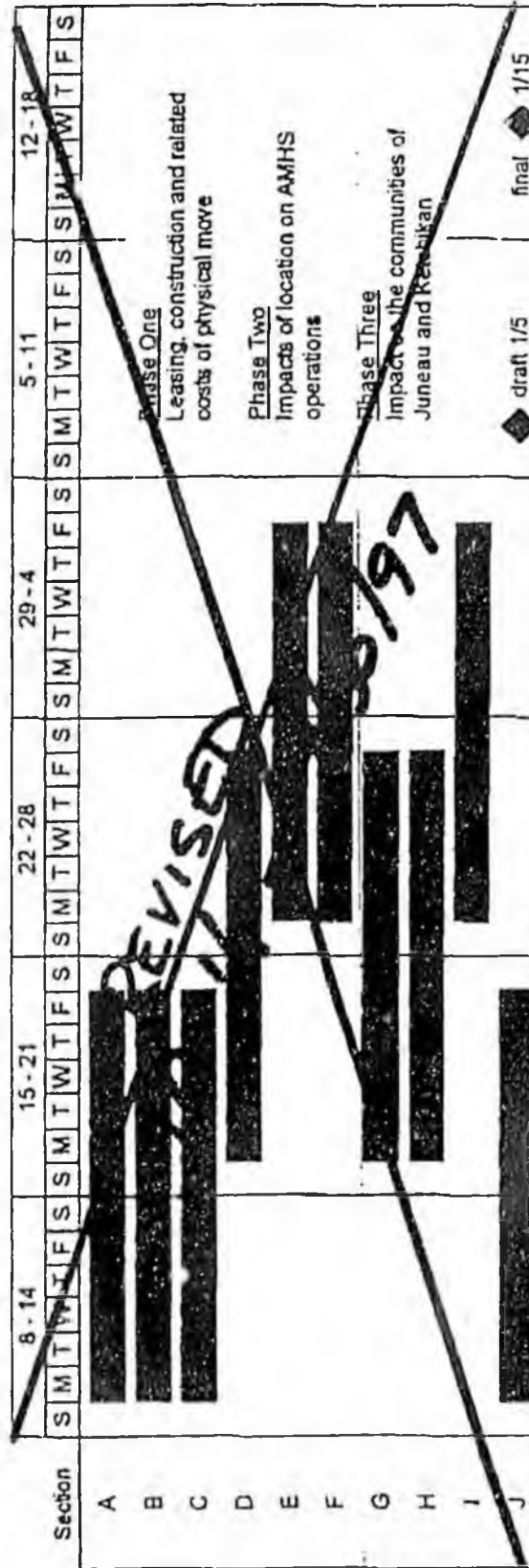
Schedule

The three phases of the project will be completed in the order shown at right. Each succeeding phase depends in part on the phase before it.

There will need to be an initial meeting to clarify project goals and methods. This meeting should occur early on, preferably the week after the project has been awarded. This would give Information Insights a week to do preliminary investigation. Present at this meeting would be Brian Rogers, Project Manager; Dr. Read, Economist; and Dr. Osterkamp, Researcher.

Drs. Read and Osterkamp would travel on to Ketchikan from this meeting to continue their research there.

The Project Manager, Brian Rogers, would also meet physically with the AMHS staff at some point during the final document preparation stage to address any concerns that might arise late in the project and to present the final document.



Appendix D

Consultant	Hourly Rate	Activity	Hours				Budget
			Read	Osterkamp	Rogers	Bettisworth	
B. Rogers, Project Manager	\$100	Planning Meeting	4	4	4		\$1,000
C.B. Bettisworth, Architect	\$100	Draft Document: Analysis and Preparation					\$0
Dr. Read, Economist	\$90	1 Outline of Significant Issues	4	8	8		\$1,640
Dr. Osterkamp, Researcher	\$60	2 Initial Fixed Costs	12	16	4	6	\$3,040
		3 Ongoing Operational Costs	24	32	8		\$4,880
		4 Economic Impact	16	16	4		\$2,800
		5 Document Preparation	16	24	8	2	\$3,880
		Final Document: Analysis and Preparation	8	12	6		\$2,040
		Project Management			6		\$600
		Travel costs					\$5,090
		Totals	84	112	48	8	\$24,970

Note: per diem at State rate
(\$42 per day)

Ketchikan Daily News
11/25/96

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Editorial

Evaluate ferry system

Senate Majority Leader Jim Duncan, D-Juneau, calls Sen. Robin Taylor's, R-Wrangell, proposal to move ferry offices to Ketchikan a job grab.

Taylor says the move would put administrators closer to ferry repair facilities, make operations more efficient and allow the marine highway system to reduce its staff.

Sounds like a proposal that at least should be considered.

Ferry director Gary Hayden said the move would raise expenses.

But we think it should be evaluated. There is the obvious benefit to Ketchikan and could mean some job loss for Juneau. But how would ferry officials know for sure what the effects could be?

Director of the Alaska Marine Highway System is a revolving door position. Every time we turn around, a new person sits at the helm. How could any director have an overview, in-depth position on the health, well-being and operation of the system?

The ferries are under seige. Other regions don't understand the system's value to Southeast Alaska — or don't want to share federal highway funds with it. It has been criticized by those who use it, those who work on it, those who want to be served better and those who want the money for it spent elsewhere.

Closing the lounges on ferries and the proposal to close food services are poorly thought out ideas.

What the ferry system needs is a thorough going over. Ask the captains and pursers and other employees who have worked on the system for years. They will have ideas for improvements.

Ask folks who use it what they want for service. Use a variety of ways to obtain information: public hearings, telephone surveys, mail-in surveys, on the street interviews.

A recent hearing on an aspect of ferry operation was criticized because few people showed. Perhaps hearings need to be advertised better with a clearer idea of what questions will be asked.

Those worried about the ferry's future say if the system isn't fixed it will be gone in six years. If members of the public know they could lose the system, we believe they will stir themselves to speak out. Perhaps some of the hearing no-show is a sense of frustration, that those running the system are looking only at the bottom line and not at Southeast's need.

Maybe after results of a review are determined, ferry jobs won't be transferred to Ketchikan. That's fair enough.

But before any decision can be made, enough information to make one must be gathered.

From other cities

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