

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

SJR 7 SJR 8, SCR 9

167

168

SJR

7

(11)

HOUSE COMMITTEE REPORT

Date referred: 2/1/88

FURTHER REFERRALS:

DATE: 2-8-88

The Finance Committee has considered CSSJR 7(Res)am

Relating to oil and gas exploration, development, and production within the Arctic National Wildlife Refuge, Alaska, and declaring state policy.

RECOMMENDS:

replace with H CS CS SJR 7 (Res) the same title
 attached amendment(s) a new title

- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact
- same as previous fiscal note published 2/1/88
- zero fiscal note
- same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Pat Roush

Ronald J. Lamm

Mark Boyer

Chris Truesdell

J. Frank

Greg Bohannon

SIGNING OTHER RECOMMENDATIONS:

Al Adams - NO Rec

John Page - no rec

Mike Davis - NO Rec

Ray Wallis

Al Adams

 Chairman's signature

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HCS SJR 7 (RES)
PUBLISH DATE: HOUSE 2/1/88

FISCAL NOTE

REQUEST:

Revision Date: 1/28/88
Title: Oil & Gas Explor. and Dev. ANWR
Sponsor: Resources Committee
Requestor: House Resources Committee

Agency Affected: Natural Resources
BRU: Petroleum Management

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Eason
Division: Oil and Gas

Phone: 465-2 400
Date: 1/27/88

Approved by Commissioner: [Signature]
Agency: Department of Natural Resources

Date: 1/27/88

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsors: Sturgulewski, Fischer,
Abood, et al.

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 HOUSE CS FOR CS FOR SENATE JOINT RESOLUTION NO. 7 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 Relating to oil and gas exploration,
6 development, and production within the
7 Arctic National Wildlife Refuge, Alaska,
8 and declaring state policy.
9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 WHEREAS in 1980 the United States Congress suspended the operation of
11 the Mineral Leasing Act of 1920 (30 U.S.C. 191) on the coastal plain of the
12 Arctic National Wildlife Refuge to allow for the study of management alter-
13 natives for the coastal plain; and
14 WHEREAS the coastal plain has been found to have the best potential
15 for onshore oil and gas discoveries in the United States; and
16 WHEREAS Congress recognized the environmental importance of the
17 coastal plain by placing it in the national wildlife refuge system in 1980,
18 and the wildlife and habitat deserve a high standard of protection if oil
19 exploration and development proceed; and
20 WHEREAS exploration and development of oil and gas on the coastal
21 plain could reduce the nation's trade deficit, increase energy security,
22 prevent erosion of the oil and gas industry, improve the national and state
23 economies, and occur with full environmental protection and safeguards; and
24 WHEREAS even when the strictest standards of environmental protection
25 are applied there still can be some risk to land, water, and wildlife from
26 development activity, and Alaskans dependent on subsistence resources of
27 the Arctic National Wildlife Refuge should be protected in the event that
28 there is any damage to subsistence resources; and
29 WHEREAS the people of Alaska, based on the provisions of the statehood

1 compact, are to be treated equally and fairly in the decisions of the
2 United States government regarding revenue sharing, leasing, and develop-
3 ment of public lands, including the coastal plain; and

4 WHEREAS the state's economy is in bad condition, with high unemploy-
5 ment, property foreclosures, and shrinking investment;

6 BE IT RESOLVED that the Alaska State Legislature adopts the following
7 consensus points on management of the coastal plain, and strongly urges
8 Congress to act on them:

9 (1) the United States Congress should open the coastal plain to
10 environmentally responsible oil and gas exploration, development, and
11 production under the authority of the Mineral Leasing Act of 1920 (30
12 U.S.C. 191);

13 (2) the United States Congress should provide for maximum par-
14 ticipation and job opportunity for Alaska residents in coastal plain explo-
15 ration and development;

16 (3) the United States Congress should treat Alaska equally and
17 fairly on revenue issues and not depart from the spirit of the statehood
18 compact; and

19 (4) the United States Congress should include language in any
20 coastal plain legislation that addresses indemnification for subsistence
21 users in Alaska, as it did in the Trans-Alaska Pipeline Authorization Act
22 (43 U.S.C. 1653).

23 COPIES of this resolution shall be sent to the Honorable Ronald
24 Reagan, President of the United States; the Honorable George Bush, Vice-
25 President of the United States and President of the U.S. Senate; the Honor-
26 able Jim Wright, Speaker of the U.S. House of Representatives; the Honor-
27 able George P. Shultz, Secretary of State; the Honorable Donald P. Hodel,
28 Secretary of the Interior; the Honorable J. Bennett Johnston, Chairman, and
29 the Honorable James A. McClure, Ranking Minority Member, of the Senate

1 Committee on Energy and Natural Resources; the Honorable Quentin N.
2 Burdick, Chairman, and the Honorable Robert T. Stafford, Ranking Minority
3 Member of the Senate Committee on Environment and Public Works; the Honor-
4 able George J. Mitchell, Chairman, and the Honorable John H. Chafee, Rank-
5 ing Minority Member of the Subcommittee on Environmental Protection of the
6 Senate Committee on Environment and Public Works; the Honorable Morris K.
7 Udall, Chairman of the House Committee on Interior and Insular Affairs; the
8 Honorable George Miller, Chairman, and the Honorable Charles Pashayan, Jr.,
9 Ranking Minority Member of the Subcommittee on Water and Power Resources of
10 the House Committee on Interior and Insular Affairs; the Honorable Walter
11 B. Jones, Chairman, and the Honorable Robert W. Davis, Ranking Minority
12 Member of the House Committee on Merchant Marine and Fisheries; the Honor-
13 able Gerry E. Studds, Chairman of the Subcommittee on Fisheries and Wild-
14 life Conservation and the Environment of the House Committee on Merchant
15 Marine and Fisheries; and to the Honorable Ted Stevens and the Honorable
16 Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Repre-
17 sentative, members of the Alaska delegation in Congress.

Be it resolved

Passed
2-6-58
at Juneau

Central Committee
Democratic Party of Alaska

ANWAR
Send copy to
Hath

Whereas the United States Congress has reserved the right to permit further exploration for, and development of, oil and gas with the coastal plain of the Arctic Wildlife Refuge, Alaska; and

Whereas the U.S. Department of Interior, the state, and the oil industry consider the coastal plain to have the highest potential for discovery of oil and gas accumulations on the continent of North America; and

Whereas development of oil and gas in the refuge should and will be subject to strict environmental safeguards, including those protecting water, land, air and important wildlife habitat that supports the subsistence resources used by Natives of the state; and

Whereas the people of Alaska, based on the provisions of the statehood compact, are to be treated equally and fairly in the decisions of the United States government regarding revenue sharing, leasing, and development of public lands, including the coastal plain; and

Whereas development of the coastal plain oil and gas resources can and should be conducted by the corporations and workers of the state, who have the expertise to bring the resources to market; and

Whereas the state's economy is in bad condition, with high unemployment, property foreclosures, and shrinking investment,

Be it resolved that the Alaska State Democratic Party supports the opening of the refuge, under the Mineral Leasing Act of 1920, for oil and gas exploration and development in an environmentally sound manner.

Be it further resolved that the Alaska Democratic Party supports that Congress treat Alaska equally and fairly on revenue issues and not depart from the spirit of the statehood compact

And be it resolved that the Alaska State Democratic Party supports that Congress should provide for maximum participation and job opportunity for Alaskan residents in coastal plain exploration and development.

Original sponsors: Sturgulewski, Fischer,
Abood, et al.

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 HOUSE CS FOR CS FOR SENATE JOINT RESOLUTION NO. 7 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 Relating to oil and gas exploration,
6 development, and production within the
7 Arctic National Wildlife Refuge, Alaska,
8 and declaring state policy.
9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 WHEREAS in 1980 the United States Congress suspended the operation of
11 the Mineral Leasing Act of 1920 (30 U.S.C. 191) on the coastal plain of the
12 Arctic National Wildlife Refuge to allow for the study of management alter-
13 natives for the coastal plain; and
14 WHEREAS the coastal plain has been found to have the best potential
15 for onshore oil and gas discoveries in the United States; and
16 WHEREAS Congress recognized the environmental importance of the
17 coastal plain by placing it in the national wildlife refuge system in 1980,
18 and the wildlife and habitat deserve a high standard of protection if oil
19 exploration and development proceed; and
20 WHEREAS exploration and development of oil and gas on the coastal
21 plain could reduce the nation's trade deficit, increase energy security,
22 prevent erosion of the oil and gas industry, improve the national and state
23 economies, and occur with full environmental protection and safeguards; and
24 WHEREAS even when the strictest standards of environmental protection
25 are applied there still can be some risk to land, water, and wildlife from
26 development activity, and Alaskans dependent on subsistence resources of
27 the Arctic National Wildlife Refuge should be protected in the event that
28 there is any damage to subsistence resources; and
29 WHEREAS the people of Alaska, based on the provisions of the statehood

1 compact, are to be treated equally and fairly in the decisions of the
2 United States government regarding revenue sharing, leasing, and develop-
3 ment of public lands, including the coastal plain; and

4 WHEREAS the state's economy is in bad condition; with high unemploy-
5 ment, property foreclosures, and shrinking investment;

6 BE IT RESOLVED that the Alaska State Legislature adopts the following
7 consensus points on management of the coastal plain, and strongly urges
8 Congress to act on them:

9 (1) the United States Congress should open the coastal plain to
10 environmentally responsible oil and gas exploration, development, and
11 production under the authority of the Mineral Leasing Act of 1920 (30
12 U.S.C. 191);

13 (2) the United States Congress should provide for maximum par-
14 ticipation and job opportunity for Alaska residents in coastal plain explo-
15 ration and development;

16 (3) the United States Congress should treat Alaska equally and
17 fairly on revenue issues and not depart from the spirit of the statehood
18 compact; and

19 (4) the United States Congress should include language in any
20 coastal plain legislation that addresses indemnification for subsistence
21 users in Alaska, as it did in the Trans-Alaska Pipeline Authorization Act
22 (43 U.S.C. 1653).

23 COPIES of this resolution shall be sent to the Honorable Ronald
24 Reagan, President of the United States; the Honorable George Bush, Vice-
25 President of the United States and President of the U.S. Senate; the Honor-
26 able Jim Wright, Speaker of the U.S. House of Representatives; the Honor-
27 able George P. Shultz, Secretary of State; the Honorable Donald P. Hodel,
28 Secretary of the Interior; the Honorable J. Bennett Johnston, Chairman, and
29 the Honorable James A. McClure, Ranking Minority Member, of the Senate

1 Committee on Energy and Natural Resources; the Honorable Quentin N.
2 Burdick, Chairman, and the Honorable Robert T. Stafford, Ranking Minority
3 Member of the Senate Committee on Environment and Public Works; the Honor-
4 able George J. Mitchell, Chairman, and the Honorable John H. Chafee, Rank-
5 ing Minority Member of the Subcommittee on Environmental Protection of the
6 Senate Committee on Environment and Public Works; the Honorable Morris K.
7 Udall, Chairman of the House Committee on Interior and Insular Affairs; the
8 Honorable George Miller, Chairman, and the Honorable Charles Pashayan, Jr.,
9 Ranking Minority Member of the Subcommittee on Water and Power Resources of
10 the House Committee on Interior and Insular Affairs; the Honorable Walter
11 B. Jones, Chairman, and the Honorable Robert W. Davis, Ranking Minority
12 Member of the House Committee on Merchant Marine and Fisheries; the Honor-
13 able Gerry E. Studds, Chairman of the Subcommittee on Fisheries and Wild-
14 life Conservation and the Environment of the House Committee on Merchant
15 Marine and Fisheries; and to the Honorable Ted Stevens and the Honorable
16 Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Repre-
17 sentative, members of the Alaska delegation in Congress.

Original sponsors: Sturgulewski, Fischer,
Abood, et al.

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE JOINT RESOLUTION NO. 7 (Resources) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 Relating to oil and gas exploration,
6 development, and production within the
7 Arctic National Wildlife Refuge, Alaska,
8 and declaring state policy.
9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 WHEREAS the Congress of the United States has reserved to itself under
11 sec. 1003 of the Alaska National Interest Lands Conservation Act (94 Stat.
12 2371) the authority to permit further oil and gas exploration, development,
13 and production in the coastal plain of the Arctic National Wildlife Refuge;
14 and
15 WHEREAS the coastal plain of the Arctic National Wildlife Refuge
16 contains the greatest potential on the North American continent for the
17 discovery of economic quantities of recoverable oil and gas reserves; and
18 WHEREAS the coastal plain of the Arctic National Wildlife Refuge
19 contains unique environmental and wildlife qualities that require consid-
20 eration and caution in the exploration, development, and production of
21 hydrocarbon resources in the coastal plain; and
22 WHEREAS, based on the accumulated evidence, the Alaska State Legisla-
23 ture believes that any adverse effects on the Porcupine caribou herd re-
24 sulting from development on the coastal plain of the Arctic National Wild-
25 life Refuge can be successfully mitigated; and
26 WHEREAS all the people of Alaska have expressed and demonstrated
27 concern for the environment and wildlife present on the coastal plain of
28 the Arctic National Wildlife Refuge, as well as the desire to enhance
29 economic opportunities that may result from energy related activities on

1 the coastal plain of the Arctic National Wildlife Refuge; and

2 WHEREAS the indigenous people of Alaska have recognized the potential
3 of the coastal plain of the Arctic National Wildlife Refuge to provide for
4 the well-being of future generations of their people consistent with the
5 Alaska Native Claims Settlement Act (43 U.S.C. 1601-1629a); and

6 WHEREAS value-for-value exchanges of federally owned subsurface rights
7 in the coastal plain for State of Alaska and Alaska Native corporation
8 surface right inholdings in federal conservation system units and surface
9 land adjacent to federal conservation system units offer an unparalleled
10 opportunity for the federal government to reacquire land of great environ-
11 mental value; and

12 WHEREAS the Mineral Leasing Act of 1920 (30 U.S.C. 191) provides that
13 90 percent of the revenue from mineral leasing on federally owned public
14 land is dedicated to the benefit of the state within which the land is
15 located through direct payment and, except for Alaska, coverage under the
16 Reclamation Fund (43 U.S.C. 391-401); and

17 WHEREAS, at statehood, the United States Congress did not include
18 Alaska under the Reclamation Fund, but instead provided that the full 90
19 percent of the revenue from the leasing of minerals on federally owned
20 public land in the state would be paid directly to the State of Alaska
21 without deposit in the Reclamation Fund; and

22 WHEREAS the Congress applied the Mineral Leasing Act of 1920 (30
23 U.S.C. 191) to Alaska in secs. 6(h) and 28 of the Alaska Statehood Act
24 (P.L. 95-508, July 7, 1958) and, as a result, the Mineral Leasing Act of
25 1920, which allocates to Alaska a total of 90 percent of the revenue from
26 the leasing of minerals on federally owned public land in Alaska, became an
27 integral part of the compact between the United States and the State of
28 Alaska under sec. 4 of the Alaska Statehood Act; and

29 WHEREAS the legislature has established an extensive public record

1 regarding the issues that relate to the central issue of the Congress
2 exercising its authority under sec. 1003 of the Alaska National Interest
3 Lands Conservation Act;

4 BE IT RESOLVED that the Alaska State Legislature strongly urges that

5 (1) the Congress of the United States open the coastal plain
6 (1002 area) of the Arctic National Wildlife Refuge, Alaska, to environ-
7 mentally sound oil and gas exploration, development, and production under
8 the authority of the Mineral Leasing Act of 1920;

9 (2) the Congress of the United States reject any consideration
10 of an exploration program that would be performed by a governmental agency,
11 as was the case in the National Petroleum Reserve-Alaska; and be it

12 FURTHER RESOLVED that the Legislature

13 (1) supports and urges maximum participation and job opportunity
14 for Alaska residents in all phases of energy development that might occur
15 on the coastal plain of the Arctic National Wildlife Refuge;

16 (2) supports the principle of the value-for-value exchange of
17 interests, involving land within the coastal plain of the Arctic National
18 Wildlife Refuge under the provisions of the Alaska National Interest Land
19 Conservation Act, the Alaska Native Claims Settlement Act, and state
20 statutes, where applicable, between the United States government and the
21 State of Alaska and between the United States government and Alaska Native
22 corporations;

23 (3) supports the conclusion that, while the elimination of in-
24 holdings within federal conservation units, may, in some cases, be in the
25 public interest, the State of Alaska should convey only the surface estate
26 in its inholdings within federal refuges and national parks or other feder-
27 al conservation system units, if the state of Alaska is involved in any
28 trades for subsurface interest in the coastal plain of the Arctic National
29 Wildlife Refuge.

1 COPIES of this resolution and the Senate Resources Committee Report on
2 the Arctic National Wildlife Refuge shall be sent to the Honorable Ronald
3 Reagan, President of the United States; the Honorable George Bush, Vice-
4 President of the United States and President of the U.S. Senate; the Honor-
5 able Jim Wright, Speaker of the U.S. House of Representatives; the Honor-
6 able George P. Shultz, Secretary of State; the Honorable Donald P. Hodel,
7 Secretary of the Interior; the Honorable J. Bennett Johnston, Chairman of
8 the Senate Committee on Energy and Natural Resources; the Honorable Morris
9 K. Udall, Chairman of the House Committee on Interior and Insular Affairs;
10 and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.
11 Senators, and the Honorable Don Young, U.S. Representative, members of the
12 Alaska delegation in Congress.

Original sponsors: Sturgulewski, Fischer,
Abood, et al.

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE JOINT RESOLUTION NO. 7 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 Relating to oil and gas exploration,
6 development, and production within the
7 Arctic National Wildlife Refuge, Alaska,
8 and declaring state policy.
9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 WHEREAS the Congress of the United States has reserved to itself under
11 sec. 1003 of the Alaska National Interest Lands Conservation Act (94 Stat.
12 2371) the authority to permit further oil and gas exploration, development,
13 and production in the coastal plain of the Arctic National Wildlife Refuge;
14 and
15 WHEREAS the coastal plain of the Arctic National Wildlife Refuge
16 contains the greatest potential on the North American continent for the
17 discovery of economic quantities of recoverable oil and gas reserves; and
18 WHEREAS the coastal plain of the Arctic National Wildlife Refuge
19 contains unique environmental and wildlife qualities that require consid-
20 eration and caution in the exploration, development, and production of
21 hydrocarbon resources in the coastal plain; and
22 WHEREAS, based on the accumulated evidence, the Alaska State Legisla-
23 ture believes that any adverse effects on the Porcupine caribou herd re-
24 sulting from development on the coastal plain of the Arctic National Wild-
25 life Refuge can be successfully mitigated; and
26 WHEREAS all the people of Alaska have expressed and demonstrated
27 concern for the environment and wildlife present on the coastal plain of
28 the Arctic National Wildlife Refuge, as well as the desire to enhance
29 economic opportunities that may result from energy related activities on

1 the coastal plain of the Arctic National Wildlife Refuge; and

2 WHEREAS the indigenous people of Alaska have recognized the potential
3 of the coastal plain of the Arctic National Wildlife Refuge to provide for
4 the well-being of future generations of their people consistent with the
5 Alaska Native Claims Settlement Act (43 U.S.C. 1601-1629a); and

6 WHEREAS value-for-value exchanges of federally owned subsurface rights
7 in the coastal plain for State of Alaska and Alaska Native corporation
8 surface right inholdings in federal conservation system units and surface
9 land adjacent to federal conservation system units offer an unparalleled
10 opportunity for the federal government to reacquire land of great environ-
11 mental value; and

12 WHEREAS the Mineral Leasing Act of 1920 (30 U.S.C. 191) provides that
13 90 percent of the revenue from mineral leasing on federally owned public
14 land is dedicated to the benefit of the state within which the land is
15 located through direct payment and, except for Alaska, coverage under the
16 Reclamation Fund (43 U.S.C. 391-401); and

17 WHEREAS, at statehood, the United States Congress did not include
18 Alaska under the Reclamation Fund, but instead provided that the full 90
19 percent of the revenue from the leasing of minerals on federally owned
20 public land in the state would be paid directly to the State of Alaska
21 without deposit in the Reclamation Fund; and

22 WHEREAS the Congress applied the Mineral Leasing Act of 1920 (30
23 U.S.C. 191) to Alaska in secs. 6(h) and 28 of the Alaska Statehood Act
24 (P.L. 95-508, July 7, 1958) and, as a result, the Mineral Leasing Act of
25 1920, which allocates to Alaska a total of 90 percent of the revenue from
26 the leasing of minerals on federally owned public land in Alaska, became an
27 integral part of the compact between the United States and the State of
28 Alaska under sec. 4 of the Alaska Statehood Act; and

29 WHEREAS the legislature has established an extensive public record

1 regarding the issues that relate to the central issue of the Congress
2 exercising its authority under sec. 1003 of the Alaska National Interest
3 Lands Conservation Act;

4 BE IT RESOLVED that the Alaska State Legislature strongly urges that

5 (1) the Congress of the United States open the coastal plain
6 (1002 area) of the Arctic National Wildlife Refuge, Alaska, to environ-
7 mentally sound oil and gas exploration, development, and production under
8 the authority of the Mineral Leasing Act of 1920;

9 (2) the Congress of the United States reject any consideration
10 of an exploration program that would be performed by a governmental agency,
11 as was the case in the National Petroleum Reserve-Alaska; and be it

12 FURTHER RESOLVED that the Legislature

13 (1) supports and urges maximum participation and job opportunity
14 for Alaska residents in all phases of energy development that might occur
15 on the coastal plain of the Arctic National Wildlife Refuge;

16 (2) supports the value-for-value exchange of interests, involv-
17 ing land within the coastal plain of the Arctic National Wildlife Refuge
18 under the provisions of the Alaska National Interest Land Conservation Act,
19 the Alaska Native Claims Settlement Act, and state statutes, where applica-
20 ble, between the United States government and the State of Alaska and
21 between the United States government and Alaska Native corporations;

22 (3) supports the conclusion that, while the elimination of in-
23 holdings within federal conservation units, may, in some cases, be in the
24 public interest, the State of Alaska should convey only the surface estate
25 in its inholdings within federal refuges and national parks or other feder-
26 al conservation system units, if the state of Alaska is involved in any
27 trades for subsurface interest in the coastal plain of the Arctic National
28 Wildlife Refuge.

29 COPIES of this resolution and the Senate Resources Committee Report on

1 the Arctic National Wildlife Refuge shall be sent to the Honorable Ronald
2 Reagan, President of the United States; the Honorable George Bush, Vice-
3 President of the United States and President of the U.S. Senate; the Honor-
4 able Jim Wright, Speaker of the U.S. House of Representatives; the Honor-
5 able George P. Shultz, Secretary of State; the Honorable Donald P. Hodel,
6 Secretary of the Interior; the Honorable J. Bennett Johnston, Chairman of
7 the Senate Committee on Energy and Natural Resources; the Honorable Morris
8 K. Udall, Chairman of the House Committee on Interior and Insular Affairs;
9 and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.
10 Senators, and the Honorable Don Young, U.S. Representative, members of the
11 Alaska delegation in Congress.

Original sponsors: Sturgulewski, Fischer,
Abood, et al.

1 IN THE SENATE
2 CS FOR SENATE JOINT RESOLUTION NO. 7 (Oil & Gas)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 Relating to oil and gas exploration,
6 development, and production within the
7 Arctic National Wildlife Refuge, Alaska.
8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 WHEREAS the United States Congress has reserved the right to permit
10 further oil and gas exploration, development, and production within the
11 coastal plain of the Arctic National Wildlife Refuge, Alaska; and
12 WHEREAS the oil industry, the state, and the U.S. Department of the
13 Interior consider the coastal plain to have the highest potential for
14 discovery of very large oil and gas accumulations on the continent of North
15 America; and
16 WHEREAS a decision to permit oil and gas exploration, development, and
17 production on the coastal plain of the refuge would increase the value and
18 facilitate the development of highly promising state-owned tideland and
19 federally-owned outer-continental-shelf land offshore of the refuge; and
20 WHEREAS the facilities that are developed to transport petroleum
21 resources discovered on the coastal plain of the refuge to the Trans-Alaska
22 Pipeline System may allow marginal discoveries located between the refuge
23 and the pipeline to be developed and produced, and may prolong the economic
24 life of the pipeline; and
25 WHEREAS oil and gas exploration and development of the coastal plain
26 of the refuge and adjacent land could result in major discoveries that
27 would reduce our nation's future needs for imported oil, help balance the
28 nation's trade deficit, and significantly increase the nation's security;
29 and

1 WHEREAS the oil and gas industry and related Alaska employment have
2 been severely affected by reduced oil and gas activity, and the reduction
3 in industry investment and employment has broad implications for the Alaska
4 work force and the entire state economy; and

5 WHEREAS the development of coastal plain oil and gas resources can and
6 should be conducted by the corporations and workers of the state, who have
7 the expertise to bring the resources to market; and

8 WHEREAS 8,000,000 of the 19,000,000 acres of the refuge have already
9 been set aside as wilderness; and

10 WHEREAS the 1,500,000-acre coastal plain of the refuge comprises only
11 eight percent of the refuge, and the development of the oil and gas re-
12 serves in the refuge's coastal plain would affect an even smaller percent-
13 age of the refuge; and

14 WHEREAS the oil industry has shown at Prudhoe Bay, as well as at other
15 locations along the Arctic coastal plain, that it can safely conduct oil
16 and gas activity without adversely affecting the environment or wildlife
17 populations;

18 BE IT RESOLVED by the Alaska State Legislature that the Congress of
19 the United States is urged to open the coastal plain of the Arctic National
20 Wildlife Refuge, Alaska, to oil and gas exploration, development, and
21 production; and be it

22 FURTHER RESOLVED that that activity be conducted in a manner that
23 protects the environment and utilizes the state's work force to the maximum
24 extent possible.

25 COPIES of this resolution shall be sent to the Honorable Donald Hodel,
26 Secretary of the Department of the Interior; to the Honorable J. Bennett
27 Johnston, Chairman of the Senate Committee on Energy and Natural Resources;
28 to the Honorable Morris K. Udall, Chairman of the House Committee on
29 Interior and Insular Affairs; and to the Honorable Ted Stevens and the

- 1 Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S.
- 2 Representative, members of the Alaska delegation in Congress.

1 IN THE SENATE

BY STURGULEWSKI, FISCHER, ABOOD
UEHLING AND KELLY

2

SENATE JOINT RESOLUTION NO. 7

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Relating to oil and gas exploration,

6

development, and production within the

7

Arctic National Wildlife Refuge, Alaska.

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

9

WHEREAS the United States Congress has reserved the right to permit
10 further oil and gas exploration, development, and production within the
11 coastal plain of the Arctic National Wildlife Refuge, Alaska; and

12

WHEREAS the oil industry, the state, and the U.S. Department of the
13 Interior consider the coastal plain to have the highest potential for
14 discovery of very large oil and gas accumulations on the continent of North
15 America; and

16

WHEREAS a decision to permit oil and gas exploration, development, and
17 production on the coastal plain of the refuge would increase the value and
18 facilitate the development of highly promising state-owned tideland and
19 federally-owned outer-continental-shelf land offshore of the refuge; and

20

WHEREAS the facilities that are developed to transport petroleum
21 resources discovered on the coastal plain of the refuge to the Trans-Alaska
22 Pipeline System may allow marginal discoveries located between the refuge
23 and the pipeline to be developed and produced, and may prolong the economic
24 life of the pipeline; and

25

WHEREAS oil and gas exploration and development of the coastal plain
26 of the refuge and adjacent land could result in major discoveries that
27 would reduce our nation's future needs for imported oil, help balance the
28 nation's trade deficit, and significantly increase the nation's security;
29 and

1 WHEREAS 8,000,000 of the 19,000,000 acres of the refuge have already
2 been set aside as wilderness; and

3 WHEREAS the 1,500,000-acre coastal plain of the refuge comprises only
4 eight percent of the refuge, and the development of the oil and gas
5 reserves in the refuge's coastal plain would affect an even smaller
6 percentage of the refuge; and

7 WHEREAS the oil industry has shown at Prudhoe Bay, as well as at other
8 locations along the Arctic coastal plain, that it can safely conduct oil
9 and gas activity without adversely affecting the environment or wildlife
10 populations;

11 BE IT RESOLVED by the Alaska State Legislature that the Congress of
12 the United States is urged to open the coastal plain of the Arctic National
13 Wildlife Refuge, Alaska, to environmentally responsible oil and gas explo-
14 ration, development, and production.

15 COPIES of this resolution shall be sent to the Honorable Donald Hodel,
16 Secretary of the Department of the Interior; to the Honorable J. Bennett
17 Johnston, Chairman of the Senate Committee on Energy and Natural Resources;
18 to the Honorable Morris K. Udall, Chairman of the House Committee on
19 Interior and Insular Affairs; and to the Honorable Ted Stevens and the
20 Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S.
21 Representative, members of the Alaska delegation in Congress.

SJR

8

SENATE COMMITTEE REPORT

FURTHER:

DATE TURNED INTO OFFICE 4/7/88

Mr. President:

FINANCE

Committee considered SJR 8

federal tax on imported oil.

and recommended:

replace with CS FOR _____) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Paul Trieb
Julie Binsley
W. Kunkle
PAU...

Paul Halford do pass
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: SJR 8
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Federal tax on imported oil

Agency Affected: Dept of Natural Resources
BRU: Petroleum Management

Sponsor: Josephson, Kelly, Halford,
Requestor: Senate Finance Committee

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE		*	*	*	*	*
---------	--	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND		0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* See Attached

Prepared by: *Rick Halford*
Division: Senator Rick Halford, Co-chairman
Senate Finance Committee

Phone: 465-4958

Date: 4/7/88

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

It is not anticipated that a federal import tax on imported oil would generate increased expenditures from either the operating or capital budgets. The tax would increase income to the state treasury by increasing the wellhead price of Alaska oil. Actual monetary benefits will depend upon the actual amount of the proposed tariff and the projected wellhead price. At this time it is not known if the wellhead price of Alaskan crude could adjust to match the tariff increase. Thus, all that can be said is that for every one dollar increase in wellhead price, between \$135 million and \$150 million would annually accrue to the state treasury as a result of increased royalties and severance taxes. Assuming a ten dollar per barrel tariff and a full corresponding adjustment to wellhead prices, at current production levels, the state would receive about \$1.35 to \$1.50 billion dollars annually.

By raising the wellhead price of domestic oil, and in effect, creating a floor price for domestic oil, the federal tariff would also encourage (1) more intensive drilling and production in existing reservoirs; (2) development of marginal fields near Prudhoe Bay, such as offshore Lisburne, Pt. Thompson, and Gwyder Bay; and (3) exploration in more remote, wildcat areas.

1 IN THE SENATE

BY JOSEPHSON, KELLY, HALFORD
AND STURGULEWSKI

2

SENATE JOINT RESOLUTION NO. 8

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Relating to a federal tax on imported

6

oil.

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

8 WHEREAS rapidly fluctuating oil prices create an unstable environment
9 in Alaska and the United States for business planning and investment and
10 threaten the stability of the domestic petroleum exploration and develop-
11 ment industry, the stability of which is vital to the national security;
12 and

13 WHEREAS the continuation of energy conservation measures and further
14 development of alternative energy technologies could be jeopardized by
15 sharp declines in oil prices; and

16 WHEREAS the federal government needs additional revenue to reduce the
17 federal deficit and the threat of another period of high inflation; and

18 WHEREAS Americans face the prospect of significant budget reductions
19 in federal programs that are vital to the health, education, and welfare of
20 many Americans, but the imposition of an oil import tax would moderate the
21 severity of these reductions; and

22 WHEREAS a precipitous decline in oil prices results in major reduc-
23 tions in revenue to oil-producing states, subjecting them to undue hard-
24 ships in providing the governmental services and infrastructure support
25 needed to continue the production of domestic oil at the same time that
26 these states are being given expanded responsibility as a result of dimin-
27 ishing federal participation through revenue-sharing and similar programs;

28 BE IT RESOLVED that the Alaska State Legislature encourages the United
29 States Congress to impose a federal tax on imported oil, the revenue to be

1 used to reduce the federal deficit.

2 COPIES of this resolution shall be sent to the Honorable Ronald
3 Reagan, President of the United States; the Honorable George Bush, Vice-
4 President of the United States and President of the U.S. Senate; the Honor-
5 able Jim Wright, Speaker of the U.S. House of Representatives; the
6 Honorable Robert Byrd, Majority Leader of the U.S. Senate; and to the
7 Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and
8 the Honorable Don Young, U.S. Representative, members of the Alaska delega-
9 tion in Congress.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to a federal tax on
imported oil.
Sponsor: Josephson, et al
Requestor: Senate Finance

Agency Affected: Revenue
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	807.8	653.4	634.4	592.8	528.1

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

(see attached)

Prepared By: Royce B. Weller Phone: 465-2300
Division: Commissioner's Office Date: 03/02/88

Approved by Commissioner: Hugh Malone Date: 03/02/88
Agency: Department of Revenue

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

SJR 8 Fiscal Note Analysis

Current legislation to tax imported oil amounts to an approximate \$5/bbl charge based on current oil prices. This fiscal note assumes that this tax results in a dollar for dollar increase of \$5/bbl in the price of Alaskan oil over what it would have been in the absence of the tax. The revenue impacts are based on March projections of Alaska North Slope production and include only the impact on royalties and severance tax.

The import tax on petroleum and petroleum products would without a doubt help prevent what could be an abrupt and severe dislocation in the Alaskan economy due to the tax base erosion, devaluation of State royalties, and decline in oil industry activity which may result from the recent oil price plunge. However, a clear majority of economists feel such a tax is on balance not a good idea for the nation as a whole. This department cannot evaluate the short and long term effects on Alaska which may result from political considerations rising out of economic consequences on the national scene.

13

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: SJR 8
Publish Date: 3-11-87

Revision Date: February 24, 1987
Title: Federal tax on imported oil

Agency Affected: Natural Resources
BRU: Petroleum Management

Sponsor: John Eason, Kelly, Halford, Sturgeon, Lewis
Requestor: _____

Components: Petroleum Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE		*	*	*	*	*
---------	--	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* SEE ATTACHED

Prepared by: James E. Eason
Division: Oil and Gas

Phone: 762-4241
Date: February 24, 1987

Approved by Commissioner: John Eason, Deputy
Agency: Natural Resources

Date: 2/25/86

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

RECEIVED
FEB 23 1987

LEGISLATIVE FINANCE

page 1 of 2

*New DNR
FN
w/ current date?*

It is not anticipated that a federal import tax on imported oil would generate increased expenditures from either the operating or capital budgets. The tax would increase income to the state treasury by increasing the wellhead price of Alaska oil. Actual monetary benefits will depend upon the actual amount of the proposed tariff and the projected wellhead price. At this time it is not known if the wellhead price of Alaskan crude could adjust to match the tariff increase. Thus, all that can be said is that for every one dollar increase in wellhead price, between \$135 million and \$150 million would annually accrue to the state treasury as a result of increased royalties and severance taxes. Assuming a ten dollar per barrel tariff and a full corresponding adjustment to wellhead prices, at current production levels, the state would receive about \$1.35 to \$1.50 billion dollars annually.

By raising the wellhead price of domestic oil, and in effect, creating a floor price for domestic oil, the federal tariff would also encourage (1) more intensive drilling and production in existing reservoirs; (2) development of marginal fields near Prudhoe Bay, such as offshore Lisburne, Pt. Thompson, and Gwyder Bay; and (3) exploration in more remote, wildcat areas.

RECEIVED
FEB 26 1987

LEGISLATIVE FINANCE

ALASKA STATE SENATE

JOE P. JOSEPHSON
DISTRICT H ANCHORAGE
3111 C STREET, SUITE 550
ANCHORAGE, ALASKA 99503
(907)561-7611



WHILE IN JUNEAU
P.O. BOX V
JUNEAU, ALASKA 99811
(907)465-4525

Senate Finance
March 4, 1988

OIL IMPORT FEE RESOLUTION

Oil Imports:

--In 1985, the United States imported 4.9 million barrels of oil per day, about 30% of our total consumption.

--In 1987, the United States imported almost 7 million barrels of oil per day, nearly 40% of total consumption.

--Experts tell us that oil imports could comprise as much as 50% of the United States' consumption by 1990.

Benefits of a Federal Tax on Imported Oil:

(House Research Memo, 2/7/86)

--estimated federal revenues of \$26 million per day (on projected imports of 3.3 million barrels per day of crude oil and 1.9 million barrels per day of refined products in 1986, at \$5/barrel tax);

--the potential for reducing the federal budget deficit and thereby lowering interest rates;

--a stabilizing effect on the U.S. oil industry and its employment which have been badly bruised under current declines in crude oil prices;

--encouragement of domestic oil exploration and production;

--less likely failure of banks heavily burdened with energy loans;

--enhanced revenues to energy-producing states such as Alaska, Texas, California, Louisiana, and Oklahoma.

Revenue Implications for Alaska:

--If the wellhead price of Alaskan crude could adjust to match the tax increase, for every \$1 increase in wellhead prices, between \$135 million and \$150 million would accrue to the State treasury as a result of increased royalties and severance taxes.

--At current production levels, assuming a \$5/barrel import fee, the State could receive as much as \$750 million a year.

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

DATE TURNED INTO OFFICE _____

3/11/87

Mr. President:

RESOURCES

Committee considered

SJR 8

federal tax on imported oil.

and recommended:

[] replace with CS FOR _____) [] same title
[] or adopt _____ CS FOR _____) [] new title

[] attached amendment(s) and

[✓] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [✓] previous

[✓] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Tom Duran
Paul G. ...
...
...

J. A. ...
Chairman signature and recommendation

[] Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 2-25-87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

FURTHER: RESOURCES
FINANCE

DATE TURNED INTO OFFICE 3-11-87

Mr. President:

OIL & GAS Committee considered SJR 8

federal tax on imported oil.

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

Committee Backup Attached

SCR

g

3/7/88
H(Trans.)
FIR

FISCAL NOTE

REQUEST:

Revision Date: 03/07/88
Title: "Relating to levels of service
by the Alaska Marine Highway System"
Sponsor: Senate Trans. Committee
Requestor: Representative Cato

Agency Affected: DOT&PF - AMHS
BRU: Marine Operations
Components: Southeast and Southwest
Vessel Operations and Overhaul

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		2,481.4	2,481.4	2,481.4	2,481.4	2,481.4
TRAVEL		47.2	49.5	52.0	54.6	57.3
CONTRACTUAL		592.9	622.5	653.7	686.4	720.7
SUPPLIES		675.6	709.4	744.9	782.1	821.2
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		3,797.1	3,862.8	3,932.0	4,004.5	4,080.6
CAPITAL		1,100.0	-0-	-0-	-0-	-0-
REVENUE		1,800.0	1,872.0	1,946.9	2,024.8	2,105.8

FUNDING: (Thousands of Dollars)

GENERAL FUND		3,797.1	3,862.8	3,932.0	4,004.5	4,080.6
FEDERAL FUNDS						
OTHER						
TOTAL		3,797.1	3,862.8	3,932.0	4,004.5	4,080.6

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

(See Attached)

Prepared by: George W. Davidson, System Director Phone: 465-3950
Division: Alaska Marine Highway System Date: 03/07/88

Approved by Commissioner: [Signature] Date: _____
Agency: Department of Transportation & Public Facilities

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

RECEIVED

MAR 3 1988

page 1 of 2

CS FOR SENATE CONCURRENT RESOLUTION NO. 9 (Trans)

FISCAL NOTE ANALYSIS

The proposed legislation would request an increase in the level of direct public service provided by the Alaska Marine Highway System (AMHS) to that provided during FY86. In FY89, the cost of this additional service is estimated to be \$3,797.1. On the assumption that this increased level of service would continue beyond FY89, the additional expenditure authorization would be continued, with a 5% annual inflation factor applied to travel, contractual services, and supplies. Personal services costs are assumed to remain at a constant level.

It should be noted that in FY89, FY90, and FY91, the M/V TURTUMENA will be undergoing major refurbishment during her out-of-service periods. This would leave the southwest portion of the AMHS with only the only the M/V BARTLETT on-line for a longer than normal period during the winter. Therefore, the costs of contracting with a private carrier to reduce the period of single ship service to a normal level are included.

The capital costs shown are to construct and modify terminal facilities at Metlakatla and Hollis to accommodate the M/V CHILKAT. The M/V CHILKAT can no longer call at Metlakatla as a result of recent docking facility improvements and was removed from service beginning December, 1987. The Hollis facility is in need of modifications due to its deteriorating condition.

The expanded service will result in \$1,800,000 in additional revenues in FY89. Offsetting these revenues against the expenditure appropriation of \$3,797,100, the net cost of providing the additional service is \$1,997,100. A combination of traffic and tariff increases will result in a 4% annual revenue.

SENATE COMMITTEE REPORT

FURTHER:

4/29/87

DATE TURNED INTO OFFICE 5/15/87

Mr. President:

FINANCE

Committee considered

SCR 9

levels of service by the Alaska Marine Highway System.

and recommended:

replace with CS FOR _____) same title
 or adopt _____ CS FOR SCR 9 (Trans)) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous

zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

[Handwritten signature] DO PASS
Chairman signature and recommendation

Committee Backup Attached

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: SCR 9 (Trans)
Publish Date: _____

REQUEST: _____

Revision Date: _____
Title: Relating to levels of service
by the Alaska Marine Highway System
Sponsor: Jones, et al
Requestor: Senate Finance

Agency Affected: DOT/PF -AMHS
BRU: Marine Operations
Components: Southeast and
Southwest vessel operations
and Overhaul

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: *John Binkley*
Division: Senator John Binkley, Co-chairman
Senate Finance Committee

Phone: 465-4985
Date: May 15, 1987

Approved by Commissioner: _____
Agency: _____

Date: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Original sponsors: Jones, Coghill,
Duncan and Eliason

1 IN THE SENATE BY THE TRANSPORTATION COMMITTEE
2 CS FOR SENATE CONCURRENT RESOLUTION NO. 9 (Transportation)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 Relating to levels of service by the
6 Alaska Marine Highway System.

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

8 WHEREAS interstate highways play an integral role in the commerce of
9 the state and the United States; and

10 WHEREAS the Alaska Marine Highway System is used by residents of the
11 Southeastern, Southcentral, Interior, and Southwestern Regions of the state
12 as an interstate and intrastate highway; and

13 WHEREAS the residents of Southeastern and Southwestern Alaska have
14 assented to a less convenient manner of transportation due to the high cost
15 of constructing roads and the limitations, imposed by geographic circum-
16 stances, upon road construction; and

17 WHEREAS the Alaska Marine Highway System is used by shippers to trans-
18 port produce and other essential goods from Seattle to the Southeastern,
19 Southcentral, and Interior Regions of the state, thus providing retailers
20 and consumers with these goods in the most timely manner possible; and

21 WHEREAS, in the winter months, approximately 40 percent of the users
22 of the Alaska Marine Highway System traveling between Seattle and Haines
23 are destined for the Southcentral, Interior, and other regions of the
24 state; and

25 WHEREAS the closure of, or reduced service on, a highway during winter
26 jeopardizes the tenuous winter economy of communities in the state; and

27 WHEREAS the Alaska Marine Highway System already operates at a reduced
28 level of service during the winter when compared to the level of service
29 during the summer; and

1 WHEREAS the proposed further reductions in the winter schedule of the
2 Alaska Marine Highway System could severely damage the economy of commu-
3 nities dependent upon the Alaska Marine Highway System for the reliable and
4 continuous supply of produce and other essential goods and for transporta-
5 tion services;

6 BE IT RESOLVED that the Alaska State Legislature respectfully requests
7 the Governor to direct the Department of Transportation and Public Facil-
8 ities to maintain the operation of the Alaska Marine Highway System at the
9 same level of service as during the last fiscal year.

299

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS SCR 9th
Publish Date: 4-27

REQUEST: _____

Revision Date: _____

Title: "Relating to levels of service
by the Alaska Marine Highway System."

Sponsor: Jones et al

Requestor: Jones

Agency Affected: DOT/PF - AMHS

BRU: Marine Operations

Components: Southeast and Southwest
Vessel Operations and Overhaul

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		6,500.0	6,500.0	6,500.0	6,500.0	6,500.0
TRAVEL		100.0	100.0	100.0	100.0	100.0
CONTRACTUAL		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
SUPPLIES		2,380.0	2,380.0	2,380.0	2,380.0	2,380.0
EQUIPMENT		20.0	20.0	20.0	20.0	20.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		10,000.0	10,000.0	10,000.0	10,000.0	10,000.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE		4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
---------	--	---------	---------	---------	---------	---------

FUNDING: (Thousands of Dollars)

GENERAL FUND		10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
FEDERAL FUNDS						
OTHER						
TOTAL		10,000.0	10,000.0	10,000.0	10,000.0	10,000.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS :

See Attached 5/15/87
Zeroed by SFC note

Prepared by: George Davidson

Division: Alaska Marine Highway System

Phone: 465-3950

Date: 02/17/87

Approved by Commissioner: [Signature]

Agency: _____

Date: 2/17/87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

288

In assuming the service level of the Alaska Marine Highway System to be comparable to other interstate highways in the state, it is defined to be the level of service authorized for FY 87. Therefore, the required funding represents the dollar amount of decrements included in the Governor's FY 88 Operating Budget.

The service to be restored is as follows:

1. The M/V MALASPINA will not be in unmanned lay-up for four months.
2. The M/V TAKU will not be in unmanned lay-up for six months.
3. Winter mainline service to both Seattle and Prince Rupert, B.C. would be maintained. However, the M/V COLUMBIA will continue with winter unmanned lay-up as in FY 86 and FY 87 and one mainliner will be placed in a reduced operating status for a two-month period as in FY 87.
4. The M/V AURORA will not be placed in unmanned lay-up and the normal feeder schedule will be maintained. With the continued availability of the M/V AURORA, the M/V CHILKAT will be on-line during a four-month period only as originally planned.
5. The M/V BARTLETT will not be placed in unmanned lay-up for six months and normal service to Cordova will be maintained.

1,034 staff months would be restored, affecting 241 people on all ships.

Special notes:

1. Inflationary cost increases have not been included for FY 89 and beyond. Therefore, it is anticipated that, as a result, by FY 92 there would again be a significantly diminished level of service.
2. If service levels are compared to other interstate highway reductions as reduced in the FY 87 Revised Budget, both service levels and costs could be lowered.

Revenue Considerations:

Revenue to be generated as a result of restored ship operations is estimated at \$4,000.0, which means that the net subsidy cost to the State would be \$6,000.0.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: 5-9-85

Bill Version: SCR 9
Publish Date: _____

Revision Date: _____
Title: "Relating to levels of service
by the Alaska Marine Highway System."
Sponsor: Jones et al
Requestor: Jones

Agency Affected: DOT/PF - AMHS
BRU: Marine Operations
Components: Southeast and Southwest
Vessel Operations and Overhaul

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		6,500.0	6,500.0	6,500.0	6,500.0	6,500.0
TRAVEL		100.0	100.0	100.0	100.0	100.0
CONTRACTUAL		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
SUPPLIES		2,380.0	2,380.0	2,380.0	2,380.0	2,380.0
EQUIPMENT		20.0	20.0	20.0	20.0	20.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		10,000.0	10,000.0	10,000.0	10,000.0	10,000.0

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE		4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
----------------	--	---------	---------	---------	---------	---------

FUNDING: (Thousands of Dollars)

GENERAL FUND		10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
FEDERAL FUNDS						
OTHER						
TOTAL		10,000.0	10,000.0	10,000.0	10,000.0	10,000.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See Attached

Prepared by: George Davidson **Phone:** 465-3950
Division: Alaska Marine Highway System **Date:** 02/17/87

Approved by Commissioner: M. L. S. H. S. **Date:** 5/11/87
Agency: DOT & PF

- Distribution (by preparer):**
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Updated

In assuming the service level of the Alaska Marine Highway System to be comparable to other interstate highways in the state, it is defined to be the level of service authorized for FY 87. Therefore, the required funding represents the dollar amount of decrements included in the Governor's FY 88 Operating Budget.

The service to be restored is as follows:

1. The M/V MALASPINA will not be in unmanned lay-up for four months.
2. The M/V TAKU will not be in unmanned lay-up for six months.
3. Winter mainline service to both Seattle and Prince Rupert, B.C. would be maintained. However, the M/V COLUMBIA will continue with winter unmanned lay-up as in FY 86 and FY 87 and one mainliner will be placed in a reduced operating status for a two-month period as in FY 87.
4. The M/V AURORA will not be placed in unmanned lay-up and the normal feeder schedule will be maintained. With the continued availability of the M/V AURORA, the M/V CHILKAT will be on-line during a four-month period only as originally planned.
5. The M/V BARTLETT will not be placed in unmanned lay-up for six months and normal service to Cordova will be maintained.

1,034 staff months would be restored, affecting 241 people on all ships.

Special notes:

1. Inflationary cost increases have not been included for FY 89 and beyond. Therefore, it is anticipated that, as a result, by FY 92 there would again be a significantly diminished level of service.
2. If service levels are compared to other interstate highway reductions as reduced in the FY 87 Revised Budget, both service levels and costs could be lowered.

Revenue Considerations:

Revenue to be generated as a result of restored ship operations is estimated at \$4,000.0, which means that the net subsidy cost to the State would be \$6,000.0.

ALASKA STATE LEGISLATURE


Home Address
3813 Denali Street
Ketchikan, AK 99901
907-225-9082

While in Juneau
P.O. Box V
Juneau, AK 99811
907-465-3743

Senator Lloyd Jones

MEMORANDUM

TO: Senate Finance Committee

FROM: Senator Lloyd Jones 

DATE: May 12, 1987

SUBJECT: Proposed CS for SCR 9, Relating to levels of service by the Alaska Marine Highway System.

The proposed Transportation CS for SCR 9 asks the Governor to maintain the existing level of service for the Alaska Marine Highway System. In doing so, the Governor would ensure that all Alaskans, who rely upon winter "roads" to support their local economies, would have continued service.

The Southeast Conference has produced a report on the Alaska Marine Highway System. It demonstrates the importance of the ferry system to not only southeast Alaska, but to the rest of the state as well. In the report, the Alaska Tourism Handbook, a Division of Tourism publication, is quoted: "60% of the summer tourists riding the ferries visit Anchorage and 59% visit Fairbanks. Forty percent of the winter travelers are headed for other points in Alaska outside of southeast." I have included the Southeast Conference report, Alaska Marine Highway, the community perspective, with your packet.

In summary, I urge the committee to act favorably on this resolution. I feel that the facts I have presented speak well for the efforts that are being, and will be made, by government, labor, and the private sector to make the Alaska Marine Highway System a well run and well maintained Alaskan highway.

1 IN THE SENATE

BY JONES, COGHILL, DUNCAN
AND ELIASON

2

SENATE CONCURRENT RESOLUTION NO. 9

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Relating to levels of service by the

6

Alaska Marine Highway System.

7

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

8

WHEREAS interstate highways play an integral role in the commerce of
9 the state and the United States; and

10

WHEREAS the Alaska Marine Highway System is used by residents of the
11 Southeastern, Southcentral, and Interior Regions of the state as an inter-
12 state and intrastate highway; and

13

WHEREAS the residents of Southeastern Alaska have assented to a less
14 convenient manner of transportation due to the high cost of constructing
15 roads and the limitations, imposed by geographic circumstances, upon road
16 construction; and

17

WHEREAS the Alaska Marine Highway System is used by shippers to trans-
18 port produce and other essential goods from Seattle to the Southeastern,
19 Southcentral, and Interior Regions of the state, thus providing retailers
20 and consumers with these goods in the most timely manner possible; and

21

WHEREAS, in the winter months, approximately 40 percent of the users
22 of the Alaska Marine Highway System traveling between Seattle and Haines
23 are destined for the Southcentral and Interior Regions of the state; and

24

WHEREAS the closure of, or reduced service on, a highway during winter
25 jeopardizes the tenuous winter economy of communities in the state; and

26

WHEREAS the proposed reductions in the winter schedule of the Alaska
27 Marine Highway System could severely damage the economy of communities
28 dependent upon the Alaska Marine Highway System for the reliable and con-
29 tinuous supply of produce and other essential goods and for transportation

1 services;

2 BE IT RESOLVED that the Alaska State Legislature respectfully requests
3 the Governor to direct the Department of Transportation and Public Facil-
4 ities to maintain the operation of the Alaska Marine Highway System at the
5 same level as for other interstate highways in the state.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of Feb 12, 1987 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

DATE TURNED INTO OFFICE April 28, 1987

Mr. President:

TRANSPORTATION Committee considered SCR 9

levels of service by the Alaska Marine Highway System,

and recommended:

replace with CS SCR 9 (Trsp) same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

Tim Kelly-Nelso

[Handwritten signature]
Chairman signature and recommendation

Committee Backup Attached



SOUTHEAST CONFERENCE



ALASKA MARINE HIGHWAY SYSTEM

THE COMMUNITY PERSPECTIVE

"Working For All Alaska"

ALASKA MARINE HIGHWAY SYSTEM:

THE COMMUNITY PERSPECTIVE

A report regarding the importance of the Alaska Marine Highway System; containing community perspectives; recommendations for the fiscal year 1988 budget; and suggestions for improvements and efficiencies for the future.

Commissioned by the Southeast Conference

Prepared By
Ayers and Associates
April 1987

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. OVERVIEW OF THE ALASKA MARINE HIGHWAY SYSTEM FOR SOUTHEAST ALASKA	4
III. EXECUTIVE SUMMARY	7
IV. THE COMMUNITIES' PERSPECTIVE	
A. Ketchikan	15
B. Hyder	18
C. Metlakatla	19
D. Prince of Wales Island: (Hollis, Craig, Klawock, Hydaburg, Thorne Bay)	20
E. Wrangell	22
F. Petersburg	24
G. Kake	26
H. Angoon	28
I. Sitka	30
J. Tenakee Springs	32
K. Pelican	33
L. Hoonah	34
M. Juneau	36
N. Haines	39
O. Skagway	42
V. RECOMMENDATIONS AND FINDINGS	44
VI. APPENDICES	50
A. Maps of Southeast Alaska showing ferry routes	
B. Tables	
1. Ferry Service for Southeast Alaska, March 1987	
2. Average Weekly Service for Southeast, March 1987	
3. Ferry Service for Southeast Alaska, July 1987	
4. Average Weekly Service for Southeast, July 1987	
5. AMHS Personnel by Community	
6. 1985 Port Traffic Summary for Southeast	
C. Resolution	
D. Publications Consulted in the Preparation of This Report	

I.
INTRODUCTION

INTRODUCTION

This report was commissioned by the Southeast Conference to provide a basic understanding of the importance of the Alaska Marine Highway System to the people of Alaska. The Southeast Conference is an organization of municipalities, chambers of commerce, groups and individuals representing the common interests of citizens, and businesses of Southeast Alaska. This year, the Conference is working on a variety of issues. They include economic development, educational services, fishing and timber enterprises, and transportation.

The general goal of the Conference is to represent the interests of the 70,000 people of Southeast Alaska on those issues where there is common accord and which significantly affect the economic well being of the entire region as well as the state.

While the Southeast Conference is working on a variety of issues, it has focused on the Alaska Marine Highway System as its top priority. This is because the economic stability and way of life of the entire region is so closely linked to the service level of the ferry system. At the time of its genesis in 1956, the establishment of the ferry system was the exclusive goal of the Southeast Conference, and the Conference does credit itself to a large degree for the birth of the ferry system in Southeast.

Now, more than twenty years have elapsed since the Malaspina, the Matanuska and the Taku were commissioned in the spring of 1963. During the past twenty-four years,

the ferry system has served the people of Southeast quite well. Sometimes, especially during recent prosperity, it was even taken for granted. But as times have changed from fat to lean, its budget attracts attention. As the ferry system is subjected to budgetary scrutiny, its crucial importance to the economy and way of life of all of Southeast and other regions is something which we implore be kept in mind. Accordingly, this report is intended to provide a basic understanding of the importance of the ferry system to Southeast and indeed to the entire state. To accomplish this, much of the report focuses on the roots of importance of the ferries in ways that are specific to each community. This perspective is developed to reveal the statewide dangers in dismantling such a broad foundation. In order to discover the particular importance of the ferries in each community, surveys and observations were conducted in each of them and inquiries made of local citizens and business people.

There have been many studies of the ferry system in the past, and there are volumes of reports, but it appears that none of these focuses attention on the critical importance of the evolved system to the communities themselves and ultimately the state.

At the same time as inquiry was made of the ways in which the system is important to each community, inquiry was also made about how the system might be improved and how it should be managed in light of the states' present revenue deficiencies. Thus, one section of the report is devoted

INTRODUCTION

This report was commissioned by the Southeast Conference to provide a basic understanding of the importance of the Alaska Marine Highway System to the people of Alaska. The Southeast Conference is an organization of municipalities, chambers of commerce, groups and individuals representing the common interests of citizens, and businesses of Southeast Alaska. This year, the Conference is working on a variety of issues. They include economic development, educational services, fishing and timber enterprises, and transportation.

The general goal of the Conference is to represent the interests of the 70,000 people of Southeast Alaska on those issues where there is common accord and which significantly affect the economic well being of the entire region as well as the state.

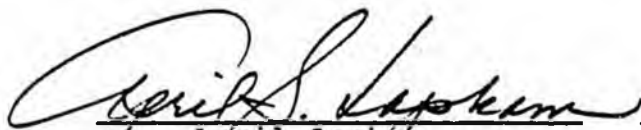
While the Southeast Conference is working on a variety of issues, it has focused on the Alaska Marine Highway System as its top priority. This is because the economic stability and way of life of the entire region is so closely linked to the service level of the ferry system. At the time of its genesis in 1956, the establishment of the ferry system was the exclusive goal of the Southeast Conference, and the Conference does credit itself to a large degree for the birth of the ferry system in Southeast.

Now, more than twenty years have elapsed since the Malaspina, the Matanuska and the Taku were commissioned in the spring of 1963. During the past twenty-four years,

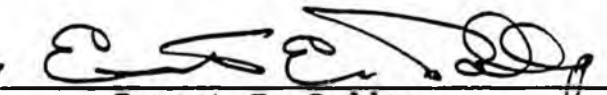
strictly to a set of recommendations and findings. Most of the recommendations merely reflect the views of the citizens of Southeast Alaska. Some, however, have been framed by the authors of this report as a result of their study efforts.

The Southeast Conference is well aware of the fact that the ferry system in Southeast is less than the whole; that the Southwest ferry system is also important. But for purposes of this report, and due to cost and urgency we were only able to focus on the Southeast System as representative of the state's economy as a whole.

The Conference is pleased to offer this report of important aspects of the ferry system which we submit respectfully as assistance to the Legislature and the Governor in their deliberations, and to the people of Alaska who we pray will continue to benefit from our endeavors. Further, we stand ready to serve on any taskforce, advisory board or commission which may be established to help improve the Alaska Marine Highway System.



April Lapham
1st Vice President of
the Southeast Conference,
Mayor of the City of Haines



Ernest E. Polley
President of the Southeast Conference
Mayor of the City & Borough of Juneau

II.

OVERVIEW

ALASKA MARINE HIGHWAY SYSTEM

SOUTHEAST ALASKA

OVERVIEW
ALASKA MARINE HIGHWAY SYSTEM
SOUTHEAST ALASKA

1988 marks the 25th year of service for the Alaska Marine Highway System (AMHS). While service began in 1963, the real origin of the system was a study by the W.C. Gilman Company of New York, commissioned by the U.S. Department of Commerce in 1958. The resulting report proposed the creation of a new and totally unique solution to the transportation needs of Southeast Alaska - a ferry system capable of carrying the same load that one would find on a normal stretch of asphalt highway connecting Southeast communities, if such a highway were feasible. Thus, through the sale of revenue bonds, the AMHS was born. For the first five years, the AMHS completely funded its operation out of receipts. In 1970, the State convinced the federal government that the system was indeed a "Marine Highway," and as such, began receiving federal maintenance funds on the basis of a determination that the AMHS was, by definition, a bridge 500 miles long.

Today the AMHS for Southeast Alaska is a system of seven vessels serving 18 communities in the Alexander Archipelago. The vessels consist of four "mainline" ferrys, and three vessels which serve what the managers of the system term a secondary system. The mainline vessels, consisting of the Motor Vessels Columbia, Malaspina, Matanuska, and Taku connect the large communities of southeast Alaska with each other and Prince Rupert, British Columbia and Seattle, Washington. The three smaller vessels consisting of the Motor Vessels Le Conte, Aurora, and Chilkat connect the smaller communities of southeast to each other and to the larger communities. The communities served by the mainline vessels are:

Ketchikan
Wrangell
Petersburg
Sitka
Juneau
Haines
Skagway

The communities constituting the "secondary system" are:

Metlakatla
Hollis (Hollis is the terminal for four
Prince of Wales Island communi-
ties: Craig, Klawock, Hydaburg,
Thorne Bay)

Hyder
Kake
Angoon
Tenakee Springs
Hoonah
Pelican

The largest vessel in the Southeast System is the M/V Columbia. It is 418 feet long, carries 1000 passengers and 180 vehicles. The M/V Matanuska and M/V Malaspina are the same size. Each is 408 feet long with a passenger capacity of 750 and a vehicle capacity of 120. The M/V Taku is 352 feet long with a passenger capacity of 500 and a vehicle capacity of 105. The M/V Le Conte and M/V Aurora are sister ships. They have identical capacities of 250 passengers and 47 vehicles. The M/V Chilkat, a smaller, aging vessel has a capacity of 75 passengers and 15 vehicles.

During the summer, the Columbia and the Matanuska are on the Seattle run, completing one round trip each week. During the winter period, from October 1 through April 30, there is only one vessel used on the Seattle run, usually either the Matanuska or the Malaspina. The Columbia is usually laid up for most of the winter due to its high operating cost. The Malaspina and the Taku operate between Prince Rupert and Skagway during the summer, completing the round trip in four days if Sitka is served once on each trip and three days if Sitka is not served. Typically each vessel stops at Sitka once each week. During much of the winter only one vessel is used on this route, due to lower traffic.

The Le Conte and Aurora serve the southeast secondary route, supplemented by the Chilkat. The Le Conte serves the northern panhandle and the Aurora serves the southern panhandle. During the summer, the Le Conte operates between Juneau, Sitka, and Petersburg, with stops at Hoonah, Tenakee Springs, Angoon, and Kake. The Le Conte is routed north to Haines and Skagway once or twice each week. The Aurora operates nearly every day between Ketchikan and Hollis, and during the summer, south to Hyder once each week. In October, 1986 the Aurora began serving Metlakatla as well. The Aurora is also used between Prince Rupert and Ketchikan once or twice each week. These vessels serve the same routes during the winter period, but on a reduced basis.

The Chilkat is used between Ketchikan, Hollis, and Metlakatla. The Chilkat makes two round trips on four days of each week during the summer. The ferry system states in its Draft System Plan dated November 1986 that the Chilkat will be retired soon.

In 1985 the Southeast System carried a total of 313,071 passengers. Of these, 235,850 passengers (75.3%) traveled between mainline ports. Tourist traffic is very heavy in the summer months. During July of 1982, a survey showed that approximately 80% of its mainline passengers live outside of Alaska. Of the remaining 20%, 12% were from S.E. Alaska and the remaining 8% were from other parts of the state. As of the time of the preparation of this report, traffic volume figures for 1986 were unavailable.

During 1985 the Southeast system carried a total of 79,780 vehicles. The largest percentage of these vehicles (17.6%) disembarked at Juneau. Of course, many of the vehicles travelling on the ferry system embarked and disembarked more than once as part of a single trip. 15.6% disembarked at Haines. 8% disembarked at Skagway.

The Alaska Marine Highway System, in its twenty-fifth year, is one of Alaska's success stories. We have in the Southeast AMHS a billion dollar infrastructure that is functioning remarkably well, considering the lack of attention it has had for fifteen years.

III.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This report describes the importance of the Alaska Marine Highway System (AMHS) from the community perspective. It has been developed to show how the economy and way of life of the people in Southeast Alaska has evolved in concert with the ferry system. It points out that budget and other decisions regarding the AMHS should take into consideration the importance of the ferry system in other than strictly economic terms; most particularly the sense of real security, reliability, and the affordable transportation which it offers to the traveling public. It explains the reality that dismantling this billion dollar infrastructure would be a severe blow not only to Southeast Alaska but to the entire state. The report shows how the ferry system is so interwoven in the economic fabric and well-being of Alaska that it deserves a fresh look; a commitment to efficient management and direction through prudent budget decisions. Further, it offers specific recommendations and findings to improve the system.

The ferry system is a vital component of the economy of Southeast Alaska. Therefore, any decision that may result in a general service reduction should be approached with great caution. It is an unfortunate reflection of our government that the rationale to reduce service seems based on the assumption that communities must suffer before management can become effective or labor brought to the table as a full partner in resolving the problems. As a matter of fact,

in most cases it costs at least 50% of vessel expense to lay-up. For example, the Bartlett cost 90% of operating expense to be put into lay-up. Therefore, it needs to generate only 10% of costs in revenue to be more cost effective to operate.

As this study began, the focus of the effort was that of discovering the relative ways in which the AMHS is important to each respective community served by the system. The inter-relationships developed with the rest of the State as a result of the ferry system were also explored. It was learned that not only is the system important in a general way for transportation of people, vehicles, and goods, but in particular ways. That is, a particular major component of a local economy has often developed with the ferry service, and vice versa.

The major component in some communities may be a single business, such as the case with the Hoonah Cold Storage. Hoonah Cold Storage depends on the ferry to ship out 100% of its fish products. This was almost two million pounds of salmon in 1986, and the business expects a 30% increase this year. In Sitka, a winter 'turnaround' run is the primary boost to the retail trade. It is an economic convenience, as well as being key to the delivery of important human services, for those who do not live in Sitka. The economy of the City of Skagway in recent years has become almost entirely based on tourism. Of course, the ferry system plays a very important role in bringing tourists to Skagway. The

AMHS brought 36,000 visitors to Skagway in 1986. Ketchikan faces a double-edged sword when the State considers reductions in ferry service. The mainline runs are extremely important because of the tourist trade, export of fisheries products, and the import of goods and supplies to furnish the area's retail demands. But the feeder ferries are critical for retail and commercial trade, fish transport, and winter economic activity. The economies of the people of Ketchikan would be severely impacted by a reduction in either mainline or feeder ferry service. There is one community, however, which appears to have an even deeper dependence on the ferry system: the City of Haines. There are so many business functions in Haines which have evolved with, and depend upon the ferries, it clearly would suffer the most immediate and significant effects of reductions in service. Haines is still the main embarkation and disembarkation point for people and goods destined for the interior or travelling south from the interior. Without the ferry system, Haines would simply be a place at the end of a very long spur road. These are but a few examples of the community perspectives of the AMHS. The more enlightening and detailed reports are found in the Community Section. Reading that section is imperative in understanding the AMHS's relationship to developing economies. The particular ways the communities have used the ferries to develop and stabilize the economy of Southeast must be recognized.

Of course, the communities served by the ferry system are dependent on it in numerous general ways. These include the delivery of food, particularly fresh produce and dairy products; mail delivery; school travel; tourist travel; and the transportation of vehicles, equipment and general freight. In some cases, practically 100% of the fresh produce is delivered by ferry. In addition, all second and third class mail and surface parcel post from the lower 48 travels by ferry. The mail is ferried to Haines, Skagway, Petersburg, Wrangell, Sitka, Ketchikan, and Juneau, then shuttled to smaller communities.

During the school year, all school districts make use of the ferry system for student travel to a remarkable degree. Petersburg, Juneau, Wrangell, and Ketchikan report that a student group (averaging 30 students) from their high schools is going somewhere on the ferry system virtually every week of the school year. For purposes of school travel, both safety and cost considerations combine so that schools schedule events around the ferry schedule. And as funding for education decreases, the cost of flying is not a reasonable alternative for student travel.

The AMHS is also important to the health, welfare and safety of Southeast residents. Residents of the smaller communities depend on the system for transportation to larger communities to meet shopping, business, medical, and recreational needs. The selection of goods and services is extremely

limited in some small communities, making travel to larger communities a necessity. Thirteen of the nineteen SE communities we surveyed have no resident doctor; fourteen have no hospital. Travel by ferry to the larger communities is often the preferred mode of transportation, due to its safety, dependability, and people's fear of flying. The senior citizens of Southeast rely on the ferry system to a great degree, perhaps more than others. For them the ferries are safer, more accessible, and more dependable; as well as providing a far less costly means of transportation.

It is safe to say that almost all Southeast communities served by the AMHS are positively affected by the ferry transport of tourists into their community. Communities as small as Pelican notice an increase in business brought about by the arrival of a ferry. The Southeast communities, through the Southeast Alaska Marketing Council (SAMC), have been doing a great deal to encourage use of the AMHS. They have invested \$400,000. in advertising to encourage the 'independent traveler' to visit SE Alaska. To date they have received 12,000 responses to their ads; 57% of these were interested in ferry travel as their means of transport. The SAMC supplies travel information to the respondents based on their interest.

The degree of general dependence on the ferry system by the various communities appears to rise in inverse proportion to the size of the community. The smaller the community, the more dependent it is likely to be on the ferry system for its

transportation needs. However, a reduction in service would adversely impact elements of all local economies.

In addition to the individual and general ways in which the various Southeast communities are dependent on the ferries, the system is an important source of jobs. The system employs approximately 900 people and there are more than 5,000 other people that depend on the system for their jobs. Table 5 which is appended to this report details the number of people directly employed by the AMHS in each community. Ketchikan is home for the largest number of employees of the ferry system: 294 employees.

It is also important to note that the system is not only important to the economy of Southeast, but to the state's overall economy - more important than is generally thought. In all, the Southeast system carried 313,071 passengers during 1985, the latest year for which figures are available. That same year the system transported 79,780 vehicles. The "Alaska Tourism Handbook," published by the Division of Tourism reveals that 60% of the summer travelers on the ferry system visit Anchorage and 59% visit Fairbanks. In addition, 40% of all winter traffic on the Southeast ferries is headed for the interior. Each year the AMHS carries thousands of tons of freight and millions of dollars of visitor revenues to the northern regions of the state. Each week semi-vans loaded with goods and supplies head for interior Alaska. Even more vans flow from the rest of the state, especially Anchorage to

points in Southeast.

The efforts of this study as indicated, included inquiring of local citizens and business people about how they are affected by the ferry system. But it also elicited opinions of how the AMHS could be more efficient. There was a remarkable consensus about whether budget reductions should automatically result in a commensurate reduction in service. Most people believe that large savings could be achieved by better management, privatization or cost reductions in areas such as marketing and food service, and a very close and serious scrutiny of current labor agreements in cooperation with the unions themselves. Some also expressed opinions that procurement of supplies and fuel throughout the system could be done much more efficiently.

It is apparent that any significant progress in these areas will take time. The answer lies in effective management and sufficient time to implement strategies. Therefore, it appears that for the present, the best that can be done is to begin to direct the system toward attainable goals with clearly defined strategies, some of which are offered in the Recommendations and Findings section of this report. In the short term, the system should maintain the current level of service with an authorization of 62.6 million for FY 88. In the long term, a work plan should be developed that sets objectives and milestones that cut costs and increase revenues. However, one of the most important recommendations must be

mentioned here, namely that of establishing an advisory board or task force of professionals, users and legislators to advise the Legislature, Governor, and managers of the AMHS on various aspects of operating the system. This system is in many ways an anomaly to normal government processes; it demands separate unique attention.

The AMHS is such a pervasive part of both the economy and way of life for the 70,000 people of Southeast that the proposed, but unnecessary reduction in service could severely cripple the communities of Southeast. The impact of any significant service reduction would also affect the economy of the rest of Alaska, further exasperating the state's current economic and social situation.

This community perspective is hopefully the beginning of a fresh look at maintaining our AMHS System with reasonable approaches that go beyond the simplistic, devastating proposal to reduce service. This report provides an interesting review of the AMHS, and proposes a direction of effective management and prudent decisions henceforth. It is intended as a symbol of the efforts of the Southeast Conference to work hard in a cooperative spirit with the AMHS, for all Alaskans.

IV.

THE COMMUNITIES' PERSPECTIVE

KETCHIKAN

Ketchikan is the second largest community in Southeast Alaska, with 14,300 residents. It is situated on the southwest side of Revillagigedo Island. Ketchikan's economy is based primarily on fishing, lumber products, and tourism. As the southern-most Alaska municipality on the ferry system's mainline, it relates closely to Seattle and the coastal communities of British Columbia. As the first Alaska stop not only for the mainline ferry, but for barge, jet, and cruiseship traffic as well, Ketchikan has developed a thriving "micro-economy" servicing those transportation systems. In the past month of March, a major vessel maintenance and dry-dock facility has begun operation, and has already performed maintenance on the AMHS vessels Bartlett and Matanuska. The facility is owned by the state but privately operated by Ketchikan Welding Works.

In its position as the first Alaska stop for both passenger and freight service from the South, Ketchikan has become a strong regional retail center, drawing from an area population of nearly 25,000 in an area generally referred to as Southern Southeast. Because of this position, both mainline and feeder ferries are extremely important to the community. In terms of ferry traffic, Ketchikan is the second busiest port in Southeast. In 1985 51,250 passengers embarked and 50,913 passengers disembarked in Ketchikan; 13,821 vehicles embarked and 13,965 vehicles disembarked. The mainline runs from Seattle and Prince Rupert in the south, to Haines, Sitka, and Juneau in the north providing a steady, dependable system for the delivery of freight, dry goods and produce, as well as tourists and vehicular traffic. The feeder ferries running between Southeast communities provide Ketchikan with the consumers for those products, both from an "import" and "export" perspective. In the sections of this report on Metlakatla and Prince of Wales Island, we discuss the import to the outlying communities of maintaining maximum possible service to Ketchikan. But Ketchikan's health and welfare is also very much dependent on the same service. The retail economy of Ketchikan has grown to the service demands of 25,000 - 30,000 year-round consumers, nearly half of whom depend upon the AMHS for access. A decrease in service of the feeder system would indeed have a dramatic affect on Ketchikan's private sector, which has invested heavily, and confidentially in their regional responsibilities.

A study conducted by the Ketchikan Gateway Borough of economic indicators showed that while Ketchikan's tourists are extremely important to the local economy, almost 95% of sales are by area residents, and over 20% of those are by

residents of outlying island communities. The study also found that the average tourist spends \$28 per day in Ketchikan. The average ferry passenger, on the other hand, spends \$55. Reductions of ferry service over the past winter between Ketchikan, Metlakatla, and Hollis have already resulted in a drop in retail sales. Several businesses have responded by conducting "road trips", taking limited inventories out to the islands for "trade shows". The result is some compensation to the island consumer for the lost accessibility to goods, but their purchases are from considerably less selection, and at a higher price.

The mainline ferry is extremely important to Ketchikan's regional responsibilities, especially as it relates to fresh meats, produce, and dairy products. A reduction in service between Ketchikan and Seattle could have a dramatic affect on the quality of those products; a level of quality that all of Southeast has come to expect. By utilizing the ferry system rather than barge service, three days are saved in transit. Fresh pork and chicken are especially volatile products, and a reduction in service could affect their availability. A reduction in mainline service that would force milk to be barged would, at present costs result in a 14% increase in price to the consumer due to decreased shelf life. Such a scenario could also result in an inability to get fresh dairy products to some villages, camps and communities in a reasonable time and in reasonable condition.

The timber industry in Ketchikan also utilizes the ferry system extensively for supplies and freight, but not for shipping product. Ten per cent of their incoming freight arrives by mainline ferry into Ketchikan. However, after arrival, 25% of their outgoing freight leaves Ketchikan on the feeder runs. In addition, the ferry is used for employee and vehicle transport. Any immediate freight or supply needs are sent via ferry.

The fish processing industry in Ketchikan is also a major user of both mainline and feeder ferries. Nearly three hundred linear feet in van space is utilized weekly in the summer, exclusively for fish, between Hollis and Ketchikan. Salmon, black cod, halibut, and herring all are shipped via ferry year-round. The industry is a major seasonal employer. A large on-shore processor will employ as many as 200 people during the season. Winter cutbacks on the Ketchikan-Hollis run have, on occasion, forced some companies to charter their own boats to transport the fish. Good frequency of service on the feeder runs is of utmost importance to the industry. Their need is also a year-round need, as harvest of the different species takes place at different times.

Tourism is of course a major portion of the AMHS's

business, and much of that business is channelled to Ketchikan. As Alaska's first port of entry on the mainline, and also the first stop after 40 hours of travel, almost all passengers disembark for a break. This winter and spring, Alaska Airlines, the Port of Seattle, and the AMHS have jointly contributed to a program to promote the AMHS to Seattle area travel agents. Three lunches for nearly 225 travel agents have been held on board the Matanuska in Seattle, while four familiarization trips have been held for four hundred travel agents. The trip cost each agent \$295 and includes a ferry stateroom from Seattle to Ketchikan, and a return by air. The target of the program is the 650 travel agencies in the Seattle area. The program has been so successful that plans are in the works to expand the effort to cover the entire west coast, though the program has revealed some serious flaws in the reservations system, which affect the willingness of travel agents to write AMHS tickets.

System wide, one of the major off-season users of the AMHS are school districts. All inter-school activities and competitions depend heavily on ferry transportation. Cuts in the Education Foundation Funding program have already resulted in dramatic reductions in activity budgets for all of Southeast. Ketchikan, for example, has at least one group traveling every weekend of the school year. Of a \$140,000 activities budget, \$100,000 goes to travel costs. That budget is a 50% reduction over the past year. 50% of student travel is by air; 50% by ferry. However, the cost ratio is 70/30, air over ferries.

Ketchikan faces a double-edged sword when the State considers reductions in ferry service. The mainline runs are extremely important because of the tourist trade, export of fisheries products, and the import of goods and supplies to furnish the area's retail demands. The feeder ferries are also extremely important because they transport the fish product for the fisheries, and the consumers for the retail and commercial trade. Cutbacks in either mainline or feeder ferry service would have a potentially devastating impact on the service the other can provide. Ketchikan, perhaps more so than most other Southeast communities, is subject to economy-wide repercussions from a loss or reduction of service by the AMHS.

HYDER

Hyder is an unincorporated community of 100 people located at the head of Portland Canal in southern Southeast Alaska. The community is the only one in Southeast accessible by road. The community economy has two primary sources; tourism and retailing, both of which derive from Hyder's "sister city" of Stewart, British Columbia.

More than 60,000 visitors arrive in Hyder every summer, primarily from the Trans-Canada highway. Via that route, Hyder is just a 20 hour drive from Seattle. The tourist trade supports one motel, one inn, three restaurants, and several gift shops. In addition, Hyder is a popular destination for Canadian residents of Stewart and the surrounding area. The principal reason for this is that British Columbian bars close several hours earlier than those operating under Alaska law in Hyder. One freight line also operates in Hyder, and the community is serviced by float plane from Ketchikan.

Hyder did not begin receiving ferry service until last year, and then only by legislative mandate. The service is for summer months only, and on a weekly basis. The intent of adding service to Hyder was to create an opportunity for a drive/ferry circle from Seattle, through Canada and then return by ferry through Hyder.

Traffic counts and analysis are not available for evaluation yet for this run. The trip is 144 miles from Ketchikan with no stops in-between. The trip takes eleven hours.

METLAKATLA

Metlakatla is a Tsimpshian Indian community of 1,100 residents on Annette Island. It is the southernmost of all Alaskan communities, being 12 miles south of Ketchikan. Metlakatla is not an incorporated municipality under state law. Rather, it is a federally created reservation, created by Congress nearly 100 years ago.

The two mainstays of the Metlakatla economy are a fish trap/cannery operation and a saw mill owned by Louisiana-Pacific. Both of these operations ship their products south by barge, but do rely on the ferry for supplies and equipment. The primary traffic on the Ketchikan-Metlakatla run has always been passengers, but the community does receive two vans/week of groceries. In 1985 Metlakatla embarked 5,974 passengers and 1632 vehicles. 5,651 passengers and 1706 vehicles disembarked.

Given its close proximity to Ketchikan, Metlakatla has interacted closely with Ketchikan for many years. This close interaction was made possible primarily because of daily service that was provided by the Alaska Marine Highway System. The service resembled a commuter service. It allowed the Metlakatla residents to go into Ketchikan in the morning, take care of their business and return in the afternoon. The service was popular and well used. Indeed, the traffic apparently warranted a larger ferry for the run. Therefore, the Metlakatla terminal was modified to accommodate the larger Aurora. Formerly the Chilkat served the Ketchikan-Metlakatla run. The terminal modifications were completed by October of last year. But now the community must share the Aurora with the Prince of Wales Island communities, and they no longer enjoy the daily, over-and-back service they had for so long.

The reduction in service has created some serious problems and inconveniences. Since the residents can no longer go round trip to Ketchikan in a single day, they must over-night in Ketchikan. Usually this means paying for a hotel room. But on the reverse perspective, there are no hotels or motels in Metlakatla. The community had launched an aggressive tourism promotional effort based on the single day turn around service. Now, however, a day trip can only be accomplished if one flies at least one way. The reduction in service has also had the effect of jeopardizing the availability of emergency medical service. There are about 25 - 30 days a year when wind, fog or snow prevents planes from reaching the community. If an emergency should arise now during one of those periods, the ferry is simply less available as an alternative. Any further reductions in service to Ketchikan would seriously impact Metlakatla.

PRINCE OF WALES ISLAND

Prince of Wales Island is the largest island in Southeast Alaska. It is the site of five incorporated municipalities: Craig, population 1200; Klawock, population 600; Hyda-burg, population 500; Thorne Bay, population 400; and Kasaan, population 100. In addition, Prince of Wales Island hosts several other unincorporated communities, villages, and logging camps. They include: Rowan Bay, Hobart Bay, Camp Island, Whale Pass, Dolomi, Port Alice, Chomley, Dana Bay, Shoal Cove, Notaki, Labouchere Bay, Coffman Cove, Polk Bay, Point Baker, Port Protection, Long Island, Warm Springs, Bell Island, Waterfall, and Steamboat Cove.

The residents of Prince of Wales Island apparently have not been informed of the State's recession. Existing industries on the island are going strong and local economies are experiencing something of a "mini-boom". Timber prices have begun to rebound which has made harvesting profitable again. In addition, both regional and village native corporations have extra incentive at this time to set aggressive logging schedules in order to take advantage of their ability, for another four years, to sell operating losses. The summer commercial salmon fishing industry is doing extremely well in the southern panhandle and is expected to continue on an up cycle.

In addition, communities on Prince of Wales are pursuing very aggressive economic development plans. A black cod bottom fishery is just beginning to turn the corner in Craig and Klawock. This past winter, over forty boats took part in the opening. Several areas along the west coast of the island have been identified as the best potential areas for mariculture of salmon, oysters, and seaweed. Additionally, several mining companies have been conducting tests and taking samples for a variety of minerals along some of the island's interior roads. Prince of Wales Island has the most extensive road system in Southeast Alaska. As such, it received a great deal of camper/RV/trailer use during both the summer tourist season and the fall hunting season. In addition, this summer two cruise ships a week will off-load tourists for a two-hour tour of Klawock and the surrounding area. This will be the second summer cruise ships have visited Prince of Wales Island.

Obviously, the communities of Prince of Wales depend a great deal on the AMHS to provide transportation and freight to their thriving economies. All economic development efforts, as well as existing industries, would not function without the AMHS. The cold storage in Craig, a major employer, sends all its fish to Ketchikan via ferry, both summer and winter. They already use the service to capacity. A loss or

reduction of service for the cold storage does not just mean more expense; it means the potential loss of the business itself. Quality is the single most important factor. Fresh fish must be processed and transported as quickly as possible. There exists a fear in Craig that if ferry service is reduced, off-shore processors and tenders will move into the area to service the fishermen on the fishing grounds, and that the Craig cold storage will be by-passed completely.

The lumber camps are supplied almost exclusively by the ferry. Five refrigerator vans and four dry vans of groceries come onto the island every week via the ferry. All logging equipment, materials, parts, and supplies arrive by ferry. Forest Service vehicles come by ferry. Nearly all motorized vehicles on the island come and go via the ferry. In 1985 15,881 passengers and 4,739 vehicles embarked at Hollis. 16,591 passengers and 5,116 vehicles disembarked

Mail also arrives by ferry, as does an annual convoy of state road equipment. There is no doctor or dentist on the island, so patients must go to Ketchikan, as do participants in local alcohol rehabilitation and mental health programs. The ferry system is also heavily used by the island's senior citizens. Of course, the residents rely upon Ketchikan for regional shopping for all goods and services not available on the island, and the ferry is the chief mode of transportation.

Residents of the island have long been of the opinion that they are under serviced by the ferry system, and recent developments have not seemed to help. A facility upgrade at Metlakatla last summer now prevents the state's smallest ferry, the Chilkat from docking there. The Chilkat had regularly serviced Metlakatla. As a result, the Chilkat has been switched over to the Ketchikan-Hollis run, and the larger ferry, the Aurora, is utilized for the Metlakatla run, except for Tuesdays, when it goes to Hollis. So the Chilkat serves Hollis approximately six days a week. But it is seriously undersized for the daily trip across Clarence Strait. As a result, many of its trips are delayed or cancelled due to adverse weather and sea conditions. Further, because the Chilkat has such limited vehicle capacity (15 vehicles), competition is fierce for the Tuesday sailing on the Aurora. The situation has caused problems, inconveniences and added expense this past winter.

The real concern, however, is that even without any reduction in service from budget cuts, service to the island may not be adequate to support the burgeoning economy. The situation appears to be a lost opportunity for the ferry system, as well. The demand for service is there, almost all of it freight, which should make the run highly cost-effective for the ferry system. The residents hope the situation can be improved soon, as they must depend on consistent reliable ferry service - at least at the current level.

WRANGELL

The City of Wrangell is located on the northern tip of Wrangell Island, 89 miles northwest of Ketchikan. Its population as of July 1, 1986 was 2376. Bordered by Zimovia Strait, Wrangell is situated near the mouth of the Stikine River, which reaches into the Canadian interior. As the Stikine developed into a gateway for trappers and prospectors, the northern tip of Wrangell Island became a strategic location that was the key to Wrangell's early development as a military outpost, a fur trading center, and an outfitting, support and entertainment center during three successive gold rushes. Changing interests led to several boom and bust cycles in Wrangell's early history.

Today, Wrangell's economy is structured around harvesting and processing renewable resources of the area. The Alaska Lumber and Pulp sawmill employs up to 100 workers and is Wrangell's largest private employer. Fishing is Wrangell's other major resource based industry. More than 100 residents fish commercially, and for about half of these, fishing is their principal source of income. There are two seafood processors in Wrangell, with a combined workforce of about 100 workers during peak processing months each year. Most of the fish processed in Wrangell is canned, but there is an increasing demand for fresh fish. Presently, fresh fish is flown out of Wrangell, though the entire halibut harvest in 1986 (620,000 lbs.) was shipped via ferry. Expanded use of ferries for the shipment of fresh fish south is foreseeable, especially if jet service to Wrangell is suspended.

Recently, Wrangell has begun a conscious shift to develop its tourism potential. They are trying to encourage people to discover the unique attractions of Wrangell, including its petroglyph beach, access to the Stikine River and the hot springs, Chief Shakes Island which is home of many totems and carvings, and their 2 annual community festivals - Tent Days and the 4th of July. The ferry system plays an important role in tourism development and is viewed by Wrangell businesses as a key ingredient for the future. Wrangell, along with a number of other Southeast communities is currently engaged in a promotional campaign to lure the "independent traveler" back to Southeast. The "independent traveler" is seen as the person who eschews both group trips and package tours. Studies have shown that a high percentage of independent travelers choose the ferry as their mode of transportation. Even now, Wrangell's Economic Development Director estimates that 40% of Wrangell's visitors arrive by ferry on an annual basis. Further, he advised that approximately 70% of the guests of the city's four hotels arrive via ferry. During

the summer, a steady flow of recreational vehicles disembark from the ferry and use the RV parking area provided free of charge by the City. Their average stay in Wrangell is 5 days, during which time they help support local businesses. Needless to say, any cut back in ferry service would severely curtail the most important aspects of Wrangell's tourism potential.

The ferries are used for close to 100% of student travel. A minimum of one group of Wrangell High School students travels each week of the school year to athletic events, Close-up, RSVP, band performances, or Native Education functions. The ferries are also important to the Native people of Southeast as a whole. Travel between southeast villages and communities to attend potlatches, 40-day parties, 'Celebrations' of heritage, and Native dance performances most often occurs by ferry.

Like Petersburg, Wrangell is presently threatened with a loss of jet service. Should this occur, the importance of the ferries would expand suddenly, and dramatically. Ferry travel for business and pleasure has become a way of life for Wrangell residents - a way of life which would be jeopardized by reductions in ferry service.