

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

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PETERSBURG

The City of Petersburg is a fishing community of 3252 permanent residents located on the north end of Mitkof Island where Wrangell Narrows meets Frederick Sound. By air, it lies halfway between Juneau to the north and Ketchikan to the south. Petersburg grew up around a cannery established by a Norwegian immigrant named Peter Buschmann. The cannery began operating in 1900.

Today, fishing and seafood processing continue to be the mainstay of the town's economy, though wood processing has also been important at times. During the fishing season the town's population swells by an additional 600 seasonal workers who are employed in the town's three processing plants. This does not count the fishermen themselves and their crew who make Petersburg their home base during the fishing season. Managers of the processing plants estimate that about half of the seasonal workforce arrives on the ferry and departs in the same manner. The ferry system is used to ship fresh fish south to Seattle. Last year, the second largest processor in Petersburg shipped more fresh fish in this manner than by air. The use of the ferries for the purpose of shipping fish product south (and for other purposes as well) may suddenly increase in the foreseeable future. Both Petersburg and Wrangell are presently threatened with the loss of jet service if the present federal subsidy of that service should end. Last year the number of passengers arriving by air and by ferry into Petersburg was about the same: approximately 15,000 passengers by each mode. Therefore, the amount of passenger traffic into Petersburg by ferry could possibly double unless some alternate type of airplane service is provided.

Presently, during the month of March 1987, ferry service to Petersburg consists of an average of three mainline stops per week, north and south. It also presently has two feeder stops/week, north and south. During the summer season, service expands to an average of six mainline stops per week, north and south. Feeder service remains about the same. In 1985 15,650 passengers and 3,650 vehicles embarked in Petersburg. 15,720 passengers and 3717 vehicles disembarked.

It appears that in the case of both Petersburg and Wrangell, the ferry system is often the preferred alternative for persons travelling to Juneau, Ketchikan or Sitka because of the relative cost. One way passenger fare from Petersburg to Ketchikan is \$24 by ferry and \$76 by air. One way fare to Juneau is \$26 compared to \$73 by air. To Sitka it is \$16 by ferry and \$69 by air.

The ferry system is also important to Petersburg in general ways. A significant amount of the food consumed in Petersburg arrives by ferry, viz. 25 - 30% of all produce, meat, and dairy products. As with virtually all other Southeast communities, it is heavily used for student travel. Petersburg school officials report that at least one group per week, averaging 30 students per group, travels on the ferry throughout the entire school year. 85 - 90% of all student travel is via ferry. Also similar to other Southeast communities, all third class and fourth class mail (parcel post) comes by ferry.

KAKE

Kake, Alaska is a Tlingit community of approximately 600 residents located on the Northwest end of Kupreanof Island in Southeast Alaska. Its direct ferry connections are to Sitka (8 1/2 hours) and Petersburg (4 hours). In addition to being linked to these two communities by air, it has two direct flights to/from Juneau daily.

Fishing and seafood processing provide the main economic base to the town's economy. It is a community where subsistence hunting and fishing are still an important part of life. Timber harvesting has been important, but recently, poor market conditions have forced operators to severely cut back or suspend operations altogether.

Kake is in the unique position of having three community links which are important to it. Petersburg, Sitka, and Juneau all play a role for Kake's residents. Of the three communities Kake is linked to, Petersburg has become the most important, mainly due to its close proximity and its one day ferry turnaround service. Residents go to Petersburg to purchase items not available in Kake, to take care of their banking needs as there is no bank in Kake, and to take care of general business which they can't do in Kake. In addition, Cuprenof Seafoods, the seafood processing company in Kake is under the same ownership as Chatham Straits Seafoods in Petersburg. There is frequent transfer of equipment between the two by ferry. All of the goods sold by the largest store in Kake (approximately 70% of all goods sold in Kake) arrive by ferry from Petersburg. Also the bookkeeping office of this store is in Petersburg. This relationship requires frequent travel of personnel between the two communities. The non-native residents of Kake generally travel to Petersburg for their medical and dental needs, as they are not eligible for service by the regional health corporation in Sitka. This travel is usually scheduled around ferry service.

Sitka is important as a regional health center for the majority of Kake residents, as well as a somewhat larger shopping center than Petersburg. Round trip travel to Sitka by ferry is difficult as the ferry usually arrives very early in the morning and does not provide same day, or even next day return service. The cost to fly back is \$75, as opposed to \$14 on the ferry.

Juneau maintains its importance as a regional shopping and service center with Kake. However ferry service to and from Juneau is even more difficult and expensive than Kake to Sitka. The ferry situation for Kake residents tends to add to their isolation.

As with all other Southeast communities served by the ferries, the school district utilizes the ferry system a great deal for school travel. The athletic teams using the ferry include basketball, volleyball, and wrestling. Other student organizations utilizing the ferry are RSVP, student dancers, and the student council. The principal of the high school stated that without a doubt, any reduction in ferry service would concomittantly limit activities.

In 1985, 3,490 people boarded the ferry in Kake; 3,421 people arrived in Kake by ferry. There were 830 vehicle arrivals and departures. As with all other smaller communities served by the ferries, travel to meet medical needs and travel by senior citizens is greatly dependent upon the ferries. Kake's general dependence on the ferry is such that it would suffer greatly by any overall reduction in service; indeed residents would like to see it expanded.

ANGOON

Angoon is a Tlingit Indian village located on the southwest side of Admiralty Island. By ferry, it is halfway between Juneau to the north and east, and Sitka to the west. Angoon is the only permanent community on the island, and is considered to be the most traditional of all Tlingit communities in Southeast. Angoon's 700 residents have, for the most part, maintained their subsistence lifestyle, though commercial fishing is important. Angoon consistently registers the highest level of unemployment in the state, as well as the lowest income per capita.

Angoon is served by one main store. This main store carries a large inventory of fresh produce, dairy products, and meats as well as dry goods, and a variety of other items. All fresh produce, dairy products, meats, and some frozen foods are supplied by the ferry. Prior to its weekly ferry service, Angoon had no fresh or frozen foods available. The cost of flying them in makes the consumer cost prohibitive.

Beyond its dependence on the ferries for all fresh and frozen food, there are other significant dependencies. All food for the Senior Citizens Lunch Program arrives by ferry. All building contractors operating in Angoon use the ferry exclusively to transport equipment and machinery. The ferry also allows for both students and adults to be involved in sports programs. Despite its small size, Angoon consistently produces quality sports experiences. Angoon always places well in the annual Gold Medal Basketball Tournament in Juneau, for example. The City of Angoon, incidentally benefits by serving as the local agent for the ferry system. The city receives a 7% commission on ticket sales. Last year these commissions totalled \$12,000 or about half the salary of the municipal secretary. As with other Southeast communities, Angoon depends heavily on the ferries for student travel. Prior to the establishment of ferry service, this function was extremely limited. In addition, the community utilizes the ferries for a wide variety of cultural events, such as potlatches, and forty day parties (a wake forty days after the passing of a loved one).

In 1985 4,834 passengers and 458 vehicles embarked at Angoon. 5,212 passengers and 465 vehicles disembarked.

The people of Angoon appreciate the service they now receive, but express apprehension at a possible reduction in service, especially a reduction in winter service. It is during the winter that they are most dependent on the ferries. Winter weather in Chatham Strait can be most vexing.

Wind, waves, snow and fog each or together can and often do prevent planes from getting in or out often for days at a time. During such times the ferry is the only means of transportation. Additionally, Angoon's dependence on the ferries for food is somewhat greater in the winter as it is then out of season for fishing and hunting. Lastly, Angoon's barge service in winter is less frequent than in summer, by two weeks. Consequently, even goods that might otherwise be brought by barge are shipped by ferry. In winter, Angoon receives two vans (approximately 4,000 lbs) of produce, milk, and supplies by ferry each week. Angoon is a prime example of the rule that dependency on the ferry system rises as the size of the community decreases. In the case of Angoon, even a slight reduction of its present service would hurt. Angoon has already experienced some reduction of service and it has hurt. Last winter the Juneau turnaround was discontinued. This created difficulties in terms of the arrangement that had existed for getting groceries from Juneau.

SITKA

The City and Borough of Sitka, Alaska is located on the west coast of Baranof Island. It is home to 8200 people. The borough's boundaries also include a large portion of Chichagof Island. Sitka was Alaska's first capital and also served as Alaska's capital during Russian settlement. Sitka's rich Russian heritage makes it a favorite stop for tourists. The Sitka Summer Music Festival has become one of the nation's premier chamber music festivals. Sitka is also home of Sheldon Jackson College, Southeast's only privately owned and operated college, and one of only two in the state. In addition, Mt. Edgecumbe High School, the state's only public boarding high school is in Sitka, as is Mt. Edgecumbe Hospital, which provides health services to Southeast's Native population. Sitka is also home to Alaska's shortest and most unusual fishing season. The Sitka sac-roe herring fishery lasts just a couple hours, but involves over 50 teams of seine boats, power skiffs, spotter planes, and tenders, all packed into just a couple small bays and inlets.

Sitka receives both mainline and feeder service from the AMHS. In March of this year, it averages a little more than one stop/week, north and south by mainline ferries, and about three stops/week by the LeConte. In summer this changes to an average of more than two stops per week by mainline ferries and less than two stops per week, north and south by feeder ferries. In 1985 18,381 passengers and 3,536 vehicles embarked at Sitka. 18,463 passengers and 4,002 vehicles disembarked.

One run that is both convenient for the communities it serves and to Sitka's economy is the Saturday feeder turnaround. This ferry leaves Juneau late Friday afternoon and picks up passengers from Hoonah, Tenakee Springs and Angoon enroute to Sitka. It arrives in Sitka at 8:00 a.m., then sails at 4:00 p.m. on the return trip. This run allows the residents of the smaller communities an opportunity to buy supplies without having to spend money on hotels or air fares, which could make their whole trip uneconomical. It is important to Sitka's retail economy as it is the only winter "boost" for the town. Sitka's winter economy is stronger than some other communities largely because of this "turn-around" run.

This "turnaround" run is also key to some important human services provided by the Southeast Regional Health Corporation hospital in Sitka. The hospital serves Native people from all of Southeast, and the ferries are the primary means of transportation for all who do not live in Sitka.

The importance of the Saturday turnaround is demonstrated by the fact that until the service was cut this past winter, the hospital's operations were specially geared for the Saturday turnaround. It would be fully staffed by physicians and dentists for their patients who would arrive on that ferry. When the turnaround service was cut this past winter, patient visits decreased significantly.

The ferry system also serves Sitka in more general ways. The U.S. Postal Service delivers 25,000 pounds of mail each week to the city via the ferries. Nearly 100,000 pounds of meat, produce, and dairy products are delivered each week by the ferries to Sitka grocery stores. One grocery store in Sitka estimates that 40% of its groceries come by ferry.

The AMHS is thus important both as a major support to the local retail and tourist trade, and as the primary method of transportation for clients of regional human services that are provided in Sitka.

TENAKEE SPRINGS

Tenakee Springs, also known as Tenakee, is a small community of about 125 people located on the north shore of Tenakee Inlet on the east side of Chichagof Island. It is about equidistant between Sitka and Juneau, 55 miles either way, or about 45 minutes by air. It is well known for its hot springs. Indeed, the existence of the springs is the reason for its founding. Early prospectors and miners apparently discovered the springs, and began using it as a winter haven - a place to wait out the cold winters while taking advantage of the natural springs. Tenakee became a booming resort, complete with card rooms and pool halls. Later, several canneries operated in the area, with the last one closing in 1974. Today Tenakee is a significant retirement community, a seasonal home for some, and a fishing community. The extent to which it is a seasonal home is significant - of the 125 houses and cabins in Tenakee, only 64 are occupied year-round. Of the year-round population, it is estimated that 30% is over 60 years of age.

Tenakee has a special nostalgic appeal. It has no roads. The only vehicles in Tenakee are a fuel truck, a fire truck, and some ATVs. It is a safe harbor for those who would live apart from the modern world. Life in Tenakee has been described as "like turning the clock back 40 years."

Tenakee has three private businesses: the Blue Moon Cafe, the Tenakee Inn and Bar, which offers ten rooms in addition to its food and beverage service, and Snyder Mercantile, a general store selling food, basic hardware, drug items, and fuel. Snyder Mercantile also has five cabins, with another four or five planned. Owners of the Inn and the cabins estimate that 85% of their customers travel to Tenakee by ferry. The expansion of Snyder Mercantile is based on the assumption of continued ferry service, especially continued weekend service from Juneau.

When ferry service was initiated less than ten years ago, its residents chose to limit loading capabilities to passengers only. No vehicles can offload at Tenakee. Thus, use of the ferry for freight purposes by the community is limited. However, its use for passenger transport is quite important. The residents depend upon the ferry for trips to Juneau and Sitka for shopping and medical care. The residents especially appreciate the availability and dependability of the ferry during the winter. Since Tenakee has no land based airstrip, all planes coming in must land on the water. Boarding float planes is quite difficult for some of the older people, as well as for the wheelchair-bound residents. Therefore these residents have a greater degree of reliance on the ferries.

The residents have found that the introduction of ferry service has not impaired their lifestyle. Indeed, they now rely upon it as their primary mode of transportation.

PELICAN

Pelican is a fishing community of 200 permanent residents located on the Northwestern corner of Chichagof Island. Fishing and seafood processing are nearly the whole of Pelican's economy. Pelican Seafoods is the primary employer. During the fishing season, Pelican's population doubles in size, partially due to the increase in Pelican Seafood workers and partially due to an increase in the fishermen themselves. Seven million pounds of seafood are processed in Pelican per year.

Pelican is not accessible to any other community by road. Juneau is Pelican's primary source of goods and services, though Sitka also serves that function. Pelican has daily scheduled flights from Juneau and scheduled flights three times/week from Sitka. Direct air time is 45 minutes from Juneau. One way air fare is \$72 from Juneau, three times the cost by ferry. Pelican does not have a landbased airfield. Therefore, only seaplanes can land in Pelican.

Ferry service is very limited to Pelican. Only one ferry per month travels to Pelican in winter, and two per month in the summer. However, Pelican residents do depend upon it. Because of the town's location, it has more weather problems and planes have a more difficult time getting in and out than with communities on the inside of the Archipelago. Almost every winter Pelican experiences a period of a week at a time without air service due to weather conditions. Some residents expressed the opinion that even though the ferry probably serves more people in the summer, it is more important to them to have good ferry service in the winter, when fewer flights are getting in, and when they don't have access to local boats to take them to town.

There is only one general store in Pelican, owned by Pelican Seafoods. Prices are high in the store. Thus, local residents try to avail themselves of the once/month ferry service which delivers groceries and goods for about half the cost of the general store. There are three restaurants in town, two of which close in the winter. Two of the three restaurants receive all their food and supplies by ferry.

Ferry service is important to Pelican both for passenger transport and some vehicles. Equipment of both the City and school District is sent to Juneau for maintenance. As with all other communities served by the ferries, elderly people much prefer the ferries. It is very difficult for them to attempt to board seaplanes. Also as with other Southeast communities, ferry service is viewed as very important for student travel. All student travel is planned around the ferry schedule. Pelican cannot afford a reduction in service.

HOONAH

Hoonah, Alaska is a Tlingit Indian community (pop. 906) located on Chichagof Island, 3 1/2 hours by ferry from Juneau and 20 minutes by air. Hoonah is not presently connected by road to any other town or village. However, there is a logging camp of approximately 250 people at peak season two miles from town.

Hoonah's economy has changed from a subsistence way of life to a varied one where commercial fishing forms the economic base. During the past five years, logging has also become important. However, in 1987 the loading of logs on ships bound for Japan will cease. This will reduce the number of Huna Totem shareholders employed in the industry by 32. This loss will dramatically affect local employment.

Hoonah is now looking at ways to diversify their economy. Tourism is an option being explored as a means to stabilize the economy. People involved in the operations of the Inn, the Lodge, the restaurant, and the City all spoke of promoting Hoonah as an entry point to Glacier Bay. Hoonah is the closest community to Glacier Bay with ferry service. It is this service that would be essential to the development of tourism for Hoonah.

Presently, the ferry system is essential to the community in a number of ways. 100% of the community's fresh produce, eggs, and bread arrives via the ferry, and 50% of the milk and other dairy products. A total of 8,000 lbs. of food arrives each week destined for three stores, two restaurants, and two food co-ops. An additional 6,000 lbs. of food is delivered each week via the ferry when the logging and fishing seasons are in full operation. 5,584 passengers and 1051 vehicles embarked in Hoonah in 1985. 5,947 passengers and 1172 vehicles disembarked. Perhaps just as important as the transportation of food into town, is the transportation of fish out of town. 100% of the fish from Hoonah Cold Storage is shipped on the ferry. During the fishing season, every northbound ferry (bound for Juneau) is used for the transport of fish. In 1986 approximately two million pounds of fish were shipped in this manner. This year, a 30% increase is anticipated, due to an increased freezer capacity. A common concern voiced by the owners of restaurants and stores stems from their limited storage capacity. The growth of their businesses without a corresponding increase in their storage capacity has resulted in a greater dependence on the ferry system.

In addition to the essential functions of food and fish transportation, there is the normal function of people transport. Hoonah, with its small population, has little selection of clothing, and its selection of items such as furniture,

appliances, and building materials is almost non-existent. For these items and many others there is a significant amount of commerce by the Hoonah residents with Juneau. The ferries provide both the cheapest and most convenient method for the Hoonah citizens to do their regional shopping.

As with other southeast communities, heavy use is made of the ferries during the school year for the transportation of school children for athletic, cultural, and music events. 50% of student travel is by ferry. Most Southeast school events are planned around the ferry schedule. In a time of decreasing revenues to the schools, any significant decrease in ferry service would limit student travel correspondingly.

Significant use of the ferries is made by people in need of medical treatment. Hoonah has limited medical facilities and staff. People travel to Juneau or Sitka to visit the doctor, enter the hospital, get prenatal care, have a baby, get more diagnostic tests, etc. Indeed, unless an emergency exists, it appears that the vast majority of patients and attendants utilize the ferry rather than flying. The Southeast Regional Health Corporation provides vouchers for patient transport by ferry, rather than by air, whenever possible.

In questioning the local citizens regarding their use of the ferries, it was discovered that people who prefer to ride the ferry do so for three reasons: 1) cost. The regular roundtrip airfare from Hoonah to Juneau is \$94. But roundtrip fare on the ferry is only \$20 (winter rate), and senior citizens and children under the age of six can ride the state ferries for free. 2) safety and the fear of flying. Numerous responses were received citing this as the reason for using the ferry. 3) people can take their car, which makes it much easier to operate in a larger city. Hoonah's senior citizens use the ferry almost exclusively in traveling from Hoonah.

The ferry is also important in the transport of vehicles, machinery, and equipment in and out of Hoonah. Whitestone Logging utilizes the service to bring in trucks and heavy equipment, as does the Forest Service and the Huna Totem Corporation. This year the water line installation should be completed and the roads are scheduled to be paved. Equipment used for these projects is transported on the ferry. In general, all regular size vehicles coming into or going out of Hoonah will be transported by ferry.

Hoonah is a prime example of a community which has both a general and particular dependence on the ferries. The general dependence has to do with the overall transportation needs of a small, isolated community. The particular needs are the dependence on the ferry to transport food into Hoonah and fish out.

JUNEAU

Juneau, Alaska, population 29,370, is Alaska's state capital and third largest city. It is located on the mainland, but is not connected by road to any other mainland community. It's closest link to mainland travel is with Haines, 75 miles to the north.

The discovery of gold in Juneau was the basis for Juneau's early growth. For centuries before this discovery, Tlingit Indians had established and enjoyed a sophisticated culture in the area. However, Juneau's destiny changed dramatically in 1880, when Joe Juneau and Richard Harris found gold. Within a few years Juneau became a center for large-scale hard-rock mining. Three gold mines, the Alaska-Juneau (AJ), the Alaska-Gastineau, and the Treadwell Gold Mining Co. were established and became world renowned. Treadwell production peaked in 1915, but closed two years later due to a cave-in which flooded the mines. The Alaska-Gastineau folded due to high costs in 1921. And the AJ mining was halted by the war in 1944.

By the time the mines closed, the government had been transferred to Juneau, establishing Juneau as Alaska's capital. Government remains the focal point. Today government employs one of every two Juneau workers. As in other Southeast communities, fishing is important in Juneau. Tourism is an ever-expanding industry. In the summer of 1985, Juneau was the most visited community in Alaska by vacation/pleasure visitors and the second most visited community by all visitors.

Each year Juneau's population goes through seasonal cycles. In the winter, as host to Alaska's Legislature, Juneau is home to people from all over Alaska who come here to take part in Alaska's government. In the summer, Juneau is a bustling city, entertaining visitors from all over the world.

Many of these visitors come to Juneau by way of the Alaska Marine Highway System. In 1985, the ferries transported more than 60,000 passengers to Juneau and more than 14,000 vehicles. Juneau receives more ferry traffic than any other community in Alaska. Many of these travellers are tourists, but many are people from outlying communities coming to town to avail themselves of the shopping, medical, social service, and other service opportunities which are not available in their communities. Juneau has become a regional trade and travel center for the northern panhandle. Because it is the only community in northern southeast with year-round jet service, residents from the smaller communities travel to

Juneau to connect with jet flights going both north and south. But in travelling to Juneau from the smaller communities, the residents often prefer to use the ferry system because of its lower cost, safety, and dependability.

Juneau has the widest selection of available goods in Southeast due to its frequent barge, ferry, and air service, and its population base. There are also more doctors, dentists, and medical specialists in Juneau than in other Southeast communities. The Southeast Alaska Regional Health Corporation operates a regional clinic in Juneau; and an alcoholism treatment facility as well as a shelter for battered women and children, serving northern southeast are in Juneau. Juneau is also the regional headquarters for many organizations and government agencies including, the Forest Service, the Bureau of Indian Affairs, the Coast Guard, the Postal Service, and many others. In general, people from all over Southeast travel to Juneau to meet their shopping, business, and medical needs. Frequent and dependable ferry service is essential to this travel.

The movement of construction equipment to smaller communities from Juneau by ferry is extremely important. Many Southeast communities do not have paving equipment, asphalt plants, cement trucks, a sufficient number of dump trucks for projects, or good crane trucks to complete certain projects. Contractors from Juneau have the equipment and move it with them to the communities for projects such as water line installation, paving roads, and building projects. The ferry is the only practical way to move it.

As with other Southeast communities, student travel by ferry has become very important. 95% of the student's travel is by ferry. Students travel in groups of 10-60 to sports activities, music and drama festivals, and to debate and foreign language conferences. There is approximately one of these groups from Juneau-Douglas High School travelling in SE Alaska each week. Any reduction in ferry service would mean a corresponding reduction in student travel.

The Gold Medal Tournament is an annual adult basketball tournament in which most of the Southeast communities participate. It is held in Juneau and attracts approximately 1,000 people. The demand for ferry service at tournament time is so great that walk-on reservations must be made to get on the ferry bringing participants and spectators into Juneau. This event may seem minimally important, but it is the highlight of many communities' spring and has become a social tradition throughout. Angoon even closes its schools to coincide with tournament time. Gatherings such as this decrease the isolation people begin to feel after a long, cold winter.

Juneau to the smaller communities is equally important. Juneau receives approximately 16 27-ft. vans each week from the south, loaded with groceries, mail, and supplies. The desire for quick, frequent dependable service are reasons freight companies cited for ferry use. Juneau is served by barge lines once a week. Ferries arrive from Seattle or Prince Rupert 3 times a week. Ferries are off-loaded quickly, with vans heading for their destination upon arrival. With barge service it takes longer from the time the barge docks, to the loading and delivery of containers. There is no benefit to shipping on the ferry from Seattle or Prince Rupert if the frequency is no better than that of the barge. Thus, if the Seattle and Prince Rupert runs are reduced in the winter from 3 to 1 per week, the ferry system would loose more than the corresponding reduction in revenues; it would loose the business of those who use the ferry for its more frequent deliveries from the south. Foodland, a local store, uses the ferry exclusively in order to insure the freshest produce, milk products, and meat by getting deliveries twice a week. This is not possible by using the barge. Contractors, hospitals, the fishing industry, and the forestry industry use the ferry for its speedy delivery.

The movement of freight out of Juneau to the smaller communities is of growing importance. People in the smaller communities have become accustomed to diets of fresh produce, meats, and dairy products. The ferries are the only cost effective way of providing these items to some communities. Since many of these communities are served by barge once every 4-6 weeks, a reduction in ferry service would severely limit the availability of these products. Other freight such as car parts, hardware, furniture, fishing gear, etc. make up the bulk of items for transport to the smaller communities. As it is now, the car decks of the feeder ferries are oftentimes too full to carry all the traffic needing transport. A cut in the service offered by these ferries would increase this problem and the ferries may get into the undesirable position of prioritizing users of the system.

In general, the ferry's importance to Juneau is derived from the transport of tourists and Southeast residents from outlying communities into Juneau, and the transport of freight out of Juneau.

HAINES

The City and Borough of Haines (pop. 1847) is located 75 miles north of Juneau on Lynn Canal. It is 1/2 hour from Juneau by air and 4 1/2 hours by ferry. Haines is connected by road to the interior. Twenty-two miles up this road is Klukwan, a small Chilkat Indian Village with a population of 192. Klukwan has no businesses, so it relies totally on Haines for goods and services. Haines is a major entry point for land travel from Southeast Alaska into Canada or the Interior of Alaska, and from the interior to Southeast, Prince Rupert, and Seattle. This function, however, is only possible because of the ferry system. Despite the still recent completion of the Klondike Highway connecting Skagway to Whitehorse, Haines may still be described as the northern terminus of the Marine Highway System. It is the Panhandle's closest link to the rest of Alaska.

The Haines economy in the past ten years has often seemed to be reacting to the on-again, off-again attempts to keep the sawmill operating. Presently, the sawmill is not operating. Fishing has been an important contributor to the economy, but has recently been facing tougher times. Now the community is turning towards its tourism potential as a means of finally stabilizing the Haines economy. This effort has been helped a great deal by the publicity and attention which has been given to the annual fall eagle migration to the Chilkat River. Work on promoting the eagle reserve as a place to visit is progressing, and a visitor information center is under construction. In addition, other efforts are being made to promote Haines as a place to visit rather than just pass through. The underling key ingredient for Haines' tourism potential is its accessibility by ferry. Without the ferries, Haines becomes simply a place at the end of a very long spur road.

It is difficult to overemphasize the importance of the ferry system to the Haines economy. For example:

- (1) There are five hotels in Haines (a total of 128 rooms), with a gross income of \$625,000. The owners of the hotels state that 90% of their business is derived from travellers on the Marine Highway System.
- (2) Even though Haines has little more than a thousand residents, it has 11 restaurants, seven of which remain open year-round. The owners of the restaurants estimate that 80% of their business is derived from ferry travellers.

- (3) There are are four automobile service stations. The operators of these stations state that 40% of their business derives from ferry traffic.
- (4) In 1985 43,534 passengers embarked at Haines, and 13,454 vehicles. 40,867 passengers and 12,424 vehicles disembarked. In comparison, Juneau, which had the highest number of disembarkations had only 1,650 more vehicles disembarking than Haines.

It appears that when people drive down from the interior to connect with the ferry, they have a strong desire not to miss their connection south. And so they arrive early - early enough to need accommodations. Other examples abound of the importance of the ferry system to the Haines community:

- (5) Approximately 1/2 of the food in the grocery stores arrives via the ferry; restaurants and bars receive all their supplies by ferry.
- (6) Approximately 1/2 of the construction materials sold in Haines arrives by ferry.
- (7) The ferry system itself has 27 employees in Haines; including two seasonal and one part-time.

Of all the communities of Southeast Alaska, it is clear that Haines is the most vulnerable and would be hurt the most by any significant curtailment in ferry service. The community has experienced a taste of the impact of ferry service reductions this winter. Last winter Juneau residents could conveniently travel via ferry for the weekend to Haines. This year, however, the schedule will not allow them to go to Haines and return for the weekend. The result is that some businesses in Haines have had their worst winter ever. Indeed, a tour company that had planned some group tours to the Haines area to enjoy the eagle migration had to cancel their plans due to the scheduling difficulties.

Apart from the aspects already identified, it appears as well that Haines is more dependent upon the ferry system than other communities in terms of social and cultural events. Haines is the site of the annual Southeast Fair. The fair, scheduled every year in August, has become a major event. Last year, attendance was approximately 8,000. And the ferries play a vital role. The event has become such a popular one for for Juneau residents (and those travelling

through Juneau) that demand for space far exceeds capacity. To their credit, managers of the system have cooperated by scheduling an extra run to Haines. The ferries carry horses, other animals, and exhibits as well as people to the fair.

While the fair may be the largest event, there are other cultural events and ongoing functions which depend on the ferries. The famous Chilkat Dancers of Haines use the ferries exclusively in their regional tours. They report that approximately 25% of their audience for Haines performances stem from the ferries. Also, there is an annual drama festival and competition in the summer which draws people to Haines by ferry.

As with most other communities served by the ferries, school travel relies greatly on the ferry system. 90% of student travel from Haines is via ferry. The purposes include travel to the annual music festival (this year held in Ketchikan) and a foreign language festival in addition to athletic events. Choosing ferry travel over air is a matter of safety more than cost, according to the high school principal.

Finally, but not least, there are numerous ongoing people services and functions which depend upon the ferries in a manner which makes life in this and other smaller Southeast communities more manageable. There are only two doctors in Haines, one of which also serves Skagway. There is no hospital. People from both communities depend on the ferries for transportation to Juneau for medical treatment unless an emergency exists. Also, periodic visits to Haines are made by a veterinarian, an optometrist, and a chiropractor, all of whom use the ferry as they carry with them a fair amount of equipment. And, twice a month both the Public Defender and District Attorney along with a judge come to Haines for judicial proceedings. They usually fly, but schedule their visits according to the ferry schedule as a backup. The local magistrate estimates that it would cost the state approximately \$1500/day should those three people get weathered in. Of course, as with Skagway and Hoonah, many residents depend upon the ferry to be able to travel to Juneau for consumer goods which are simply not available in their community. It is cheaper, safer, and more dependable than flying.

In this study and report, it appears to a significant degree that the importance of the ferries rises in inverse proportion to the size of the community. Haines happens to be the one example which demonstrates the rule most dramatically. The ferries quite simply are a major factor, not just to the economy, but to the quality of life.

SKAGWAY

The City of Skagway is located at the northern end of Lynn Canal. The current population is 790. It is 93 miles north of Juneau, 45 minutes by air and 6 1/2 hours by ferry. Like a great many other places in Alaska, it has had its economic ups and downs, but Skagway's history appears to have peaks and valleys which are both higher and lower than perhaps any other. Soon after its beginning, and at the height of the rush to the Klondike gold fields, Skagway (combined with nearby Dyea) was the largest city in Alaska (pop. 8500). Of course when the boom turned to bust, the population declined rapidly. Skagway might have turned into a ghost town were it not for the construction of the railroad in 1899. Eventually the railroad became the mainstay of the economy, transporting ore from the Yukon to Skagway to be loaded on ships, and tourists and freight north to Lake Bennett and Whitehorse. But the iron mines closed in 1981 forcing the railroad out of business in 1982. This put the very life of Skagway in jeopardy. But the opening of the Klondike Highway connecting Skagway with Whitehorse has given the town new vitality.

Now Skagway concentrates almost entirely on tourism and the ferries are an important component of this economy. 230,000 people visited Skagway last year. Skagway's population doubles in the Summer in an effort to accommodate their visitors.

While the vast bulk of tourists come by cruise ship, it is the visitors who come by ferry who spend money in local restaurants, hotels, service stations and grocery stores. This is because food and lodging is included in the cruise ship package. Thus, the 36,000 visitors who came by ferry in 1986 are an important component to these Skagway businesses. And, to an increasing degree, this component is not restricted to the Summer period. Skagway is working hard at encouraging Juneau residents to travel north for winter breaks. Since this winter is the first winter that the road to Whitehorse has remained open, visitors are being encouraged to come to Skagway for cross-country skiing or to go to Whitehorse. Due to the winter opening of the road, those businesses remaining open all report increased winter business. Of course, the ferries play an important role in making the increased winter traffic possible.

The opening of the road also means that tourists traveling north with their car now have the option of disembarking at Skagway. Thus, Skagway now joins Haines as an entry point for travel to the interior and Canada. The 1985 Port Traffic Summary Data indicates that 29,577 passengers and 5,731 vehicles embarked from Skagway. 31,522 passengers and 6,402 vehicles disembarked. Presently, (March 1987) Skagway receives four main-

line ferries/week, and one visit by the Le Conte. In the summer, service increases to five mainline ferries while service by the Le Conte remains about the same.

Like other Southeast communities, Skagway depends on the ferry system for its basic transportation needs. The ferry offers a low-priced, dependable means of transportation to Juneau with its greater selection of consumer goods and services. Since Skagway is situated in a narrow valley with steep mountains on either side, it receives winds from the north, especially in winter, which are severe. The winds make flights into Skagway uncomfortable and at times impossible. The ferry offers a dependable option. Most people schedule their departures according to the ferry schedule, so that even though they may plan to fly, they will not be stranded by a flight cancellation.

Skagway's health professional is a Physician's Assistant, with a doctor from Haines visiting once every two weeks. The ferry is an important link between Haines and Skagway for the transfer of medical supplies, drugs, and personnel. If people need more medical services than are available in Skagway, they usually travel to Juneau, and often by ferry.

Given the recent efforts by Skagway businesses to attract winter business, buoyed by the opening of the road for winter traffic, people in Skagway are naturally disheartened at the prospect of decreased ferry service. For it is the current level of ferry service which largely makes it possible for the winter business to grow. That is, the appeal is being made to Juneau residents for a winter foray to Skagway and Whitehorse, and such a visit by car necessarily involves use of the ferries.

V.

RECOMMENDATIONS AND FINDINGS

RECOMMENDATIONS AND FINDINGS

The intent of this section is to provide a helpful perspective of ways to improve our Alaska Marine Highway System (AMHS). We intend no offense. Indeed, this section, like each of the others is to lend assistance.

From the beginning, the goal of the AMHS has been to allow residents of Southeast access to the same transportation opportunities as those residents of areas on maintained road systems. The service has been treated fiscally as lump sum appropriations, turned over to an administrator for disbursement, much like other passthrough programs such as Education Foundation, Municipal Assistance, and Revenue Sharing. But there is a major difference: school districts and local governments statewide are not able to meet their own funding needs. For that matter, neither is the State's land based highway system. But the AMHS on the other hand, is entirely capable of providing most of its own revenues. It has in the past, and studies indicate that the system has the potential, in the short-term (within five years) to provide from 55 to 60 per cent of its operating costs through system receipts.

This potential, however, is dependent upon the continuation and expansion of service. The system generates no revenues sitting off-line at dockside, and in some cases may cost the system more than when operating and generating revenues. The system is a long way from realizing its revenue potential. The solution, however, does not lie in a change of schedule or reduction of service. It lies in necessary changes to the delivery of those services, specifically day-to-day operation, manning requirements, public perception, and management. The following are some areas revealed during this study where significant improvements could be made:

(1) Advisory Board

Foremost among our suggestions is that the Legislature and Governor form a small advisory board to work with the AMHS to develop goals and implement strategies over the next three years. This recommendation cannot be overstated. The board could well serve as the ingredient necessary to make the AMHS the paradigm of marine transportation and the backbone of economic development. The small board should be comprised of transportation and marketing professionals, legislators, and users.

(2) Vessel Lay-Up

One item that should play an important role in the decisions on funding levels are vessel lay-up costs and the amount

of time vessels spend in port for maintenance. Here is a listing of overhaul costs per week for each vessel, shown as a percentage of its weekly operating costs:

Aurora - 51.4%	Tustemena - 65.5%
Chilkat - 82%	Bartlett - 90.8%
LeConte - 49.8%	Columbia - 71.1%
Matanuska - 66.1%	Malaspina - 42.9%

Lastly, the Taku has a percentage of 50.3%.

If you accept the validity of the 1984 Task Force Report that the system could be providing 55 to 60 per cent of its own funding within five years, then only on the Malaspina would it cost significantly less to lay-up for maintenance than to operate. Further, the time periods for lay-ups for maintenance seem to be excessive. They range from a five week maintenance period for the Chilkat to 19 weeks for the Columbia. By contrast, the cruiseship Stardancer lays up for 8 days per year. All other maintenance is done on board, during operation.

Our recommendation is that the Legislature and Governor establish a five year series of attainable revenue goals as a percentage of operating cost, and that these goals be evaluated along with actual experience prior to each fiscal year appropriation. In this manner, the Legislature can encourage the system to eliminate those areas of apparent excess cost, such as the maintenance time on vessels.

(3) Inventory Control and Purchase of Provisions

Perhaps the most common complaint has been the warehousing of supplies, especially foodstuffs, and the system's inability to track those provisions. We came across a report dated August 4, 1983 from Gerald Wilkerson to members of the Legislative Budget and Audit Committee regarding an audit of AMHS warehouses in Seattle and Juneau. The State Accounting System (SAS) records for the inventory at the Seattle warehouse showed the Seattle inventory at \$230,621.49; while the warehouse records showed inventory at \$87,161.18, a difference of \$143,460.31. Acting Deputy Commissioner Eugene Black attributed the discrepancy to inadequate reconciliation procedures between the AMHS warehouses and the State Accounting System. Indeed, there were consistent differences between other AMHS records and the SAS. The Seattle finding stands out, however, because of Governor Sheffield's AHMS Task Force, which was conducting its inspections during the same general time period. In its official report dated April, 1984, the Task Force had the following to say about its inspection of the Seattle warehouse:

The warehouse space at Pier 48 currently leased by the system is not being utilized to its fullest capacity. In addition, the main warehouse is disorganized with little control in effect. Both front and rear doors to the main warehouse were open with vehicles entering unrestricted. There appears to be excess warehouse capacity and minimal control of the main warehouse area.

In the same audit report, Wilkerson also points out another shortcoming that we feel warrants immediate attention. Wilkerson states:

Juneau warehouse records do not provide historical detail of inventory transactions which would show all purchases, adjustments, and issuance of inventory items. By not having this detail, the disappearance of inventory and subsequent adjustment of records could go undetected.

Black responded that "the data processing program purchased for use at the warehouse does not have the capability of keeping transactions by item."

We are aware that the management is reviewing these cost saving measures. Our recommendation on this matter is that the Legislature and the Governor direct the AMHS to pursue "shipside" purchase of Provisions. That is, shifting to a system of little or no inventory. The benefits are several. There seems little justification for the amount of space currently being payed for in Seattle, especially if supplies were to be purchased "shipside". Inventory could be more easily tracked because everything purchased would actually make it onto the ship rather than be warehoused. It would also allow Alaska dollars to stay in Alaska, and help to support local economies along its routes, plus build a stronger relationship with the business community. An additional effort should be made to evaluate the current procedures for the purchase of fuel by AMHS. This particular purchasing strategy needs a review beyond our budget and timetable. However, it is equally important and seems to be an area which has been neglected. It is a complex question and entails cost comparisons of food purchase alternatives and warehouse efficiencies.

(3) On-Shore Ship Services

The system seems to have little or no control over docking costs, and certainly no consistency in approach. One

community charges the system \$600 every time they tie up a boat, while another community provides the service gratis, in recognition of the importance of the ferry to the community. We do not suggest there is no reasonable explanation, we simply do not have one. A similar problem exists with on-shore agents at the various ports of call. Some are AMHS employees, some are contract agents. Some are dedicated to their work and represent the ferry system very well. They keep regular office hours, sell tickets, meet ships, help with tie-ups etc. Some (more likely to be contract agents) keep minimal staff and minimal office hours, do a poor job on-shore costs (such as tie-ups) that are billable directly to the AMHS, do not present a good impression to passengers, and collect a higher percentage of ticket sales than do travel agents.

Our recommendation is that the Legislature and Governor direct the AMHS to determine the most cost-effective method of handling on-shore services, and further direct that those costs and methods should be as consistent as possible throughout the system. Further, that the system should function within a strict set of guidelines to ensure a consistent level of service at a consistent cost.

(5) Ferry Freight

We found a tremendous dependence by some businesses on the ferry system for freight service, but also received many complaints regarding practices on the cargo deck that often cause inconveniences to clients. There was expressed to us a feeling that the AMHS did not consistently recognize the importance of their commercial clients as a source of revenues. One example given is that the system does not enforce its prepayment requirement on vehicles. The result is that commercial opportunities are lost when a passenger vehicle cancels, because there is no incentive for the person cancelling to notify the AMHS. There is then no opportunity for the space to be filled, though there may be a commercial carrier who would desire the space.

Our recommendation is that the Legislature and Governor instruct the AMHS to consider methods of maximizing revenues from commercial freight users through adjustments in scheduling or lay-up schedules so as to "cater" to commercial clients during periods of high freight volume, such as those noted in the community sections of this report.

(6) Promotion and Marketing

The AMHS is the largest public water transportation system in the United States. Southeast Alaska is one of the nation's major tourist destinations. In a recent survey, 58 percent

of all respondents identified the ferry system as their preferred method of travel to Alaska. Yet until just four months ago, very little effort was made at promoting the system "outside", and even less within Alaska. If the AMHS is to survive without dramatic reductions in services, major sources of revenue have to be identified. There is very nearly unlimited potential for "selling" the system, but several changes do need to occur to realize its tourism potential. We believe this can occur in concert with private enterprise, particularly during the winter months.

Our recommendation is that the Legislature and Governor instruct the AMHS to actively pursue changes within the reservation system that will expedite that system. Areas to be considered should include contracting out the reservation function or the training of the staff to experienced professionals within the travel industry; transferring reservations onto one of the major airlines computer systems so that no extra equipment would be needed by travel agents to write tickets for the ferry system; increase the commissions on tickets to at least minimum industry standards; actively recruit and pursue private/public partnerships in the marketing of the system; work closely with the State Division of Tourism for promotional purposes; initiate efforts to improve the impression the system presents at its Seattle and Prince Rupert terminals; provide training to employees in public contact positions, both on-shore and on-ship. Finally, the Legislature and Governor should urge the management and employees to help realize its potential.

(7) Operations

This brings us to our final "operational" recommendation, and the most common issue we found among systems users. We recommend that the AMHS conduct a thorough, comparative review of all contract provisions with organizations representing employees of the system. Further, that special attention be paid to provisions relating to manning requirements, seniority, training programs, assignment of duties, annual leave, sick leave, penalty and overtime compensation, ship-based versus shore-based compensation and benefits, call-out practices, and residency requirements. The various contracts should be consistent in the different provisions. In addition, a similar review should be conducted of the cost of administering the system, and appropriate recommendations made. The findings and recommendations of this contract review and the administrative review should be implemented at the earliest opportunity, in order to help stabilize the system's operating expenses at a level that will assure continued Legislative support. The labor forces of the AMHS are the element primarily responsible for the successes of the system and

maintaining its effectiveness through recent turmoil. They must be full partners in meeting the current challenges.

The conclusions reached by our research lead us to believe that much of the expense in operating the AMHS is not inherent in the ferry service itself. It appears rather to be entrenched in the delivery of that service by the AMHS. Ferry loads are adequate and the system is being used. For that reason, every effort should be made to avoid a reduction in actual service. By the same token, it is imperative that every effort be taken to encourage the system to streamline its delivery of service in an effort to increase revenue, without sacrificing its commitment to basic transportation needs of all Southeast residents. It would be truly unfortunate if any reduction in funding should result strictly in a commensurate reduction in service without regard to other areas of the system. We see the decisions made this session as decisions affecting the entire future of the AMHS.

We feel strongly that there are quantifiable ways of both reducing the cost of operation, and at the same time increasing revenues. We urge your support of funding levels that will guarantee the continuation of the essential service level currently being provided by the AMHS. By the same token, we implore you to adopt an aggressive handling of the system's managerial and operational deficiencies. On no level of management theory have we found justification for allowing a billion dollar infrastructure to sit idle. It would be a questionable business decision to do so, and absolutely unacceptable as a matter of public policy. We urge the legislature and governor to fund the AMHS for FY 88 at a level of 62.6 million, and to adopt intent language that service levels be maintained. Since this is the first year of the session, we would also encourage the governor and the legislature to set some General Fund net operating goals for the AMHS for FY 88. A report from management on the status of that effort, with specific citations, should be requested for delivery to the Legislature by the first day of April, 1988.

Thank you for your consideration. We believe that a strong directive from the legislature and Governor to the management of the AMHS, combined with a maintenance level appropriation for FY 88, can assist the AMHS to make great strides toward ensuring that the system will continue to provide adequate levels of service to the State in the future. We do not pretend or suggest that all of our recommendations are absolutes. There is no claim that we have all the answers, but we believe in the viability and future of the ferry system.

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VI.
APPENDICES

• YAKUTAT

• SKAGWAY

HAINED

• GUSTAVUS

• ELFIN COVE

• HOONAH

• PELICAN

• TENAKEE SPRINGS

• JUNEAU

• ANGOON

• SITKA

• KAKE

• PETERSBURG

• WRANGELL

HYDE

• THORNE BAY

• KLAWOCK

• CRAIG

• HOLLIS

• KETCHIKAN

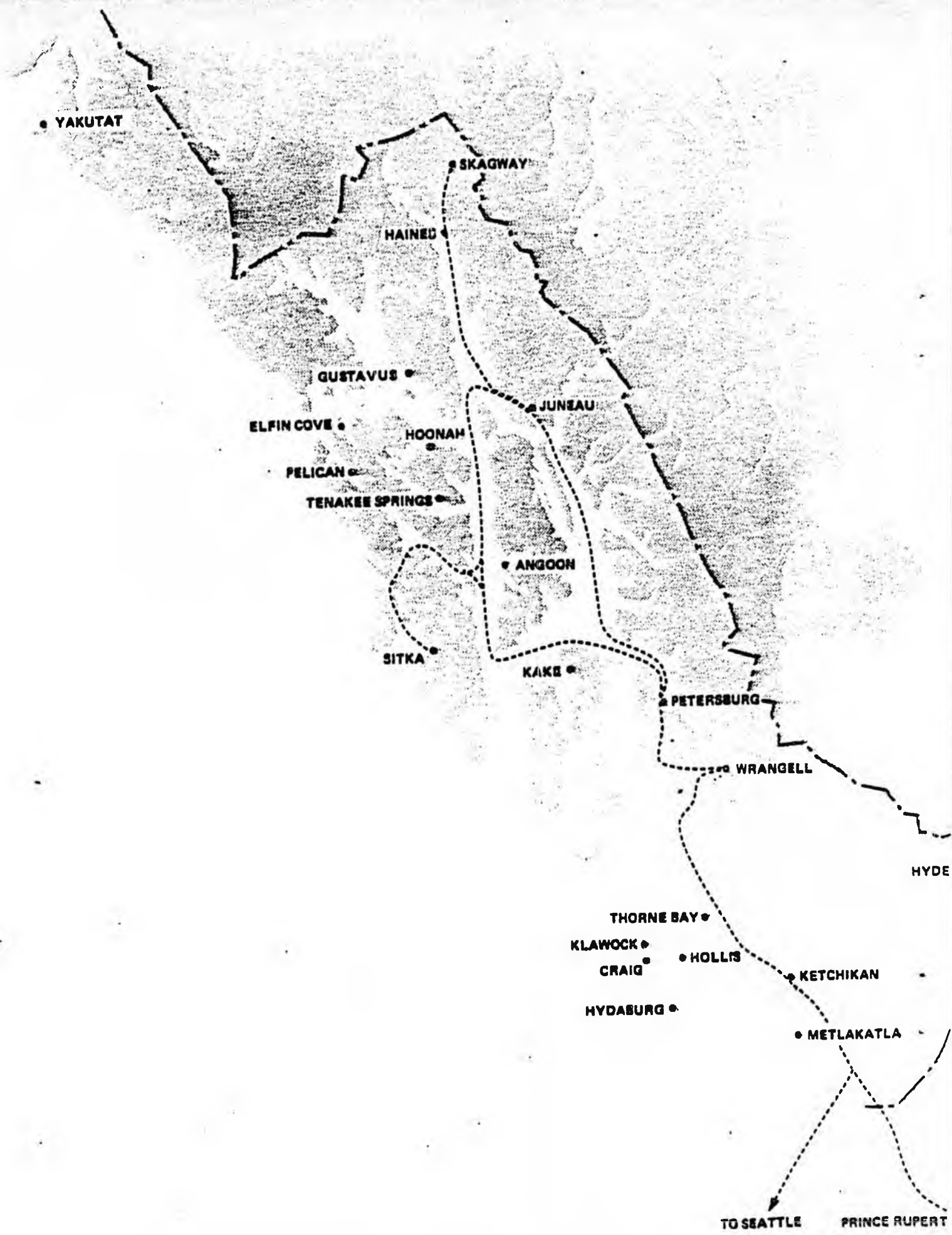
• HYDABURG

• METLAKATLA

TO SEATTLE

PRINCE RUPERT

MAINLINE FERRY ROUTES





FEEDER FERRY ROUTES

TABLE 1

FERRY SERVICE FOR SOUTHEAST ALASKA
MARCH 1987

	Mainline		Secondary	
	Northbound Stops	Southbound Stops	Northbound Stops	Southbound Stops
KETCHIKAN	14	13	21	23
WRANGELL	14	13	0	1
PETERSBURG	13	13	6	7
SITKA	5	5	12	14
JUNEAU	14	14	17	18
HAINES	14	14	5	5
SKAGWAY	14	14	5	5
METLAKATLA			26	27
HOLLIS			22	22
KAKE			6	10
ANGOON			10	12
TENAKEE			9	9
HOONAH			9	12
PELICAN			3	3

Note: Hyder does not receive service during the period
of the winter schedule.

TABLE 2
 AVERAGE WEEKLY SERVICE FOR SOUTHEAST ALASKA
 MARCH 1987

	Mainline		Secondary	
	Northbound Stops	Southbound Stops	Northbound Stops	Southbound Stops
KETCHIKAN	3.16	2.93	4.74	5.19
WRANGELL	3.16	2.93	0	.23
PETERSBURG	2.93	2.93	1.35	1.58
SITKA	1.13	1.13	2.71	3.16
JUNEAU	3.16	3.16	3.84	4.06
HAINES	3.16	3.16	1.13	1.13
SKAGWAY	3.16	3.16	1.13	1.13
METLAKATLA			5.87	6.09
HOLLIS			4.97	4.97
KAKE			1.35	2.26
ANGOON			2.26	2.71
TENAKEE			2.03	2.03
HOONAH			2.03	2.03
PELICAN			.68	.68

Note: Hyder does not receive service during the period of the Winter schedule.

TABLE 3

FERRY SERVICE FOR SOUTHEAST ALASKA
JULY 1987

	Mainline		Secondary	
	Northbound Stops	Southbound Stops	Northbound Stops	Southbound Stops
KETCHIKAN	26	27	36	34
WRANGELL	26	29	0	0
PETERSBURG	27	29	4	4
SITKA	11	9	8	8
JUNEAU	28	26	14	14
HAINES	26	25	10	10
SKAGWAY	26	26	10	10
METLAKATLA			26	25
HOLLIS			30	30
KAKE			4	4
ANGOON			8	9
TENAKEE			8	5
HOONAH			14	10
PELICAN			2	2
HYDER			5	5

TABLE 4

AVERAGE WEEKLY SERVICE FOR SOUTHEAST ALASKA

JULY 1987

	Mainline		Secondary	
	Northbound Stops	Southbound Stops	Northbound Stops	Southbound Stops
KETCHIKAN	5.87	6.09	8.13	7.67
WRANGELL	5.87	6.54	0	0
PETERSBURG	6.09	6.54	.90	.90
SITKA	2.48	2.03	1.81	1.81
JUNEAU	6.32	5.87	3.16	3.16
HAINES	5.87	5.64	2.26	2.26
SKAGWAY	5.87	5.87	2.26	2.26
METLAKATLA			5.87	5.64
HOLLIS			6.77	6.77
KAKE			.90	.90
ANGOON			1.81	2.03
TENAKEE			1.81	1.13
HOONAH			3.16	2.26
PELICAN			.45	.45
HYDER			1.13	1.13

TABLE 5

ALASKA MARINE HIGHWAY SYSTEM PERSONNEL BY COMMUNITY
 (Also showing onboard personnel by union membership)*

	ONBOARD			SHORESIDE	TOTAL
	IBU	MM&P	MEBA		
JUNEAU	158	9	8	101	276
KETCHIKAN	245	19	19	11	294
HAINES	17	1	2	7	27
SKAGWAY	3	1	1	5	10
PETERSBURG	7	1	1	2	11
WRANGELL	2	0	0	2	4
SITKA	5	0	0	2	7
CRAIG	4	0	0	0	4
HOLLIS	0	0	0	2	2
HYDABURG	1	0	0	0	1
THORNE BAY	1	0	0	0	1
HOONAH	0	0	0	1	1
ANGOON	1	0	0	0	1
HYDER	1	0	0	0	1
AK NOT SE	71	10	8	15	104
NON-RESIDENTS	<u>39</u>	<u>27</u>	<u>52</u>	<u>16</u>	<u>134</u>
	555	68	91	165	878

Note: Figures include seasonal and part-time employees

- * IBU = Inland Boatmen Union
 MM&P = Marine Mates & Pilots
 MEBA = Marine Engineer Beneficial Association

TABLE 6

PORT TRAFFIC SUMMARY FOR SOUTHEAST ANNUAL 1985

PASSENGERS EMBARKING

MON	SEA	KTN	WRG	PSG	JNU	HNS	SGY	SIT	YPR	PEL	HOL	KAE	ANG	TKE	HNH	MJF	MET	TOT
JAN	1006	2859	410	715	1977	1341	396	768	673	25	727	210	366	84	292	0	740	12589
FEB	973	2225	330	786	2256	1253	397	1167	530	29	746	464	497	86	382	0	402	12523
MAR	1532	3162	345	751	3483	1550	546	1079	1052	59	1172	220	336	105	318	0	636	16346
APR	1567	2658	367	804	3758	1811	912	1051	1459	63	1098	208	288	120	319	0	0	16483
MAY	2108	3834	450	1219	5201	2862	2146	1463	2260	70	1214	352	488	109	421	240	475	24912
JUN	2623	6385	910	2040	7508	5293	4565	2460	6150	70	1775	408	497	130	561	240	697	42312
JUL	2097	7576	1210	2627	11060	9049	8137	3247	7977	166	1731	337	326	167	522	0	486	56715
AUG	2331	8068	1395	2577	11011	9949	6899	2904	5761	79	2355	350	486	202	576	0	538	55481
SEP	1267	4952	706	1634	4828	4379	3273	1425	1674	159	1614	238	306	66	343	0	394	27258
OCT	1135	3317	476	879	3474	2528	1477	1109	864	22	904	208	257	99	482	0	527	17758
NOV	876	2804	437	730	2816	1647	418	728	645	36	1134	223	453	157	678	0	404	14186
DEC	856	3410	534	888	3267	1872	391	980	522	47	1411	272	534	159	690	0	675	16508
TOT	18371	51250	7570	15650	60639	43534	29557	18381	29567	825	15881	3490	4834	1484	5584	480	5974	313071

VEHICLES EMBARKING

MON	SEA	KTN	WRG	PSG	JNU	HNS	SGY	SIT	YPR	PEL	HOL	KAE	ANG	TKE	HNH	MJF	MET	TOT
JAN	384	645	90	138	509	423	103	130	302	2	175	44	38	0	33	0	153	3169
FEB	490	595	80	128	508	363	101	131	270	6	198	68	40	0	41	0	115	3134
MAR	638	916	100	174	768	447	120	212	547	6	342	43	42	0	68	0	195	4618
APR	549	747	103	193	793	590	145	199	662	10	340	83	33	0	60	0	0	4507
MAY	591	1090	143	306	1283	886	419	266	898	5	370	63	36	0	106	0	131	6593
JUN	566	1632	284	510	1763	1548	881	506	1681	4	529	86	35	0	97	0	163	10285
JUL	438	1991	297	678	2341	2678	1457	639	1913	15	530	80	26	0	105	0	148	13336
AUG	519	2121	278	582	2259	2786	1216	551	1423	5	692	76	46	0	101	0	146	12801
SEP	338	1449	156	352	1333	1516	691	321	571	10	552	62	36	0	83	0	154	7624
OCT	436	1117	142	251	966	1028	370	230	389	2	347	79	41	0	134	0	176	5708
NOV	457	750	122	190	731	599	116	179	307	4	386	82	47	1	127	0	93	4191
DEC	368	768	99	148	723	560	112	172	231	5	278	54	38	4	96	0	158	3814
TOT	5774	13821	1894	3650	13977	13424	5731	3536	9194	74	4739	820	458	5	1051	0	1632	79780

PASSENGERS DISEMBARKING

MON	SEA	KTN	WRG	PSG	JNU	HNS	SGY	SIT	YPR	PEL	HOL	KAE	ANG	TKE	HNH	MJF	MET	TOT
JAN	598	3179	456	784	2472	1134	365	741	405	24	818	282	293	87	269	0	682	12589
FEB	587	2166	334	874	2919	1282	440	958	399	55	911	333	390	77	414	0	384	12523
MAR	741	3184	350	961	3091	2128	543	1158	567	71	1445	345	582	108	490	0	582	16346
APR	1147	2585	442	791	3677	2435	1034	1064	849	84	1267	195	355	130	428	0	0	16483
MAY	816	3985	536	1274	5062	3748	2706	1641	1566	94	1364	330	476	196	518	240	360	24912
JUN	1300	6594	1056	2200	7863	6405	5362	2385	4730	98	1804	417	540	117	577	240	624	42312
JUL	2175	7678	1276	2724	11318	7945	8611	3284	7605	187	2025	320	367	135	581	0	484	56715
AUG	2004	7952	1362	2425	10437	8058	7632	3019	8029	96	2317	382	516	171	517	0	564	55481
SEP	2264	4383	789	1333	4932	2662	2764	1410	3755	127	1540	241	311	74	339	0	334	27258
OCT	1495	3156	443	826	3393	2021	1224	1087	1567	56	898	139	362	101	464	0	526	17758
NOV	927	2787	459	759	2761	1630	462	806	827	24	996	154	384	175	642	0	393	14186
DEC	1431	3264	541	769	3160	1419	379	910	874	27	1206	283	636	183	708	0	718	16508
TOT	15485	50913	8044	15720	61085	40867	31522	18463	31173	943	16591	3421	5212	1554	5947	480	5651	313071

VEHICLES DISEMBARKING

MON	SEA	KTN	WRG	PSG	JNU	HNS	SGY	SIT	YPR	PEL	HOL	KAE	ANG	TKE	HNH	MJF	MET	TOT
JAN	226	651	103	132	627	395	91	181	209	2	258	58	36	0	40	0	160	3169
FEB	212	629	93	162	593	432	100	184	183	5	289	50	29	0	47	0	126	3134
MAR	215	957	125	235	765	752	125	249	270	10	480	92	60	0	102	0	181	4618
APR	296	782	130	190	851	880	183	228	330	10	445	62	33	0	87	0	0	4507
MAY	177	1119	183	306	1216	1331	522	361	501	4	471	79	37	0	137	0	149	6593
JUN	268	1750	301	537	1842	1902	1011	519	1220	7	518	88	40	0	119	0	163	10285
JUL	468	2076	329	688	2361	2108	1666	679	1962	17	621	80	28	0	103	0	150	13336
AUG	371	2080	289	558	2101	2055	1548	590	2110	6	688	97	45	0	102	0	161	12801
SEP	529	1321	184	310	1292	862	620	327	1357	11	465	61	33	1	106	0	145	7624
OCT	531	1009	136	243	1030	707	284	255	738	0	353	63	45	1	123	0	190	5708
NOV	361	815	127	193	739	579	130	239	379	5	303	56	41	5	101	0	118	4191
DEC	439	776	105	163	657	421	122	190	356	2	225	52	38	0	105	0	163	3814
TOT	4093	13965	2105	3717	14074	12424	6402	4002	9615	79	5116	838	465	7	1172	0	1706	79780

PASSENGERS DISSEMBARKING

MON	SEA	KTH	WRG	PSG	JHU	HNS	SGY	SIT	YPR	PEL	HOL	KAE	ANG	TKE	HHH	MJF	MET	TOT
JAN	598	3179	456	784	2472	1134	365	741	405	24	818	282	293	87	269	0	682	12589
FEB	587	2166	334	874	2919	1282	440	958	399	55	911	333	390	77	414	0	784	12523
MAR	741	3184	350	961	3091	2178	543	1158	567	71	1445	345	582	108	490	0	682	16346
APR	1147	2585	442	791	3677	2435	1034	1064	849	84	1267	195	355	130	428	0	0	16483
MAY	816	3985	536	1274	5062	3748	2706	1641	1566	94	1364	330	476	196	518	240	360	24912
JUN	1300	6594	1056	2200	7863	6405	5362	2385	4730	98	1804	417	540	117	577	240	624	42312
JUL	2175	7678	1276	2724	11318	7945	8611	3284	7605	187	2025	320	367	135	581	0	484	56715
AUG	2004	7952	1362	2425	10437	8058	7632	3019	8029	96	2317	382	516	171	517	0	564	55481
SEP	2264	4383	789	1333	4932	2662	2764	1410	3755	127	1540	241	311	74	339	0	334	27258
OCT	1495	3156	443	826	3393	2021	1224	1087	1567	56	898	139	362	101	464	0	526	17758
NOV	927	2787	459	759	2761	1630	462	806	827	24	996	154	384	175	642	0	393	14186
DEC	1431	3264	541	769	3160	1419	379	910	874	27	1206	283	636	183	708	0	718	16508
TOT	15485	50913	8044	15720	61085	40867	31522	18463	31173	943	16591	3421	5212	1554	5947	480	5651	313071

VEHICLES DISEMBARKING

MON	SEA	KTH	WRG	PSG	JHU	HNS	SGY	SIT	YPR	PEL	HOL	KAE	ANG	TKE	HHH	MJF	MET	TOT
JAN	226	651	103	132	627	395	91	181	209	2	258	58	36	0	40	0	160	3169
FEB	212	629	93	162	593	432	100	184	183	5	289	50	29	0	47	0	126	3134
MAR	215	957	125	235	765	752	125	249	270	10	480	92	60	0	122	0	181	4618
APR	296	782	130	190	851	880	183	228	330	10	445	62	33	0	87	0	0	4507
MAY	177	1119	183	306	1216	1331	522	361	501	4	471	79	37	0	137	0	149	6593
JUN	268	1750	301	537	1842	1902	1011	519	1220	7	518	88	40	0	119	0	163	10285
JUL	468	2076	329	688	2361	2108	1666	679	1962	17	621	80	28	0	103	0	150	13336
AUG	371	2080	289	558	2101	2055	1548	590	2110	6	688	97	45	0	102	0	161	12801
SEP	529	1321	184	310	1292	862	620	327	1357	11	465	61	33	1	106	0	145	7624
OCT	531	1009	136	243	1030	707	284	255	738	0	353	63	45	1	123	0	190	5708
NOV	361	815	127	193	739	579	130	239	379	5	303	56	41	5	101	0	118	4191
DEC	439	776	105	163	657	421	122	190	356	2	225	52	38	0	105	0	163	3814
TOT	4093	13965	2105	3717	14074	12424	6402	4002	9615	79	5116	838	465	7	1172	0	1706	79780

A RESOLUTION BY THE SOUTHEAST CONFERENCE
RESOLUTION #87-1

WHEREAS, the Southeast Conference has completed a comprehensive review of the Alaska Marine Highway System's critical importance to Alaska communities; and,

WHEREAS, Alaska's rugged coastline prohibits road access to all but two of Southeast Alaska's twenty-four municipalities and boroughs; and,

WHEREAS, Southeast Alaska's severe and unpredictable weather frequently prohibits air access to those municipalities; and,

WHEREAS, the Alaska Marine Highway System is the foundation of Southeast Alaska's economy; and,

WHEREAS, the Alaska Marine Highway System is the primary and only dependable mode of transportation in Southeast Alaska; and,

WHEREAS, the Alaska Marine Highway System also provides a significant means of transportation to Southcentral and Interior Alaska that effects their economy; and,

WHEREAS, the Alaska Marine Highway System is critical to Southeast Alaska's fishing, timber, tourism, and retail industries; and,

WHEREAS, the Alaska Marine Highway System is also critical to the delivery of human services, such as health care and education; and,

WHEREAS, any reduction in the level of service in Southeast Alaska would have a dramatic affect on day-to-day life in Southeast;

THEREFORE, BE IT RESOLVED that the Southeast Conference respectfully urges Governor Cowper and the Fifteenth Alaska State Legislature to accept and implement to the maximum extent practical the recommendations presented by the Southeast Conference in the report entitled "The Alaska Marine Highway System: The Community Perspective;" and,

BE IT FURTHER RESOLVED that the Alaska Marine Highway System maintain its current level of service and be funded by an authorization of \$62.6 million for fiscal year 1988.

Adopted by the Southeast Conference on the 7th day of April, 1987.


Ernest Polley, President

PUBLICATIONS CONSULTED IN THE PREPARATION OF THIS REPORT:

Alaska Marine Highway Draft System Plan, AMHS, November 1986.

Alaska Marine Highway Schedules, Alaska Marine Highway System, Fall/Winter/Spring/Summer, 1986-1987.

Alaska Tourism Handbook, A Guide to Community Tourism Development, State of Alaska, Division of Tourism, September 1985.

Alaska Visitors Statistics Program; Alaska Visitor Arrivals, Summer Season 1985, Data Decisions Group, February 1986.

Alaska Visitors Statistics Program; Patterns, Opinions, and Planning, Summer Season 1985, Data Decisions Group, April 1986.

Alaska Visitors Statistics Program; Alaska Visitor Arrivals, Fall/Winter/Spring 1985-86, Data Decisions Group, September 1986.

Economic Indicators, Ketchikan Gateway Borough, March 1987.

Governors Revised FY 88 Operating Budget for the Alaska Marine Highway System, AMHS, March 1987.

1985 Annual Traffic Report, AMHS, May 1986.

Report and Recommendations of the Alaska Marine Highway Task Force, Prepared for Governor Sheffield, April, 1984.

Southeast Community Profiles, Department of Community and Regional Affairs, Dates vary by community: 1982-1984.

A Study of the Feasibility of Converting the Haines Tank Farm to a Maintenance, Refueling, and Watering Facility for the Alaska Marine Highway System, Homan-McDowell Associates, April 1979.

SUTR
9

SENATE COMMITTEE REPORT

FURTHER:

1/30/87

DATE TURNED INTO OFFICE 2/4/87

Mr. President:

FINANCE

Committee considered SJR 9

Relating to reauthorization of funding for the federal-aid highway program.

and recommended:

replace with CS FOR _____) same title
 or adopt _____ CS FOR SJR 9 (TISA)) 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 P. Steady
Paul Steady
Jim Duncan
Rick Bell
William L. Hasty
John B. ...
...

John B. ...
Chairman signature and recommendation

Committee Backup Attached

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

Bill Version: CS S.I.R.9 (Sup)
Publish Date: _____

REQUEST: _____

Revision Date: _____ Agency Affected: Dept. of Transportation
Title: re: reauthorization of funding for the federal-aid highway program BRU: _____
Sponsor: Sturgulewski Components: _____
Requestor: Senate Transportation

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-
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)

Prepared by: Mark Hickey Deputy Commissioner Phone: 3900
Division: Commissioners office Date: 1-28-1987
Approved by Commissioner: Rocky Gutierrez Date: 1-28-1987
Agency: Dept. of Transportation

Distribution (by preparer):

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

Original Sponsors: Sturgulewski, Faiks,
Binkley, et al.

1 IN THE SENATE BY THE TRANSPORTATION COMMITTEE
2 CS FOR SENATE JOINT RESOLUTION NO. 9 (Transportation)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 Relating to reauthorization of funding
6 for the federal-aid highway program.
7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
8 WHEREAS construction and repair of highways in Alaska and throughout
9 the nation are dependent upon funds received from the federal-aid highway
10 program; and
11 WHEREAS the Congress failed to pass legislation authorizing funds for
12 the federal-aid highway program in 1987 before it adjourned last year; and
13 WHEREAS many states, including Alaska, may have to cancel plans for
14 high priority highway projects if federal-aid highway funds are not avail-
15 able; and
16 WHEREAS if the Congress does not expeditiously pass legislation to
17 reauthorize funds for the federal-aid highway program, much of the con-
18 struction season in Alaska and the cold weather states of the Northeast,
19 Midwest, and Northwest will be lost; and
20 WHEREAS revenue for the federal-aid highway program continues to
21 accumulate in the Highway Trust Fund from road-related fees including a
22 \$.09 per gallon tax on gasoline even though the Congress has not reau-
23 thorized funding for the federal-aid highway program; and
24 WHEREAS Alaska supports reauthorization of a multi-year highway
25 program without change to the current program apportionment formulas;
26 BE IT RESOLVED that the Alaska State Legislature respectfully requests
27 the Congress to expeditiously enact legislation reauthorizing the federal-
28 aid highway program.
29 COPIES of this resolution shall be sent to the Honorable George Bush,

1 Vice-President of the United States and President of the U.S. Senate; the
2 Honorable Jim Wright, Speaker of the U.S. House of Representatives; and to
3 the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators,
4 and the Honorable Don Young, U.S. Representative, members of the Alaska
5 delegation in Congress.

1 IN THE SENATE
2
3 BY STURGULEWSKI, FAIKS, BINKLEY
4 AND SZYMANSKI
5
6 SENATE JOINT RESOLUTION NO. 9
7
8 IN THE LEGISLATURE OF THE STATE OF ALASKA
9
10 FIFTEENTH LEGISLATURE - FIRST SESSION
11
12 Relating to reauthorization of funding
13 for the federal-aid highway program.
14
15 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
16
17 WHEREAS construction and repair of highways in Alaska and throughout
18 the nation are dependent upon funds received from the federal-aid highway
19 program; and
20
21 WHEREAS the Congress failed to pass legislation authorizing funds for
22 the federal-aid highway program in 1987 before it adjourned last year; and
23
24 WHEREAS many states, including Alaska, may have to cancel plans for
25 high priority highway projects if federal-aid highway funds are not avail-
26 able; and
27
28 WHEREAS if the Congress does not expeditiously pass legislation to
29 reauthorize funds for the federal-aid highway program, much of the con-
30 struction season in Alaska and the cold weather states of the Northeast,
31 Midwest, and Northwest will be lost; and
32
33 WHEREAS revenue for the federal-aid highway program continues to
34 accumulate in the Highway Trust Fund from road-related fees including a
35 \$.09 per gallon tax on gasoline even though the Congress has not reau-
36 thorized funding for the federal-aid highway program; and
37
38 WHEREAS Alaska is eligible for \$170,000,000 in federal-aid highway
39 funds if funding is maintained at prior levels;
40
41 BE IT RESOLVED that the Alaska State Legislature respectfully requests
42 the Congress to expeditiously enact legislation reauthorizing the federal-
43 aid highway program.
44
45 COPIES of this resolution shall be sent to the Honorable George Bush,

1 Vice-President of the United States and President of the U.S. Senate; the
2 Honorable Jim Wright, Speaker of the U.S. House of Representatives; and to
3 the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators,
4 and the Honorable Don Young, U.S. Representative, members of the Alaska
5 delegation in Congress.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of waiver 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

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

1/26/87

DATE TURNED INTO OFFICE _____

Mr. President:

TRANSPORTATION

Committee considered _____

SJR 9

Relating to reauthorization of funding for the federal-aid highway program.

and recommended:

replace with CS ~~SB~~ SJR 9 Sup same title
 new title

attached amendment(s) and

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

[Signature]
[Signature]
[Signature]

OTHER RECOMMENDATIONS

[Signature]
Chairman signature and recommendation

Committee Backup Attached

SUTR

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SENATE COMMITTEE REPORT

FURTHER:

3/13/87

DATE TURNED INTO OFFICE 1/22/88

Mr. President:

FINANCE Committee considered SJR 11

Urging repeal of certain portions of the Merchant Marine Act of 1920.

and recommended:

replace with CS FOR SJR 11 (Finance)) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

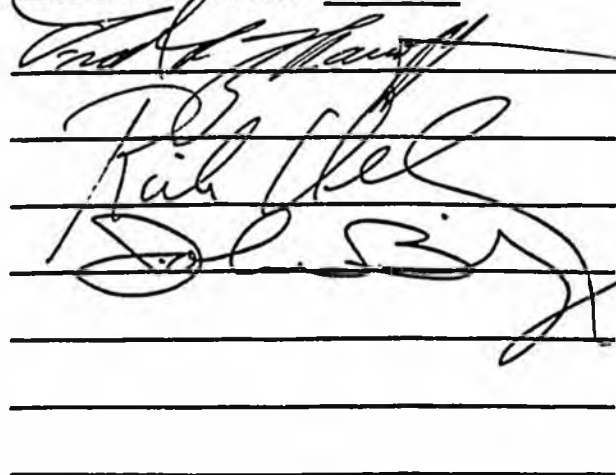
letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS



Rich Holstad do pass
Chairman signature and recommendation

Committee Backup Attached

FISCAL NOTE

REQUEST:

Revision Date: 1/19/88
Title: Repeal the Jones Act
Sponsor: Senator Coghill
Requestor: _____

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	\$35 to \$100 million					

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

The above numbers reflect the savings in transportation costs and thus the gain to the state.

THE ACTUAL AMOUNT DEPENDS ON VARIATIONS IN THE PROPOSALS AND MARKET REVENUE.

Prepared By: Vincent D. Wright Phone: 465-2173
Division: Commissioner's Office/Research Date: January 19, 1988

Approved by Commissioner: Hugh Malone Date: January 19, 1988
Agency: Department of Revenue

Distribution (by preparer):

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

Original sponsors: Coghill, Kerttula,
Faiks and Jones

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 11 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Urging the repeal of certain portions of
6 the Merchant Marine Act of 1920.

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

8 WHEREAS the Merchant Marine Act of 1920, commonly known as the Jones
9 Act, requires that vessels carrying goods between United States ports be
10 built and registered in the United States and owned and crewed by United
11 States nationals; and

12 WHEREAS the Act gives domestic-built vessels protection from free
13 market competition by foreign ships that have much lower construction and
14 crew costs; and

15 WHEREAS, as is typical of protected markets, higher freight rates may
16 follow in the United States coastwise trade; and

17 WHEREAS the Act was originally passed to build a sheltered environment
18 for United States vessels to create domestic prosperity and wartime secur-
19 ity, yet the United States merchant fleet has dropped by half since World
20 War II while the world tonnage has gone up sixfold; and

21 WHEREAS Alaska, Hawaii, and the noncontiguous territories of the
22 United States bear the cost of that sheltered environment even though it
23 was created to benefit all Americans; and

24 WHEREAS the Alaska trade now supports nearly one-third of the entire
25 Jones Act fleet; and

26 WHEREAS the effect of the Act is to reduce Alaska's state oil revenue,
27 to raise the cost of all domestic freight coming to Alaska, and to discour-
28 age the development of new oil fields and mineral deposits in Alaska; and

29 WHEREAS the direct cost to Alaska's treasury due to the Act has been

1/25/88
AS SJR 11 (Fin)
Adopted

011960

1 estimated at \$63 - \$176 million yearly and the direct cost to the federal
2 treasury has been estimated at \$135 - \$378 million yearly;

3 BE IT RESOLVED by the Alaska State Legislature that the United States
4 Congress is urged in the national interest to repeal those portions of
5 46 U.S.C. 883 that adversely affect the coastwise trade by prohibiting the
6 use of foreign-built vessels; and be it

7 FURTHER RESOLVED that until the Act is so amended, the United States
8 Congress is urged to allow foreign-built ships into the Jones Act trade if
9 they meet American safety standards, are registered in the United States,
10 and are owned and crewed by United States nationals.

11 COPIES of this resolution shall be sent to the Honorable Ronald
12 Reagan, President of the United States; the Honorable James H. Burnley IV,
13 Secretary of Transportation; the Honorable Ted Stevens and the Honorable
14 Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Repre-
15 sentative, members of the Alaska delegation in Congress.
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A/B

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST _____ Bill Version: SJR/11
 _____ Publish Date: _____
 Revision Date: _____ Agency Affected: Revenue
 Title: Repeal the Jones Act BRU: _____
 Sponsor: Senator Coghill Components: _____
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	40 to 62 million				

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

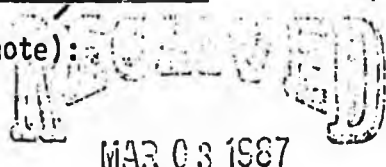
ANALYSIS: Attach a separate page if necessary

See attached.

Prepared By: Vincent Wright Phone: 465-2173
 Division: Research/Revenue Date: 2/27/87
 Approved by Commissioner: Hugh Malone Date: 2/27/87
 Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):

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



STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST _____

Bill Version: SJR/11

Publish Date: _____

Revision Date: _____

Agency Affected: Revenue

Title: Repeal the Jones Act

BRU: _____

Sponsor: Senator Coghill

Components: _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

* Analysis attached

Prepared By: Vincent Wright

Phone: 465-2173

Division: Research/Revenue

Date: 2/18/87

Approved by Commissioner: Hugh Malone *Hugh Malone*

Date: 2/18/87

Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA

Department of Revenue

Petroleum Research Section

January 27, 1987

To: Vincent D. Wright, Chief of Research

From: Charles Logsdon, Petroleum Economist



Subject: Reevaluation of the Revenue Impact of Removing the Ban
on ANS Exports

Per your request I have reevaluated the revenue potential of allowing the export of ANS crude oil by looking at the impact on severance tax and royalty income. This represents a modest revision of the analysis done July 18, 1986 to reflect more current information on transportation costs and market deliveries. The key assumptions, method, and estimates are as follows.

Assumptions:

1. Alaska would sell 100,000 bbl/day of its royalty oil to Far East purchasers. Current production of ANS is 1,800,000 bbl/day of which Alaska's royalty share is roughly 225,000 bbl/day. Alaska is currently committed to sales of roughly 107,000 bbl/day royalty crude oil on long term contract. This leaves approximately 118,000 bbl/day available for other disposal.
2. Major Alaska producers would sell an additional 200,000 bbl/day to Far East purchasers. This is an arbitrary assumption which may be too high or too low.
3. The price paid by Far East purchasers would not be substantially different than what would have been received if the oil were sold on the U.S. Gulf.

4. The transportation cost savings due to avoiding the U.S. Gulf haul would be roughly \$1.90/bbl if shipped in Jones Act tankers or \$2.95/bbl if shipped in foreign tankers.
5. All exports are assumed to be barrels diverted from the U.S. Gulf and all the cost savings are assumed to translate directly into higher wellhead values. Currently 40% or roughly 650,000 bbl/day of the ANS marketed in the lower 48 goes to the U.S. Gulf. All royalty revenue impacts are prorated on this basis.
6. Although exports to the Far East could have direct effects on the ANS price on the U.S. West Coast, no attempt is made to estimate this impact because of uncertainty over the willingness of major ANS producers to export. Market theory suggests that competition would drive the West Coast price up. Further analysis would be needed to attempt to estimate this effect.

Method:

1. Increased Royalties = State Royalty Direct Sales + Invalue Royalties + Sales to Instate Refineries at Invalue Prices.
2. State Royalty Direct Sales

Jones Act Tankers	=	100,000*365*1.90*.4
	=	\$27.74 million/yr.
Foreign Tankers	=	100,000*365*2.95*.4
	=	\$43.07 million/yr

Where .4 is the proportion of total royalties displaced from the Gulf Coast now earning higher wellhead value

3. In-Value Royalties and

Direct Sales at In-value Prices

$$\begin{aligned} \text{Jones Act Tankers} &= 200,000 * 365 * 1.90 * .125 * .222 \\ &= \$3.85 \text{ million/yr} \end{aligned}$$

$$\begin{aligned} \text{Foreign Tankers} &= 200,000 * 365 * 2.95 * .125 * .222 \\ &= \$5.98 \text{ million/yr} \end{aligned}$$

Where .125 is the royalty percentage of gross ANS production and .222 is the percentage of ANS royalties taken in-value or taken in-kind and sold at in-value prices after the 100,000 bbls. are sold to Japan adjusted for the amount displaced from the Gulf Coast, i.e. $(1 - 100/225) * .4$

4. Increased

Severance Tax

$$\begin{aligned} \text{Jones Act Tankers} &= \text{Taxable bbl} * \text{Value} * \text{Tax Rate} \\ &= 200,000 * 365 * 1.90 * .12 * (1 - (.125 * .222)) \\ &= \$16.18 \text{ million/yr} \end{aligned}$$

$$\begin{aligned} \text{Foreign Tankers} &= 200,000 * 365 * 2.95 * .12 * (1 - (.125 * .222)) \\ &= \$25.12 \text{ million/yr} \end{aligned}$$

Where .12 is the tax rate after ELF kicks in for Prudhoe in July 1987.

Summary:

	<u>State of Alaska Gross Production Revenue Effect</u>	<u>Less State of Alaska Permanent Fund Effect</u>	<u>State of Alaska Net Revenue Effect to General Fund</u>
Jones Act Tankers	\$47.77 million/yr	\$7.89 million/yr	\$39.88 million/yr
Foreign Tankers	\$74.17 million/yr	\$12.26 million/yr	\$61.91 million/yr

State of Alaska
Department of Revenue
Oil and Gas Audit Division

M E M O R A N D U M

TO: Vince Wright

FROM: Charles L. Logsdon, Petroleum Economist *CL*

DATE: January 19, 1988

SUBJECT: Update of the Estimate of the Fiscal Impact of ANS Export

I have briefly reexamined the fiscal impact of removing the ban on the export of ANS crude oil using the most current information on transportation costs and market prices. The revenue impact to the State of Alaska of such a change in federal policy would be very significant. The exact magnitude would depend on several critical assumptions. Namely, the effect of the Jones Act on tanker cost savings, the willingness of ANS producers to export, and the extent to which West Coast oil prices would rise to the world competitive level. I have developed a range of estimates for the best guess without world competitive pricing on the West Coast (assumes no impact on prices with all revenue increases associated with transportation cost savings) and one with such a pricing assumption.

No Change in West Coast Prices

Jones Act Tankers
Foreign Tankers

Increased State Revenue
\$35 million
\$100 million

West Coast Prices at World Competitive Level

Jones Tankers
Foreign Tankers

Increased State Revenue
\$150 million
\$240 million

CLL/pjt

Senator John B. (Jack) Coghill
Alaska State Legislature



Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862

M E M O R A N D U M

TO: Members of the Senate Finance Committee
FROM: Senator Coghill
RE: SJR 11, Repeal of the Jones Act
DATE: January 20, 1988

BACKGROUND

The term 'Jones Act' refers to Section 27 of the Merchant Marine Act of 1920, which states;

"No merchandise shall be transported by water, or by land and water,...between points in the U.S.... either directly or via a foreign port or for any part of the transportation, in any other vessel than a vessel built in and documented under the laws of the U.S. and owned by persons who are citizens of the U.S."

The purpose of the Merchant Marine Act of 1920 is:

"That it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States..."

JONES ACT EFFECT ON ALASKA

The Jones Act restricts the "coastwise" waterborne transportation of the United States, including transportation between Alaska and Lower-48 ports and transportation within Alaska, to vessels that are US-built, US-owned, US-registered, and manned by US nationals. Detached from the other states on the extreme Northwest corner of North America, Alaska depends disproportionately on ocean transportation for its economic

links with the rest of the nation. The Jones Act has long been a point of contention between Alaskans and other Americans --- it was one of the grievances that motivated Alaska's struggle against "colonialism" and the desire to become a State; 24 years after Statehood some Alaskans still regard the law as a symbol of their state's second-class membership in the American union.

Whatever transportation-cost penalty the Jones Act carries is imposed disproportionately on the Alaska economy. In general, the relatively small size of Alaska's economy makes it a "price-taker" in national and international markets. That is, both the prices of goods exported from Alaska and those of goods imported into the state tend to be set in larger markets outside its borders. Higher transportation costs are thus added to the cost of Alaska's imports, and subtracted from the market prices of her exports. Thus, the prices of most consumer goods in Anchorage are composed of a price determined in some outside market, plus the transportation cost from that market to Anchorage. This does not include local distribution markups.

Alaska's position as a price-taker means that its economy tends to suffer a double penalty from any adverse transport-cost differential. In general, the state's exports to Lower-48 markets will have lower prices at their point of origin than would otherwise have been the case. The most obvious impact of this kind is on the state government's natural resource royalties and severance taxes, which are keyed to netback prices.

The biggest cost impacts of the Jones Act will be on crude oil, Alaska's chief export commodity. The estimated reduction in the value of Alaska crude resulting from the Jones Act is \$225 million per year.

Alaska North Slope Crude must be shipped pursuant to Jones Act regulations, which provide an exclusive monopoly to U.S. flag ships for all domestic intercity shipborne freight. The transportation of ANS crude accounts for more than half the business conducted by the Jones Act tanker fleet. It is contended that the majority of Jones Act tankers, however, are aging, inefficient, and uncompetitive with foreign flag vessels. The inefficiency stems from; very high labor costs; direct tax subsidies for construction and operating costs; indirect tax subsidies from wellhead-price manipulation by vertically integrated oil-and-tanker companies, allowing greater shipping costs to be offset against reduced wellhead netbacks.

Below is a comparison of transportation differentials between markets:

Valdez to Japan	\$0.50
Persian Gulf to Japan	1.00
	<u>\$0.50</u>
Valdez to Gulf Coast	\$4.00*
Persian Gulf to Gulf Coast	2.00
	<u>\$2.00</u>

*With Trans Panama Pipeline (\$5.00 without)

As shown from these equations, there is an efficiency loss equaling \$2.50 per barrel. Consumers everywhere lose because economic efficiency has been sacrificed resulting in higher delivered costs to both markets. While Valdez to Gulf Coast is just twice the distance from Valdez to Japan, transportation costs are 10 times as high. The bulk of this expense is directly attributable to Jones Act tanker costs, which do not compete with foreign-owned tankers in the U.S. trades.

SUMMARY OF FINDINGS ON THE JONES ACT FOR THE ALASKA STATEHOOD COMMISSION

The Alaska Statehood Commission prepared a report in January of 1982. In this report was the commissions conclusions on the Jones Act. Listed below are some of those conclusions:

The costs of industry subsidies are not evenly distributed nationwide, but are borne by heavy users of Jones Act protected shipping.

Many Alaskans have called the Jones Act a gross form of discrimination against Alaska.

We (AK Statehood Commission) believe that if national security requires a protected merchant fleet, all the nation - not just the states heavily dependent on shipping - should support the cost.

Transportation is Alaska's lifeline, and Alaska's growth needs may be severely restricted by the Jones Act because of its inflexibility and the unwillingness of interests that benefit from the act to allow even small changes.

We find from our preliminary studies of the Jones Act... (that it) discriminates blatantly against Alaskans, helps drive up the cost of living here, and stifles economic development.

NOT JUST ALASKA

The Jones Act repeal is not just an Alaskan issue. Other states are adversely impacted as well. A recent article in the Seattle Post Intelligencer, (2-22-85) mentions that the Jones Act has failed in many respects:

The U.S. fleet has diminished over several decades from 1,300 to 400 vessels. Commercial shipbuilding in the country has come to a virtual standstill.

These laws "keep Seattle from becoming a premier destination for cruise ships. Foreign-flag ships, unable to transport passengers between U.S. ports, dock instead in Vancouver, B.C., when cruising to and from Alaska." "A cruise ship exemption could inject millions of dollars into the local economy from passenger traffic through Seattle."

CONCLUSION

The largest adverse effects of the Jones Act for Alaska are likely to be in the future, as transportation costs for crude oil and other minerals can be an important factor determining the economic feasibility of developing specific deposits.

- * Information for this committee report was taken from:
More Perfect Union; A Final Report by the Alaska Statehood Commission. January 24, 1983.
The Jones Act And Its Impact On The State Of Alaska; Volume I: Executive Summary and Volume II: Final Report. July, 1982.
Alaska's Economy and The Merchant Marine Act of 1920; September, 1982.
The Alaska Oil Export Ban; A briefing paper by the Legislative Budget and Audit Committee, April 23, 1983.

MEMORANDUM

State of Alaska Department of Transportation & Public Facilities

TO: The Honorable Jack Coghill
Senator
Alaska State Legislature

DATE: March 2, 1987

FILE NO:

TELEPHONE NO: 465-3900

FROM: Mark S. Hickey *MKH*
Deputy Commissioner
Operations

SUBJECT: SJR 11

The Alaska Department of Transportation and Public Facilities (ADOT&PF) has reviewed SJR 11 and is in general agreement with it. The thrust of the resolution to allow the use of foreign built vessels in domestic maritime trade - provided they satisfy the same standards of design, construction, ownership and crewing as US building vessels - is in line with the recommendations in the 1986 Jones Act Report to the Legislature. Inasmuch as ADOT&PF was the lead agency in developing that report, we have no problem in supporting the resolution.

Last year U. S. Senator Stevens introduced S 1935 which would have accomplished the purpose of your resolution for tourships which serve Alaska, allowing them to operate from Seattle rather than Vancouver, B.C. Unfortunately, the bill died in committee last year and no subsequent measure has yet been introduced into the present Congress.

MEMORANDUM

State of Alaska

SJR 11

TO: Senator Frank Ferguson
Co-chair, Joint Special Committee

DATE: September 10, 1986

FILE NO: 87-592

THROUGH: Gordon S. Harrison, Associate Director
Office of Management and Budget

TELEPHONE NO: 465-3568

FROM: Gregg Erickson, Senior Economist
Division of Strategic Planning
Office of Management and Budget

SUBJECT: The Jones Act and the
Price of Alaska Oil

Introduction

At the July 21 meeting of the Joint Special Committee on Tax Policy you requested that OMB provide you with background information and material regarding the Jones Act and the price of Alaska oil.

Background

Shipyard inefficiencies, lack of competition, and high labor costs, make American ships two to three times as expensive to build and operate as their foreign counterparts. Despite these higher costs, virtually all waterborne commerce between Alaska and the rest of the United States moves in U.S. rather than foreign ships. The reason is the Jones Act (Sec. 27 of the federal Merchant Marine Act of 1920), which requires that maritime trade between U.S. ports be carried in ships built in the U.S., documented under U.S. law, owned by U.S. citizens, and crewed by Americans.

Trade goods shipped between the Alaska and American ports must bear this burden, either as lower return to the seller or a higher price to the buyer. As a practical matter, Alaska usually bears the burden regardless of which way the commerce moves. In the case of Alaska crude oil, the burden is reflected in reduced wellhead values; over \$100 million per year may be lost to the State treasury due to lower severance taxes and royalties.

A related burden on the value of Alaska oil comes from the Export Administration Act of 1979 and other U.S. laws that prohibit the foreign export of Alaska oil. The prohibitions deny Alaska oil its most profitable markets in the Far East, and thus make the oil less valuable at the wellhead. A recent study by the federal Department of Commerce estimated the loss to the State treasury at \$333 million per year.

Some oil companies have opposed any relaxation of the export limitations, noting that much of their investment in U.S. flag tankers could be lost if exports were allowed. Oil companies'

production revenues would be enhanced if exports were allowed, however, and this would marginally encourage additional development of existing fields and further exploration.

Recent Studies

Several recent studies have addressed these issues. An annotated listing of those that appear most interesting in terms of the State revenue implications is attached. Copies of the studies themselves are attached with the original of this memorandum.

GKE/dmc

Attachments

cc: Committee Members

**Annotated Listing of Selected Studies
On The Jones Act, Oil Export Limitations,
and Alaska Oil Revenue**

U.S. Department of Commerce, *Report To Congress on Alaskan Oil*, June 1986. In 1985 Alaska made an unsuccessful effort in Congress to amend the Export Administration Act to allow some exports of Alaska oil. As a consolation prize for Alaska, Congress authorized and directed the administration to conduct the study that led to this Report. According to the study, the export limitations will cost Alaska \$1,330 million in the 1987-90 period (\$333 million per year), \$1,510 million in 1991-95, and \$1,116 million in 1996-2000. The study's findings generally support Alaska's position, though the authors make some factual errors and incorporate a number of unusual assumptions. For example, the federal study's "low" oil production scenario shows about twice as much annual production as the state's current "mean" production forecast.

Samuel A. Van Vactor and Arlon Tussing, "The Export of Alaska Crude Oil: Its Significance for Pacific Basin petroleum Trade," prepared for the International Association of Energy Economists annual meeting, June 1986. The authors believe that "[o]ver the coming year...the distortions and waste entailed by [the export limitations] will become more apparent, and as they come to light, the policy is likely to change. Once the inhibition on exports of Alaska oil is removed, there will likely be a cascade of reactions that will substantially increase crude-oil and petroleum product trade throughout the Pacific Basin."

State of Alaska, *Report to the Legislature on Implementation of Initiative 83-02*, January 1986. The initiative was adopted by the voters in 1982. It directs the governor to work for repeal of the Jones Act, and to annually report on those efforts. This was the first of these annual reports, and was largely prepared by John Katz and his staff in the governor's Washington, D.C. office. the report uses data from the Alaska Statehood Commission studies (cited below) to estimate that the Jones Act costs Alaska consumers \$40 million per year, and the state treasury \$225 million. The report is not optimistic about the prospects for near-term fundamental change in the trade restrictions.

National Advisory Committee on Oceans and Atmosphere, *Shipping, Shipyards and Sealift*, July 1985. The report focus on the national security implications of the Jones Act. It concludes that the nation's defense capabilities would be improved if foreign built ships were allowed to be used in the domestic maritime trade. The authors say they had access to "secret" and "official use only" Department of Defense materials on sealift capacity, etc.

Alaska Department of Revenue, "The Export of Oil to Japan - State Revenue Impacts," by Dr. Charles Logsdon in *Petroleum Production Revenue Forecast Quarterly Report, March 1983*. "Under a wide range of assumptions the State of Alaska would enjoy revenue increases should the current ban on exports [of Alaska North Slope crude oil] be removed. Though the impact illustrated ranges between \$10 and \$500 million per year..., the best guess revenue impact would probably be about \$50-\$100 million per year."

Simat, Hellieson, & Eichner, Inc., for The Alaska Statehood Commission, *The Jones Act and Its Impact on the State of Alaska*, July 1982; and Arlon R. Tussing and Associates, Inc., for The Alaska Statehood Commission, *Alaska's Economy and the Merchant Marine Act of 1920 (the Jones Act)*, September 1982. Though now somewhat out of date, these two studies still remain the best starting point for anyone wishing a good understanding of the effects of the Jones Act (and the export limitations) on Alaska.

SJR 11

regulations respecting life-saving equipment: *Provided further*, That when any such vessel carries persons other than the crew as herein provided for, the owner, agent, or master of the vessel shall first notify such persons of the presence on board of any dangerous articles, as defined by law; or of any other condition or circumstance which would constitute a risk of safety for passenger or crew.

Notice of risk, etc. to be given.

The privilege bestowed by this section on vessels of the United States shall be extended insofar as the foreign trade is concerned to the cargo vessels of any nation which allows the like privilege to cargo vessels of the United States in trades not restricted to vessels under its own flag.

Reciprocal allowance to foreign cargo vessels.

Failure on the part of the owner, agent, or master of the vessel to give such notice shall subject the vessel to a penalty of \$500, which may be mitigated or remitted by the Secretary of Commerce upon a proper representation of the facts.

Penalty for failure to give notice of risk.

SEC. 27. That no merchandise shall be transported by water, or by land and water, on penalty of forfeiture thereof, between points in the United States, including Districts, Territories, and possessions thereof embraced within the coastwise laws, either directly or via a foreign port, or for any part of the transportation, in any other vessel than a vessel built in and documented under the laws of the United States and owned by persons who are citizens of the United States, or vessels to which the privilege of engaging in the coastwise trade is extended by sections 18 or 22 of this Act: *Provided*, That this section shall not apply to merchandise transported between points within the continental United States, excluding Alaska, over through routes heretofore or hereafter recognized by the Interstate Commerce Commission for which routes rate tariffs have been or shall hereafter be filed with said commission when such routes are in part over Canadian rail lines and their own or other connecting water facilities: *Provided further*, That this section shall not become effective upon the Yukon river until the Alaska Railroad shall be completed and the Shipping Board shall find that proper facilities will be furnished for transportation by persons citizens of the United States for properly handling the traffic.

Merchandise transported in coastwise trade, etc., in other than American vessels to be forfeited.

Proviso. Exception.

Application to Yukon River delayed.

SEC. 28. That no common carrier shall charge, collect, or receive, for transportation subject to the Interstate Commerce Act of persons or property, under any joint rate, fare, or charge, or under any export, import, or other proportional rate, fare, or charge, which is based in whole or in part on the fact that the persons or property affected thereby is to be transported to, or has been transported from, any port in a possession or dependency of the United States, or in a foreign country, by a carrier by water in foreign commerce, any lower rate, fare, or charge than that charged, collected, or received by it for the transportation of persons, or of a like kind of property, for the same distance, in the same direction, and over the same route, in connection with commerce wholly within the United States, unless the vessel so transporting such persons or property is, or unless it was at the time of such transportation by water, documented under the laws of the United States. Whenever the board is of the opinion, however, that adequate shipping facilities to or from any port in a possession or dependency of the United States or a foreign country are not afforded by vessels so documented, it shall certify this fact to the Interstate Commerce Commission, and the commission may, by order, suspend the operation of the provisions of this section with respect to the rates, fares, and charges for the transportation by rail of persons and property transported from, or to be transported, to such ports, for such length of time and under such terms and conditions as it may prescribe in such order, or in any order supplemental thereto. Such suspension of operation of the provisions of this section may be terminated by order of the commission whenever the board is of the

Restriction on lower rail charges for transportation from foreign countries, etc., by water carriers.

By American vessels excepted.

Suspension if no adequate facilities afforded by American vessels.

Termination when facilities afforded.



STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

SJR 11

January 23, 1987

Dear Reviewer:

A copy of the Jones Act Report is attached for your information and consideration. The report satisfies the requirements of Initiative 83-02, which mandates the Governor to report annually to the Legislature any actions taken during the preceding year toward repeal of the Jones Act or mitigation of its effects.

This report to the 1987 Legislature covers the calendar year of 1986. It is the product of a team effort by the Governor's Office in Washington, D.C., the Office of Management and Budget, the Department of Revenue, the Department of Commerce and Economic Development, and the Department of Transportation and Public Facilities. If you have any questions about the report, please call Elliot Lipson at 465-2178.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name.

Steve Cowper
Governor

Attachment

A REPORT TO THE ALASKA LEGISLATURE

JONES ACT RELATED ACTIVITIES
AND EFFORTS DURING 1986

JANUARY 1987

The purpose of this report is to satisfy the requirements of Initiative 83-02, adopted by Alaskan voters on November 6, 1984. The initiative requires the Governor to lobby Congress for the repeal of the Jones Act and to report annually to the legislature any actions taken in this regard and their effects. This report is an update and expansion of the initial report submitted to the Legislature on January 13, 1986.

In developing the legislative issues list for the second session of the 99th Congress, the Washington, D.C. Office staff identified Jones Act modification as a state priority. In a February 21, 1986, report, it also identified Cook Inlet and North Slope Oil Exports as priorities for the second session. These items are related to the Jones Act initiative because their purposes are to stimulate the international trade activity of Alaskan industries, and to remove the barriers that exist to achieving that goal.

In a series of meetings with key staff from each of the Congressional delegation offices, and in subsequent meetings with delegation principals, the Washington Office discussed the requirement of the initiative to work for the repeal of the Jones Act. In each instance, reference was made to the repeal of the Jones Act as a priority of the state. Discussion of this item with the respective staffs produced a consensus that the climate in Congress was not favorable for major modification or repeal of the Jones Act, but that we would be alert to any possibilities for making minor amendments to, or any waivers of, the Act that might benefit Alaskan commerce. Consensus was also evident in meetings with delegation members that the mood of the Congress had not changed and that any meaningful modification to the Jones Act was very unlikely. These conclusions were corroborated in discussions and meetings with other Congressional staff and with knowledgeable outside observers.

In other actions involving the Jones Act, Senator Stevens introduced S.1935 in December, 1985, to direct the Secretary of Transportation to document certain foreign built vessels as vessels of the United States so as to be entitled to engage in domestic coastwise trade. This bill, as amended by the House, would have authorized an unlimited number of vessels to operate in the coastwise trade. The intention was to allow these vessels to function as cruise ships in the tourist industry. The bill would have constituted a waiver of the Jones Act. Governor Sheffield submitted testimony in support of this measure. However, differences in the Senate and House versions were never resolved, so this legislation was not enacted. A commentary on S. 1935 which discusses Alaska's interests is attached as Appendix A.

Another bill, S.2662, was introduced by Senators Stevens and Inouye to develop and deregulate the United States flag liner fleet. This bill would have provided operating differential subsidy contracts to qualified vessels (using U.S. crewmen) entering into international trade. The Washington Office monitored the bill's Congressional hearing, discussed its possible Alaska implications with Commerce Committee staff, and discussed the legislation with private counsel representing the Alaska Railroad. The opinion of all parties was that the bill would have little or no impact on Alaska. Primarily because of the Administration's objection to the cost of implementing the bill, it was never brought before the full Senate for a vote.

Finally, it should be noted that ADOT&PF has notified the Washington Office that at least one private carrier has contacted Senator Stevens about using the threat of eliminating the third proviso of the Jones Act as leverage in trade discussions with Canada. The third proviso allows American goods shipped between two U.S. ports to travel by Canadian rail as part of their routing. The carrier wants the government to use the threat of ending the third proviso in order to receive similar, but not identical concessions from Canada.

ADOT&PF staff has indicated its concern that this proposal would have a negative impact on the Alaska Railroad's current barge service. Also, the elimination of the third proviso runs against the purpose of the initiative which is to eliminate the Jones Act. The Washington Office contacted Senator Stevens' staff about those concerns and was told that no effort would be made by the Senator in this area without state participation. Furthermore, any strategy involving the third proviso does not seem very promising in view of the prior history of Congressional consideration of this subsection -- a matter dealt with in past communications from the Washington Office.

Even though Congress is presently reluctant to consider changes to the Jones Act, significant elements of national transportation, national defense and national economy interests recognize the need for changes from the status quo. In recent years and months there have been numerous articles by qualified experts and statements by affected organizations which recognize that:

- (1) The Jones Act and related statutes have been unsuccessful in preserving, maintaining and protecting U.S. Merchant Marine and shipbuilding capabilities;
- (2) The present and projected situation is technologically, economically, politically and socially different from that which existed when the present maritime statutes were enacted; and,
- (3) The present deficiencies in merchant marine and shipbuilding capacities have reached critical levels in regard to the several legitimate interests of the United States and the various states.

A July 1985 Special Report to the President and the Congress by the National Advisory Committee on Oceans and Atmosphere concludes that:

- (1) National efforts should emphasize development of a viable commercial fleet during peacetime in order to satisfy potential defense needs;
- (2) Requirements for U.S. build have contributed to the decline of the U.S. merchant fleet and have not created substantial work for U.S. shipyards.

The report recommends:

- (1) Eliminate all requirements for U.S. operators who receive government subsidies to build vessels in U.S. shipyards;
- (2) Amendment of current maritime statutes that impair the competitiveness of U.S. vessels in foreign trade;
- (3) Amendment of the Jones Act to allow foreign building of new vessels for the Jones Act domestic trade.

A copy of the executive summary of this report is attached as Appendix B.

A recent article by L. Edgar Prina made the following significant points:

- (1) In 1950, the U.S. ranked first in the world in numbers of merchant ships and carrying capacity (dwt). Today it is 10th in ships and 8th in dwt.
- (2) In 1950, U.S. flag vessels carried 21 percent of U.S. foreign trade tonnage. In 1983 they carried only 5.8 percent.
- (3) As of August 1985, only 8 U.S. flag merchant vessels were under construction or on order in U.S. shipyards.

The article goes on to identify the national defense implications of these facts and to indicate that the present maritime statutes are clearly not accomplishing their intended purposes. A copy of this article is attached as Appendix C.

The Standing Committee on Water Transportation (SCOWT) of the American Association of State Highway and Transportation Officials (AASHTO), chaired by Richard J. Knapp, then Alaska's Commissioner of Transportation and Public Facilities, developed a policy position statement on National Maritime Policy. The statement recognizes the same kinds of deficiencies in the present situation and calls for the creation of a presidential task force to review present national maritime policy and to recommend changes. A copy of the AASHTO policy position statement and its transmittal to President Reagan are attached as Appendix D.

The heart of Alaska's concerns over Jones Act restrictions, oil export limitations and related federal laws is clearly identified in a September 10, 1986 memorandum from Gregg Erickson, Division of Strategic Planning, to State Senator Frank Ferguson. The memo indicates that the state treasury suffers approximately \$433 million per year in reduced oil revenues alone because of the effects of these laws. A copy of this memo is attached as Appendix E.

To date, we have essentially "tinkered" with the Jones Act and related laws to eliminate or mitigate those restrictions most onerous to Alaskans. Clearly, these laws are not achieving their originally intended purposes and are no longer relevant to the present situation. We feel it will be more effective and will more effectively serve Alaska's interests if a broader perspective is adopted. National interests which coincide with or complement Alaskan interests should be identified and pursued. This approach would offer an alternative program which would better serve the U.S. and Alaskan interests.

Such an alternative program might contain the following kinds of provisions:

- (1) Construction of vessels anywhere in the world, but to U.S. standards, would be allowed for U.S. registered vessels, provided other requirements are met.
- (2) To be U.S. registered, a vessel would have to be:
 - (a) Built to U.S. standards;
 - (b) At least 51 percent U.S. owned;
 - (c) Manned by U.S. crews;
 - (d) Have all major repairs performed in U.S. shipyards.

The beneficial effects of such a program would:

- (1) Eliminate the need for vessel construction subsidies;
- (2) Offset higher operating costs due to U.S. crews and standards with lower amortization costs;
- (3) Create a basis to reestablish and maintain U.S. shipyard capabilities with vessel repairs;
- (4) Provide and maintain the sealift capabilities necessary for national defense purposes and favorable balance of trade.

As indicated, recognition of the need for and value of such a program is growing nationally. The state of Alaska should take advantage of this situation to spearhead an effort to consolidate the interests of other states. All sympathetic states should coordinate their actions to concentrate attention at the national level on reviewing and changing national maritime policy to reflect today's needs rather than outmoded and obsolete impressions of such needs.

In conclusion, various political constraints, particularly the opposition of the maritime industry, blunted the effort to obtain repeal or significant modification of the Jones Act during the 99th Congress. In the absence of major allocations of state resources -- allocations which are far beyond the capacity of existing state agencies -- there is little likelihood that the Jones Act can be significantly modified in the 100th Congress. Even a major dedication of resources does not assure Jones Act repeal given the strength of the forces arrayed against the state on this issue. In these circumstances, the result which is most likely of achievement is the piecemeal modification or waiver of the Jones Act in well-defined factual contexts, such as the cruise ship example described above, according to the Washington Office.

APPENDICES

MEMORANDUM

APPENDIX A
State of Alaska
Department of Transportation & Public Facilities

TO: John Katz
Special Counsel
State/Federal Relations
Office of the Governor

DATE: June 23, 1986

FILE NO:

TELEPHONE NO: 465-3900

FROM: R. J. Knapp
Commissioner

SUBJECT: S. 1935

The Alaska Department of Transportation and Public Facilities has the following comments on S. 1935, a bill directing the Secretary of Transportation to document up to five foreign-built passenger vessels. The effect of documentation would be to allow these five vessels to carry passengers between U. S. ports, in spite of the restrictions of the Jones Act and similar type legislation. S. 1935 is sponsored by Senator Stevens; Senator Murkowski is a co-sponsor.

The provisions of S. 1935 would apply only if -

- (1) Transportation is limited solely to passengers and their personal luggage.
- (2) The vessel was originally delivered for passenger cruise service.
- (3) The vessel is less than twelve years old but at least two years old.
- (4) The vessel has a minimum of 400 passenger cabins with modern facilities and can be converted to a troop ship.
- (5) Current and future improvements to each vessel will be done in U. S. shipyards.

S. 1935 proposes an exception to the prohibitions of Jones Act type legislation for the purposes of developing a domestic cruise ship industry, according to a recent article in the Alaska Journal of Commerce. The Governor's approach to the prohibitions of the Jones Act is similar in approach, although much broader in application. Under the Governor's approach foreign-built ships could enter all segments of the coastwise trade, as long as are were staffed by U. S. crews and meet U. S. safety and environmental requirements. Both the Governor's position and S. 1935 are in response to a domestic shipbuilding industry that is seen as a high-cost producer. Increasingly, domestic shipyards are losing the ability to produce certain types of vessels at any cost.

The provisions of S. 1935 could be broadened to provide more benefits to the State of Alaska, although most such changes would eliminate any chances of passage that the current proposal may have. For example, the exceptions proposed in S. 1935 do not apply to the Alaska Marine Highway System (AMHS). Among the differences between large cruise ships and AMHS vessels are the smaller number of cabins and the dedication of a full deck to the transportation of private vehicles and some cargo-carrying vans. The State of Alaska should consider some way to broaden the provisions of S. 1935 so it applies to more types and sizes of vessels.

Attachments

cc: Joe Camp, Deputy Commissioner, Alaska Marine Highways
✓ Warren Sparks, Deputy Commissioner, Headquarters
Pete Spivey, Special Staff Assistant, Office of the Governor

99TH CONGRESS
1ST SESSION

S. 1935

To direct the secretary of the department in which the Coast Guard is operating to cause certain vessels to be documented as vessels of the United States so as to be entitled to engage in the domestic coastwise trade, and for other purposes.

IN THE SENATE OF THE UNITED STATES

DECEMBER 12 (legislative day, DECEMBER 9), 1985

Mr. STEVENS (for himself, Mr. GOLDWATER, Mr. PRESSLER, and Mr. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

A BILL

To direct the secretary of the department in which the Coast Guard is operating to cause certain vessels to be documented as vessels of the United States so as to be entitled to engage in the domestic coastwise trade, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) notwithstanding section 12106 or 12107 of title 46,
4 United States Code, section 27 of the Merchant Marine Act,
5 1920 (46 App. U.S.C. 883), or any other provision of law,
6 the Secretary of the department in which the Coast Guard is
7 operating shall cause, upon application made in accordance

1 with this Act, not more than five vessels under foreign own-
2 ership, registry and flag on the date of enactment of this Act
3 to be documented permanently as vessels of the United
4 States with the privilege of engaging in the coastwise trade,
5 if—

6 (1) each such vessel is in compliance with all
7 other requirements of law applicable to vessels engag-
8 ing in the coastwise trade;

9 (2) any alterations, repairs, or rebuilding of each
10 such vessel that is necessary to bring the vessel into
11 compliance with the requirements of part B of subtitle
12 II of title 46, United States Code (relating to inspec-
13 tion and regulation of vessels) and regulations issued
14 under that part, or any conversion to eliminate cargo
15 space necessary to bring the vessel into compliance
16 with paragraph (5) of this subsection, are done in the
17 United States.

18 (3) all future nonemergency alterations, repairs, or
19 rebuilding of each such vessel after it is documented
20 under this subsection are effected in the United States
21 pursuant to the then applicable laws, so long as the
22 vessel remains documented as a United States vessel;

23 (4) on the date of such documentation, each such
24 vessel is owned by a citizen or citizens of the United
25 States, as defined in the applicable laws prescribing the

1 qualifications for vessels to engage in the coastwise
2 trade;

3 (5) transportation in each such vessel is limited
4 solely to passengers and their personal luggage; and

5 (6) each such vessel also—

6 (A) has a minimum of four hundred passen-
7 ger cabins with modern facilities;

8 (B) is capable of being converted to a troop-
9 ship; and

10 (C) has been originally delivered solely for
11 passenger cruise service within twelve years
12 before the date of enactment of this Act, except
13 that any vessel constructed in a foreign shipyard
14 and delivered solely for passenger cruise service
15 within two years before the date of enactment of
16 this Act shall be deemed constructed solely for
17 the purpose of entering the coastwise trade pursu-
18 ant to this Act, and such vessel shall not be eligi-
19 ble for documentation pursuant to this Act.

20 (b) For purposes of this Act, the Secretary of the depart-
21 ment in which the Coast Guard is operating shall, with re-
22 spect to vessels subject to this Act, determine the eligibility
23 of each vessel to engage in the coastwise trade in chronologi-
24 cal order of application, made after the date of enactment of
25 this Act, to the Secretary for documentation as a United

1 States vessel under this Act. Any such application shall be
2 filed not later than twelve months after the date of enactment
3 of this Act. Any rebuilding of a vessel or repair work neces-
4 sary to bring each such vessel into compliance with the re-
5 quirements of part B of subtitle II of title 46, United States
6 Code (relating to inspection and regulation of vessels) and the
7 regulations issued under that part shall be completed within
8 twenty-four months after the date of enactment of this Act.

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State News



Cruise ship promotion bill is introduced

A bill which would promote the development of a domestic cruise ship industry has been introduced in the Senate by Sen. Ted Stevens.

The measure, which would permit five foreign-built passenger ships to be documented under U.S. law, would require American crews, and would also require that all repairs and modifications to meet Coast Guard inspection standards would be done in U.S. shipyards.

"Our domestic cruise ship industry is non-existent," Stevens said in a statement on the Senate floor, "and it will remain so without the utilization of foreign-built vessels."

Noting the development of a domestic cruise ship industry could benefit many U.S. ports which might not be included in the routes traveled by foreign cruise ships, Stevens said, "My

state is a prime example of the impact a cruise industry can have on ports. Foreign cruises make periodic stops in towns in Southeast Alaska, and the tourism generated through these cruises is rapidly becoming a mainstay of Southeast Alaska's economy."

Any U.S. citizen would be allowed to file an application for documentation under the measure, Stevens said. The bill contains three criteria designed to bring modern and militarily useful vessels into the cruise ship trade.

The first criterion would require that each vessel have a minimum of 400 passenger cabins with modern facilities. This would ensure that in times of emergency the vessel would be large enough to make a significant contribution to the Navy's ability to move people, or could be used as a hospital

ship.

The second criterion would require that each vessel would be capable of being converted into a troop ship.

The third requirement would

be an age limitation on each vessel to ensure modernity. It would also prohibit potential applicants from contracting for the construction of new passenger vessels in foreign ship-

yards.

"The purpose behind the bill is to revitalize a U.S. industry," Stevens said, "not to encourage the growth of foreign industries."

Kodiak Fish Tech Center wins Board of Regents OK

The University of Alaska Board of Regents has given the go-ahead on planning a facility for the Kodiak-based Fishery Industrial Technology Center (FITC).

"Forty-four of the 50 states," President Donald O'Dowd said, "and Alaska is not one of those 44, have universities with technology development centers. We are fishing in Alaska's name,

processing and new products development.

The staff of the center has been sharing research facilities with other Kodiak fisheries related agencies and providing about 40 workshops each year in fishing communities throughout the state.

The new facility will provide about 18,000 square feet of cryogenic laboratories, con-



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